

## **Lot 3 - Intervention Evaluation ROP 2014 -2020**

# **EVALUATION REPORT**

## **Theme 2 -**

## **The Small and Medium Sized Enterprise Competitiveness**

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## List of Abbreviations

CA	Contracting Authority
RDA	Regional Development Agency
OPR MA	Operational Regional Programme Management Authority
PA	Partnership Agreement
AP	Prioritary Axis
TA	Techincal Assistance
EIB	European Investment Bank
ROP AO	Operational Regional Programme Evaluation Office
EBRD	European Bank for Reconstruction and Development
ACC	Assessment Coordination Committee
PAMCC	Partnership Agreement Managemnt Coordination Committee
TB	Tender Book
SDC	SMEs Development Center
EC	European FC Cohesion Fund
ERDF	European Regional Development Fund
EFSI	European Fund for Strategic Investments
ESIF	European Structural and Investment Funds
ESF	European Social Fund
CF	Cohesion Fund
BI	Business incubators
IFI	International Financial Institutions
NSI	National Statistical Institute
ITI	Integrated Territorial Investment
BSI	Business Support Commission
MC	Monitoring Committee
CSF	Common Strategic Framework
SAC	Scientific Evaluation Committee
ETC	European Territorial Cooperation
ERDF	European Regional Development Fund
EFSI	European Fund for Strategic Investments
ESIF	European Structural and Investment Funds
ESF	European Social Fund
IFI	International Financial Institutions
AQ	Evaluation Question

SME	Small and medium enterprises
OECD	Organisation for Economic Cooperation and Development
SO	Specific Objective
EQ	Evaluation Question
OT	Objective Thematic
IP	Investment Priority
GDP	Gross Domestic Product
OP	Operational Programme
OPC	Operational Programme 'Competitiveness'
ROP	Regional Operational Program
MAP	Multi-Annual Evaluation Plan
NRDP	National Rural Development Programme
AIR	Annual Implementation Report
SWO DR	South-West Oltenia Development Region
N-E DR	North-East Development Region
WDR	West Development Region
NW DR	North-West Development Region
B-I DR	Bucureşti -Ilfov Development Region
RDC	Central Development Region
S-E DR	South-East Development Region
SM DR	Southern Muntentia Development Region
AA RD	Agencies Association for Regional Development
NSMES	National SME Strategy
NCS	National Competitiveness Strategy
MS	Member State
UAT	Teritorial Aministrative Division
UE	European Union

## 1. Executive Overview

The evaluation report illustrates the ROP 2014-2020 evaluation results, Priority 2 Axis. Small and Medium Sized Enterprises (SMEs) competitiveness improvement in Romania on 31st of December 2018.

The aforementioned ROP 2014-2020 Priority 2 Axis evaluation report provides several solutions, conclusions and recommendations for program's co-ordination, management and control system decision-makers, by means of which the evaluation team answers to the evaluation questions (EQ) addressed in the tender book (TB).

The executive overview is comprised of the following:

- (a) The main conclusions drawn from the analysis
- (b) Recommendation Proposals
- (c) Lessons Learned

**The main conclusions are:**

- Cohesion policy targets each EU region. However, the majority of funds are directed to the regions that most need it: regions where GDP per capita is below 75% of the EU average. Disparities reduction between regions is achieved by the ROP financial allotments mechanism. In terms of disparities reduction within a development region (geographically delimited areas, districts) there are certain limits of action dictated by the regional policy framework. Thus, the regional policy framework involves the approach of 2nd level regions (NUTS II) with demographic thresholds of between 800,000 and maximum 3 million inhabitants.
- The SME sector became a strategic one for Romania. This is the reason that it was and is extremely important to provide financial and non-monetary assistance to SMEs to reduce the large differences in economic competitiveness compared to the European average, in particular by increasing labor productivity as a result of technological gap and production costs reduction, reindustrialisation based on innovation in sectors with regional development potential, participation assumption in the EU internal market, exports assumption as well as the circular economy, Romanian capital circulation in international development projects.
- Depending on the category they belong to, SMEs have distinct needs. Therefore, the assistance adaptation categories corresponding to these different needs had to be taken into account. Thus, the conclusion is that the ROP proposes financing solutions based upon SMEs distinct needs (see 2.2.B operation of financial instruments, venture capital fund, 2.1.B operation incubators / business accelerators, and AP 15 SME initiative etc.). In the same way, ROP is just one of the financial instruments for implementing public policies to sustain the SMEs development and can not come with financing solutions for entire SMEs problems in Romanian economy sector, given the restrictions imposed by intrinsic EFSI, but also by the available budget limitation.
- SMEs from Romania have access to entire existing financial sources available on the market under the established conditions by the referred programs and funding sources on the basis of funding priorities and the assurance of complementarity principle.
- Business Incubators (BIs) are facing tremendous financial difficulties. BIs are not lending targets for the banking system, therefore is no point in attracting their co-financing share from alternative sources to use them on their own behalf. Incubators income sources are

limited. A limited numbers of incubators are organized as societies, most of them are established as non-governmental organizations, possibly of public utility, permanently subsidized by initiators, founders. In the beginning and then intermittent only others benefited from allotment-based projects. Own revenues derive only from space rentals and from the provision of general, usually secretarial services. Their ability to provide specialized or high added value services is poor, if not non-existent, hence the inability for financial self-support is a supplementary risk in their financing.

- Different approaches enlargement within the ESI funds as well as in those of the state budget meant that the Romanian SMEs had to continue to navigate through different assistance schemes and programs as well as different approaches in accessing funds, starting from the fact that EU funds have different implementation objectives and conditions. Navigating through the administrative lines of available funding sources is not an easy task for SMEs.
- ROP is the only existig operational programme which during the 2014-2020 programme cycle, finances investments related to (TO 3) Thematic 3 Objective - improving the small and medium-sized enterprises competitiveness of the agricultural, fisheries and aquaculture sector.
- ROP 2014-2020 institutional management and control system has endeavored to apply a more standardized and simplified approach for submission, evaluation, contracting, monitoring and control processes. This approach was centered on the needs and responsiveness of the beneficiaries target group.
- The partnership principle has been rightly instrumented in the programme stage and requires further follow-up also in the implementation stage. Both documentation and field findings performed at the international practice level emphasize that there is room for an improvement in the partnership instrumentation principle during the program advancement as there remains a risk for the partners involvement to be just a formal exercise.
- At present, despite the performed simplifications, remains a proportionality lack of administrative requirements in relation to the received funding amount and other administrative impediments, which discourages SMEs from seeking financial support by ESI funding channels.
- Complementarity and synergies between structural funding programmes and other national investment programmes together with EU assistance need to be strengthened. Thus, possible synergies and complementarities between ESI funds and the European Investment Fund (EFSI) should be explored, triggering the topic for further evaluation studies.
- Currently, Romania does not have a public policy to sustain the business internationalization sector activity on various plans and directions of action. The existing government policy focuses on promoting export activities. Therefore national / regional initiatives and follow-up financial instruments to support the SMEs internationalization may not go beyond the national regulatory framework. Therefore, strictly congruent with the regulations underlying the use of the EFSI, the ROP's intervention on this area is encompassed to sustain improving economic competitiveness measurement to stimulate exports as a first step in the internationalization strategy. Instead, for a comprehensive and in-depth approach, analyzes are required to assist public policies and appropriate support measures to stimulate the free circulation of products and services and Romanian capital within the EU internal market space or to assist Romanian capital to penetrate international markets from non-EU countries .

Regarding the obtained achievements throughout the implementation cycle stages, the main analysis conclusions are the following:

- The information and suport offices help desk type is a newly introduced mechanism. The applicants assistance during the clarification period along wih the opening phone calls was also in place during the previous programme timestamp, but the service functionality was not systematic. This explains why there is not yet a harmonized, uniform practice in

all intermediary institutions. Hence the improvement necessity of operational procedure, training and a mechanism for experience exchange and lessons learned introducing in the communication business relationship with SMEs and other categories of program beneficiaries arised.

- Patently, the quality level of the specific guidelines for different calls has increased. The performed corrections and the guidelines improvement prove that it is a continuous learning process that the implementation system needs to go through having the knowledge of the SME sector specifics it finances. In depth participatory and pro-active approach in the preparation of the guidelines could remove some of the planning mistakes.
- MySMIS is an application designed to horizontally respond to all operational programmes having ESI fundings as the source of financing. Although it is an appreciated substantial improvement under the aspect that there is no need for paper as means of documentation transmission, in its functionality appeared a substantial number of deficiencies, limitations and obstructions which triggered the need for alternative working solutions. MySMIS has essentially contributed in increasing transparency in the management and ESI funds utility. Therefore, it is a OP "asset" that needs to be maintained in an upgraded formula to better respond to the ROP specifics.

**Recommendations Proposal** resulting from the quantitative data analysis and qualitative information guaranteed by the stakeholders in the participatory evaluation exercise are grouped as follows:

- A. General recommendation proposals, horizontal recommendations type
- B. Recommendations Proposals in stages for the implementation programme process
- C. EQ issues recommendation proposals

#### **A. General, horizontal recommendations proposal within the report reference analysis**

**A1. SMEs integrated financial mechanisms analysis.** Coordination of different interventions that together different funding streams and allows SMEs to individually or in partnership request an integrated global investment covers different needs. Of course, there are related risks with the integrated approach. For example, the complexity of such an approach to aligning rules across the various available funding sources may affect the implementation feasibility . Therefore, it is advisable to analyze integrated financial mechanisms with its involved advantages and disadvantages.

**A2. Innovation Consultancy.** Technological modernization, innovation and internationalization are the main drivers of economic competitiveness. It is therefore necessary to sustain the development and consolidation of an innovation advisory sector as well as of innovation intermediaries. The latter can act as innovation promoters and / or catalysts at the SMEs level :  
(i) facilitate the understanding of the innovation concept in line with the OECD Oslo Manual, (ii) stimulate interest and orientation towards product / organizational and marketing processes, (iii) The development partnership culture for innovation, etc.

**A3. Business Infrastructure Support (BIs).** As regards the financial support towards BIs, it should be extended to clusters or to stimulate sectoral / specialized incubators in areas of competitiveness (e.g in areas of regional competitiveness of the RDP or more current intelligent regional specialization strategies). In order for the existing incubators to access the available funds under the operation 2.1.B it is necessary to extend the eligibility with the salary expenses of the hired staff to the incubator, similar to the situation of the technology transfer centers, at least 50% of the salary fund of the project management team staff. At the same time, as operation 2.1.B is sustained and the creation of new business incubators, in fact start-ups of such structures, it is recommended to monitor the range of developed support services provided

by these new entities. In addition to immediate outcome indicators monitoring, monitoring advisory services provided to the incubator and non-resident is justified by avoiding the risk having available only hosting services within the incubator's financial footing.

**A4. Beneficiary contribution leads to a shared risk accountability.** Certainly, the beneficiary's own contribution to the investment project is an accountability and interest guarantee for implementation, risk-sharing in own funds usage and the public sector. Regional differentiation according to their level of development will be compliant to the state aid regulations intensity.

**A5. Promoting the partnership throughout the programming stage.** Monitoring the partnership application principle during its implementation by activating a technical working group established according to Article 21 (1) from the Organizational and Functional 2014-2020 ROP Monitoring Regulation Committees (MC). Furthermore, the ESI funds 2021+ strategy development will require a greater and more active involvement of the associative business environment of entrepreneurs' associations, employers' organizations at all levels as was performed during the 2014-2020 ROP preparation period or when the evolution approach to increasing SMEs competitiveness has resumed consultations.

**A6. Analysis and introduction of new public policies.** Several measures taken by ROP implementation system and during the implementation timeline seem to be insufficient to solve various issues. Therefore, proactive measures and instruments that could be brought to the attention of the Partnership Agreement Management Coordination Committee (PAMCC) are needed, given that this high-level partnership structure ensures the coordination and strategic planning of the European Structural Funds and Investment implementation (EFSI). Through this mechanism of debate and analysis among partners, the European Funds Ministry (EFM) promotes transparent and constructive communication between relevant actors in the field of cohesion policy so that future strategic approaches reflect Romania's real development needs and at the same time ensure public policies improvement and synchronization at national level.

## **B. Recommendations proposals with reference to the implementation program cycle stages**

**B1.** Set up a network of information and support offices. Regarding the help desk mechanism recognized by the beneficiaries as useful and successful, it is recommended to include in the activity plan of the Regional Development Association Agencies (RDAA) a topic related to the establishment of a network of information and support offices that operate within ROP Intermediate Institutions of Regional Development Agencies (IIRDIS). Such an initiative can contribute to linking activities that sustain the preparation of eligible projects by evaluating it, to homogenizing support and counseling practices, facilitating the experience and casuistry exchange, and helping to improve the experts working training in the field in these offices with regard to the requirements and issues specific to the types of appeals, not only those related to the SME sector and the business environment but also to the other axis.

### **B2. Activity fields identified as eligible in appeals and their closer ties to economic potential and regional competitiveness.**

It is advisable to continue the consultation process with RDA regarding the establishment of eligible areas of activity for their better focus on the areas of competitiveness of RDPs and, for the future programme period, on intelligent specialization. Choosing the sector / sub-sector / eligible activity should not be seen as a restriction of access but derives from the need of better strategic coordination and congruence with economic and development potential, industrial, economic and social tradition of the regions as well as development priorities. It is also advisable for the consultation process to involve high levels of decision-making from RDA, as it involves strategic approaches.

**B3 Participatory guidelines training.** Introduction of an operational training procedure and certifying appeals guidelines. Guidelines need to be designed in consultation with the associative



business environment, on the experienced consultants segment in attracting European funds, and not just subject to public consultation according to decision-making transparency in the regulatory process. It is also recommended to involve ROP intermediary institutions in the preparation of guidelines for applicants before the publication stage for public consultation.

**B4. Administrative and eligibility checkings simplification.** Introduction of a new updated disclaimer on behalf of the legal representative regarding the maintenance of the ownership structure of the depositing phase and of the category of independent micro-size until contracting. In the current context, this statement would be responsible for the beneficiaries, would not overburden the IO and accelerate contracting. Verify the veracity of the statement by an independent auditor who is contractually contracted to close the project. Proof of the beneficiary's own contribution to be submitted within 90 days of contracting the financing, similar to the instruction of the AM ROP regarding the presentation of the building permit. The grant agreement provides for a suspensive clause in the case of non-fulfillment and an indication that it is terminated by law in the absence of the presentation of the evidence within the timeframe set by the instruction.

**B5. Subsequent changes to the financing agreement.** Further improvements are needed in the subsequent modification procedure of financing agreements, with the purpose of simplification in order to accelerate the projects implementation for which funding has been granted. The subsequent changes regulations is the additional act (AA) rather than the notification, which prolongs and even stops for a moment the activities implementation at the project level.

### **C. Recommendation proposals related to the evaluation questions.**

**C1. Applicants Traceability.** Another recommendation proposal is related to the measurement of the phenomenon of the grant applicants return, which may be followed from the beginning by introducing a heading in the application form (TB) adapted for this purpose. By requesting such information through the TB form, applicants traceability may be detected through different investment priorities and / or operations within a priority. In the absence of TB traceability elements, the phenomenon may be studied at the sample level in subsequent assessment exercises or in ex-post monitoring.

**C2. Stimulating the return of the beneficiaries through "cascade" financing according to the enterprise development stage .** This approach is likely to give the possibility to enterprises, former beneficiaries of ROP 2007-2013 or SOP CEC 2007-2013, to access funding from the ROP 2014-2020 depending on the developments account for its progress, respectively the class size modification they belong to: 2.1.A- micro-enterprises with market seniority of at least one year old, 2.2.- small and medium-sized enterprises. This approach is feasible and opens businesses opportunity paths for enterprises that have scored growth and development towards another SME category even during the current programme cycle. For the next ROP evaluation plan stages, it is advisable to carry out research and analysis on this segment of beneficiaries that have experienced rapid growth, stimulated by having access to available sources of funding.

#### **In the lessons learned overview, the following are to remember:**

- Looking ahead to 2021+, sustainable regional development should be geared to regional economic development in line with the economic potential and competitive development and each region specialization plans.
- The SME sector is the economic catalyst growth as defined by Peter Drucker, the parent of management. The flexibility of SME-type entities and their business structures is what gives them a high capacity to adapt to conditions and fluctuations in the market and to the economic and social environment. That is the reason why in the SME assistance relationship there must be flexibility and focus on their needs.

- SMEs seek to maximize market opportunities, including funding possibilities. Their mobility demand is high. The transfer of results to the region of origin in fact does not lead to their loss in the national economy. The region where funds are granted can benefit from a number of advantages of these business relocations: increasing the number of active business units, fixed-term jobs, introducing new business management practices, local taxes and dues, etc. Despite all these supposed benefits, less developed regions are concerned with a series of questions about the objective of reducing regional disparities in the context of the funding demand from more developed regions being migrated to those with financial allotments to SMEs. This issue, which raises concerns, deserves to be brought in the attention of the ROP's coordination, management and control system.
- The AP2 result indicators are more synthetic and project outcome indicators are coordinated and congruent with the programme ones. The indicators documentation sources are correctly determined, but there are some differences in the definition of the ROP 2014-2020 result indicator with the definition given by the documentation source, reason why it is necessary either to align or to set up an own source of documentation at project level on the basis of systematic investigations at key moments. Fundamentig the theory and intervention logic of the future ROP should be done through in-depth context situation analyzes and dynamics of the SME sector in Romania.
- Significant, undeniable progress has been scored in ROP 2014-2020 implementation. These stage performances were mainly due to new tools and mechanisms that sustained operations implementation within the investment priorities of AP2 in a horizontal way (specific guidelines for appeals launching, applicants information and support mechanisms in TB training, payment request mechanism, etc.). The experience gained by the ROP's coordination, management and control system as well as by the SME beneficiaries in the previous programme cycle has also been added.

**The overall ROP 2014-2020 objective is to increase the economic competitiveness and improve the living conditions of local and regional communities** by sustaining the business development environment, infrastructure conditions and services, ensuring regions sustainable development, capable of managing the resource efficiency, capitalize their potential for innovation assimilate technological progress.

**The assumptions** underlying the ROP preparation are summarized as follows:

While progress has been highlighted, Romania meets serious competitiveness gaps compared to EU countries, at the level of all competitiveness-inducing factors reflected in low productivity.

In Romania, the SME sector was already the basic structure of the economy, holding 99.64% of the number of active enterprises in the 2013-2014, which in the meantime was stabilized. Although it is unanimously accepted that SMEs are the main trigger of economic growth in Romania, this sector faces a series of problems with a direct negative impact on the country's economic competitiveness.

The main Romanian SME sector weaknesses and characteristics identified during the ROP 2014-2020 programme were:

- Low degree of entrepreneurial culture - reflected by the relatively low business density in all regions. This problem has been identified at AP, SNC, SNIMM levels. In Romania (2011) there were 21 SMEs / 1000 places, value below 50% of the EU average;
- SMEs critical mass problem affected also by low start-ups resilience - 2/3 of new businesses disappeared from the market after the first year of life either by temporary suspension of activity within the law or by deletion from the Trade Registry.
- Reduced chances of a SME start-up in the sense of switching from one size class to another are being limited by several obstacles: limited access to resources (land, labor, capital), low access to alternative sources (the lack of a history and some evidence of

economic performance excludes them from lending from the commercial banking system amid a hesitation and even reluctance of the banking system to work with small potential clients), the production ineffective process due to technologies, outdated machinery and equipment, low degree of innovation, ineffective links with their own markets;

- SME sectoral structure activity centered on services that through its nature lead the SMEs to a local market or, at least to a regional one. Only SMEs capable of providing innovative and high added value services may aspire to a national or international market;
- SME sector characterized by relatively weak orientation towards productive activities, reduced access to capital, technology and infrastructure, aspects that negatively affect the economic productivity.
- The SMEs exports decrease in number, especially those who traded on the EU internal market, in the period 2008-2010, as well as the reduced share of exporting SMEs compared to the recorded level in the EU, especially those exporting outside the EU;
- **Business Support Infrastructures (BSIs) by providing incubation services.** Although SMEs had the support through business incubation structures, this was insufficient: at national level, there were several such structures and centers for SME development consultancy (CDIMM) that had been established since 1996. In 2012 only 10 business incubators were accredited and monitored, of which only 7 are functional. According to the field studies, SMEs assisted by incubators should be much less prone to the risk of failure in the first years of activity after their establishment due to the numerous services that these structures are supposed to provide.

## 2. Current Situation

According to the AP, EFESI investments committed to the sustainable growth of national competitiveness during the 2014-2020 period were to be prioritized both from the CNC sector perspective and from the RDP regional specificity, which identifies at regional / local level other competitive sectors.

A Priority 2 Axis was designed for the set of needs, suppositions and short-listed challenges. "Improving the Competitiveness of Small and Medium-sized Enterprises", axis is structured on two investment priorities, namely:

P.I.2.1 - Promoting entrepreneurship, in particular by facilitating new ideas of economic exploitation and encouraging new businesses creation, including business incubators.

P.i. 2.2 - Sustaining the creation and expansion of advanced production capacities and service development.

**AP2 is part of the Thematic Objective (TO 3)** - improving the competitiveness of small and medium-sized enterprises, the agricultural, fisheries and aquaculture sector by promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and by encouraging the creation of new businesses, including business incubators

**The specific objective of P.I. 2.1** is the strengthening of the market position of SMEs in the competitive areas identified in the CNS and RDPs

Program specific result indicator associated to the aforementioned objective: The 3-year survival rate of microenterprises to reach the target of 72.8% in 2023 compared to the base reference of 62.8% in 2011.

Output Indicators: Number of sustained enterprises; Number of enterprises benefiting of the allotment; Number of enterprises receiving non-financial support; Private investment combined with businesses public support (allotment)

**The P.I 2.2. Specific Objective** aims to improve economic competitiveness by increasing SMEs labor productivity in competitive sectors identified in the NAS.

**Program specific result indicator** for the specific stated objective: SMEs labor productivity at a turnover value of 500,373 RON per employee for the more developed regions and respectively 316,479 lei for SMEs in less developed regions are the 2023 target values.

Immediate performance indicators: Number of sustained enterprises; Number of enterprises benefiting of the allotment; Number of enterprises benefiting from financial support, other than the allotment; Private investments combined with businesses public support (allotment); Private investment combined with public enterprises support (other than allotment).

**Briefly, the 31st of December situation 2018 is as following:**

The implementation process of the two AP2 investment priorities was achieved by organizing 7 project proposals appeals (including the EIF launching), of which:

- Four 2.1 PI appeals. Entrepreneurship promotion, especially by facilitating the economic exploitation of new ideas and by encouraging the creation of new enterprises, with the help of business incubators:
  - 2.1. a Operation - Micro-Enterprises - 7 REGIONS;
  - 2.1. b Operation - business incubators / accelerators - 7 REGIONS;
  - 2.1. a Operation - Micro-enterprises - ITI Danube Delta appeal;
  - 2.1. b Operation - business incubators / accelerators - Danube Delta appeal.
- Three appeals on 2.2 PI Supporting the creation and expansion of advanced production capacities and service development O. 2.2 Improving economic competitiveness by increasing SMEs labor productivity in the NAS identified competitive sectors:
  - 2.2. a Operation - SMEs - 7 REGIONS;
  - 2.2. a Operation - SMEs - ITI Danube Delta appeal;
  - 2.2. b Operation - Financial instruments appeal - SMEs venture capital fund.

The financial allotment at program level for this axis is 5,372.2 million lei

From the AP2 total financial allotment, 32.65% was allotted to the 2.1.A investment priority, Micro-enterprises, 11.22% pertaining to the investment priority 2.1.B. Business Incubators, the highest investments proportion, namely 56.13% - comes from the 2.2 investment priority (of which 588.1 million Euros for the 2.2 A IP. SME Economic Competitiveness and respectively, 58.8 mil. Euro, were allotted to 2.2 B. Financial Instruments priority).

Within these appeals 4934 projects were submitted, forecasting eligible non-refundable financing budgets (ERDF + National Contribution) in the amount of 8,029.1 million RON.

On 31st of December 2018, 2651 projects were contracted on this axis, out of which 438 were carried out through physical activities achievements, representing 16.5% of the total number of signed financing contracts.

Moreover, the completed projects were recently concluded, with the case consequences upon effects validity and the medium term impact.

The contracted non-fundable eligible amount is 3,654.1 million lei, which leads the contracting at 68.02%.

The largest proportion value of the submitted and concluded projects is the one of the projects submitted for the 2.1. specific objective which aims to strengthen the market position in the competitive areas identified in the CNS and RDPs in the case of micro-enterprises and business incubators. Furthermore, having this investment prioritized ROP was launched the

implementation, the 2007-2013 programme experience and the lessons learned prove its relevance and utility.

Compared to the financial allotments distribution on the two investment priorities, this specific objective has achieved the best performance in attracting and contracting financing for investment projects.

On the two investment priorities, the highest projects number were submitted by micro-enterprises (3322 projects) and business incubators (71 projects), followed by SMEs (1552 projects).

The highest funding applications number (CF) were submitted in 2017 (3043 applications). Considering, however, that CF request submission in 2016 started in the middle of the year, the number of submitted applications doubled in 2017 compared to 2016, which provides a rhythm indication of the implementation process

As regards to the CF submitted value, 59.5% of the amount of eligible expenditures from non-fundable financing was requested by SMEs, followed by micro-enterprises with a 29.5 % percentage of the total non-fundable eligible expenditures financing, the 11.0% difference returning towards business incubators.

The first payment validation and settlement authorisation in the form of pre-financing requests and payment requests were made in 2017, the reached payments limit until December 31st, 2018 being 915.6 million lei, representing 17.0% of the financial allotment for the axis and of 25.4% of the non-reimbursable funding amount contracted until 31st December 2018.

The first validated and settled payments in the form of pre-financing requests and payment requests were made in 2017, the level of payments made until December 31st, 2018 being 915.6 million lei, representing 17.0% of the financial allotment for the axis and of 25.4% of the non-reimbursable funding amount contracted until 31st December 2018.

The EU funds allocated absorption rate of this axis was 14.49% in 31st of December 2018, an estimated level according to the implementation study of 16.5% of concluded contracts number.

### 3. Study Stages

#### 3.A Relevant Literature

Alluding to the main evaluation purpose, the literature abstraction was mainly based on the office documentary analysis of a bibliographic extended list (attached) findings on the different thematic evaluation practices performed in other Member States (MS), entrepreneurial support programmes in some regions, European level lessons learned and best practices. The international experience inventories record are presented in Appendix 2.

The main identified findings were organized into three categories (general, post-2020 and relevant lessons learned). The findings come directly from the official documentation analysed on the office review stage. The analysis was focused more on examining at European level the management models, practices and valid examples overall valid and not just for the local case.

Obviously, it is extremely important to take into account that these findings (as well as the related conclusions and recommendations presented in the corresponding section) are closely linked to the public policies in Country Strategy Papers, which represents the foundation of operational programs at each MS level.

The following table depicts the main documentary analysis findings.

<b>Level</b>	<b>Main Findings</b>
<b>General</b>	The SMEs key role in creating jobs ,generating growth (representing 80% of EU jobs) an the need for a favorable conducive regulatory environment to the establishment and operation of these businesses, belong to the youth and those living in rural areas; the importance of reducing the bureaucratic burdens imposed on SMEs and facilitating their access to finance, as well as the need to sustain investment projects and training promoting the entrepreneurial skills development.
	The overcoming barriers relevance for this special FEDR beneficiary groups and its specific weakness in administrative issues debate
	The opportunity awareness to promote a SMEs focused approach, especially within ESI funds. management, implementation, audit and reporting fields
	The cost for data processing needed for funding request (FR) , as well as layered controls,obstructed the SMEs to submit projects,due to the fact that ESI funds were not designed with Small Business Act (SBA)" <i>Think small first</i> " in mind. In the current regulation, the SMEs are not only seen as resource „receptients „but as „beneficiaries”( the body receiving help”)and have, for this case the same status as the public administration, with similar responsibilities in spite of its reduce scale.
	Lower administrative costs alternative and electronic governance are costs to fulfil the required information for the funding application form (CF) and layered mechanism prevented SMEs to submit projects because the ESI funds have been designed taking into account the principle of Small Business Act (SBA) "think at a smaller scale first". In the current regulation, SMEs are no longer considered as "recipients" of resources, but also as "beneficiaries" ("the receiving agency") and have the same status in this case as public administration with similar obligation despite the simplified SMEs tools
	Promote wider coordination between managing authorities of different funds at all levels to facilitate the establishment of integrated actions and umbrella-style state aid schemes, as appropriate.
	Promote simplification of European, national and regional eligibility norms and simplify / harmonize the financial application request forms.
<b>Post-2020</b>	SMEs, as a group of beneficiaries, represent a wide range of organizations / entities from the independent newscaster / editor to the nonprofit service provider and innovation, manufacturing and service-oriented companies.
	Analysis evidence suggests a more coherent approach at European level that places SME needs at the center of processes.
	A solution finding necessity related to the state aid issue.
	The European level directly managed programmes, as Horizon 2020,are struggling to apply an more standardized easy approach for the project, management and control submission centered on the beneficiaries target group needs/ capacities .Having all taken into account for a centralized practice and a standardised approach ,a diverse approach within ESI funds meant that the SMEs were supposed to seldom navigate through differential support outlines at the national, regional or local level, as well as different existing financing approaches.
	Individual offers for SMEs gathering different funding stream allowing them to request a global investment willing to cover different activities ( e.g Research, trainings, energetic effectiveness) and other support means.
	Support and assistance offered at the regional or national level (or one of their network to act as an intermediary and may help the SMEs to enroll for the ESI fundings.
	Enhance coordination within the Commission to improve the stability, consistency and transparency in rule interpretation from the regulation table of contents.

Source: Evaluation team processing office documentation analysis and relevant literature review

Certainly, more targeted and RMP-oriented 2014-2020 management findings derive more appropriately from other assessment sources (such as semi-structured interviews, field analysis, online survey, etc.) with which they need to be corroborated.

### 3.B Data Collection

The following categories of data were collected for evaluation report preparation:

- Internal context data centered on SME sector the situation and verification of ROP indicators resulted from Eurostat statistical sources / INS: INS online TEMPO database, conducted surveys for INS enterprises, NBR press releases. In accordance to the CdS provisions, these internal contexts, organized under section 6 of the reROpt, are intended to substantiate "the decision that should be taken to elaborate the future program or the second evaluation";
- SMIS administrative data source;
- Data and information from semi-structured in depth interviews with ROP system implementation conductors and other independent experts, focus groups with involved relevant experts panel.

### 3.C Methodology Description

The assessment exercise was based on a robust methodological approach tailored to the specificity and nature of each evaluation question stated in the Tender books (TDs).

- **Office document review.** International context information obtained by summarising an extensive bibliographic list (ReROpt appendix) in relation to the review basis of the literature in the preparatory phase of the initial reROpt.
- **Online survey based on computer-assisted self-completion.** The survey was conducted based on the Revised Questionnaire (Annex 4 to the Initial Report). The survey was opened on the online platform SurveyMonkey on January 15th, 2019 with an initial finalising deadline January 25. During the survey the deadline was prone to be extended twice until 31st January and 15 February as lack of weak target responders. The deadline extension was preceded by resending the participation invitation to the survey through mass email facility from LME office in Milan. During the online survey there was also in place a clarification helpdesk. A relatively small number of requests for clarification on the correct understanding of the questionnaire underlying the investigation, which have been promptly resolved, have been received. Finally, after successive appeals, 237 validated questionnaires were obtained.

The obtained sample convenience structure after successive adjustments is relatively close to the structure of the total population of financing contracts allotted by development regions.

- From the total number of respondents, 66.4% had projects under implementation, 33.8% had finished the project, 0.8% had signed the financing contract, but implementation had not yet begun.
- 42.6% of the respondents were with the ongoing procurement contract, ie in a relatively advanced stage of implementation, and 14.8% with the allotment documentation under preparation.
- All SMEs which responded to the online survey are companies built on Law no. 31/1990 basis with subsequent amendments.
- 35.4% are from manufacturing industry, 9.7% construction, 6.3% wholesale and retail trade, 4.2% hotels and restaurants, and other service sectors.

- Only 0.8% of the survey participating companies had the year of establishment 2016, the others have a much longer life cycle, meaning mature businesses.
- From annual turnover point of view, 57% reported as being between 500,000 and 1 million Euro, 16,9% between 50,001 and 100,000 Euro and 15,5% between 5001 and 50,000 Euro.

Given the encountered limitations and constraints, it may be appreciated that both size and structure are all that could be achieved to encounter the activity evaluation deadline.

The convenience sample does not allow for the automatic extrapolation of quantitative results across the entire recipient range. That is why the extension is done under certain reservation and only by checking with another source of data / documentation and / or the judgment of the experts and interviewees. Instead, the conduct of the survey in its online form allowed a broad consultation and based on the participatory evaluation principle. Thus, it is appreciated that the sample is sufficient for qualitative information extraction.

- **Semi-Structured interviews with Implementing System Managers.** This led to obtaining of qualitative information through semi-structured interviews with the ROP implementation system, ie the Intermediate Institution (IBs) of the Regional Development Agencies (RDAs) and the Managing Authority (MA). The interviews were conducted on the basis of an Interview Checklist based on a table of correspondence with IE and a Roadmap previously agreed with the RDAs and endorsed by BE ROP. According to the plan, the following movements were made: 17th Jan. at OI RDA S Muntenia, 22nd Jan. At RDA SV Oltenia, 22nd January to RDA W, 23rd January to RDA NV, 28th January to RDA SE and 30 January to OI ROP within the RDA NE.
- **Qualitative Information obtained** from organizing 3 focus groups. The first FG with relevant stakeholders, organized on January 15th, 2019, and the next two with financing contracts beneficiaries who on 31st December 2018 had physically accomplished their investment project activities. A FG was organized on February 15 in Alba Iulia and the second in Bucharest on February 22, 2019. The Lot 3 assessment project management team decided to grapple with OI's request to organize an additional FG and to target group participants in 2 clusters, as follows: beneficiaries with completed projects from the W, NW, GF ECnter in Alba Iulia, and beneficiaries from S Muntenia, SW Oltenia, SE and NE to be invited to FG organized in Bucharest. In this way, it has attempted to meet the refusal to participate due to the distance or time required to participate in FG, given that SMEs and micro-enterprises mainly have a very limited staff team involved in day-to-day activities. Moreover, it was intended that the beneficiary's representative should participate in the FG and not their representatives (eg consultants). This has largely succeeded, with only one exception in Bucharest, where, however, more SMEs from RD SE have delegated a consultant. According to the list of participants attached to the activity reROPs on the progress of the focus groups, a number of 22 beneficiaries, out of six RD, less RD NE, for whom the distance to the venue posed problems.
- **Experts pannel.** Consultation and validation of presumptive impact and impact scenarios through an expert panel on February 20th, 2019. Consultations and validation were conducted with 4 experts whose experience in the field of interest is extremely relevant. Lists of guests and participants will be enclosed to the final activity report.

**Counterfactual Analysis.** In order to perform this analysis, the following preparatory activities were undertaken:



- The list of projects completed on 31st of December 2018 was requested and received from the monitoring and control department of the AM ROP. This file contains (attached) 438 beneficiaries with completed projects in terms of the physical realization of the planned activities . It is noted that none of the completed physical projects entered the ex-post monitoring period taking into account the provisions of the regulations in force.
- In the same time, the communication with RIP ROP within RDA 7 less developed regions was initiated to obtain the necessary contacts for individual identification. With the support of two RDAs, respectively NEs and SEs, the contact list was obtained for non-beneficiaries, ie from the category of applicants rejected in the various stages of the evaluation and selection process, either in the pre-contracted period or which withdrew from their own initiative and have not materialized the signing of the financing contract.
- Two samples from the two regions were identified: beneficiaries and "control group" similar in size and structure compounded of non-beneficiaries. The sample of beneficiaries in the pilot regions consists of 37 micro-enterprises in the NE and 31 respectively in the SE region. The extracted samples are set out in this report Annex.
- A minimum set of indicators has been established to ensure continuity and comparability with previous similar analyzes, consisting of: turnover, net profit and number of employees.
- Acces to a database <https://www.listaфирme.ro/> with the indicators in the minimum set was identified and acquired and these indicators were extracted for 2014 and 2017 for both the sample of ROP beneficiaries and control group. Files with these indicators are listed in the appendix.
- It was found that it is impossible to complete the data series with the values of the indicators at least for the year when the projects were completed. The date of submission of the balance sheet for the financial year 2018 is 31 May 2019.

From a methodological point of view, carrying out an assessment based on counterfactual analysis requires compliance with some basic regulations. These rules, the extent to which they are met at the critical time of the research organization as well as the observations and recommendations of the evaluation team are summarized in the technical box below:

Evaluation Basic Rules	Satisfactory Condition?	Observations/ Recommendations
Evaluation cycles with programming cycles time alignment	NO	The analyzed programming period (2014-2020) is not yet complete
If the evaluation is performed before the programming period completion it should help in intervention logic selection	NO	The logic of ROP 2014-2020 interventions has already been defined
The existence of a database	YES	ONRC or from commercial sources
Accessibility	YES	For the beneficiary, MySMIS provides some of the necessary data; data about company performance indicators (e.g. turnover, number of employees, profit, etc.) may be obtained from several official sources

Complete/Valid	Partial	The majority of the data is available, but some synopses may be risen related to obtaining specific indicators or to the information provided by MySMIS, especially related to the first projects submitted for funding.
With data before / After the intervention	NO	At 31 DeECmber 2018 (research critical time) the number of completed projects is very low; Moreover, there are no financial data available at the date of the 2018 evaluation; In accordanEC to no. 10/2019 Order on the preparation and submission of annual financial statements *, the financial statements for the year 2018 will be submitted in May 2019
Counterfactual analysys design soundness/ Program-level results reliability	NO	Counterfeit analysis should compare a sufficiently large number of target group beneficiaries with non-control group beneficiaries; The current situation shows a very limited number of projects that started in 2016 (the first year of the programme period with the financing application submitted and the signed financing contracts) and were finalized in 2017 (the last year for which there are financial data for the target group and control group). This situation is inappropriate and appropriate to respond to the main evaluation questions. It is recommended that a minimum of 3-5 years have passed sinEC the implementation of the projects finanECd under the ROP was completed in order to observe the effects of the interview. At present, there is not even a project that has entered the sustainability monitoring phase.

- **Case studies.** Accordng to the approved initial reROPt provisions under this axis, field data were collected from the project headquarters and a number of 4 case studies were prepared. For the selection of cases a set of criteria was used, namely: (1) the completed or very advanECd stage of implementation, (2) the value of the project budget, (3) the complexity (low, medium, high) (acquisitions, expansions, upgrades, new production capacities); (4) innovation degree (low, medium, high) at project level. The selection methodology was based on two steps: (1) the short list by consulting the RDA as an IO with a tied function on the monitoring and verification side, the closest to the beneficiaries of the financing contracts, who know best the stage (2) grouping and filtering based on an additional number of criteria, namely: the intervention topolody, the field of activity of the industrial sector / serviECs on the assumption that these sectors are with added value added and higher complexity, the typology of the beneficiary enterprise of financial supROPt through ROP (size class of SMEs). The selection methodology and the proposals of the evaluation team were the topic of prior notiEC. Case studies are presented in the Appendix (Part II) volume.

### 3.D Limitations ,Constraints and Solutions

**Limitations and time constraints** triggered by the need to collect quantitative and qualitative data in a period started from January 15 to February 22, 2019. This limitation was generated both by the delay of the evaluation team in the methodology of the the collection of field data and the time interval that coincided with the legal period of winter holidays, but dictated to the custom and traditions of organizational culture reflected in a lower rate activity at the end and beginning of calendar year.

- Otherwise, this problem was identified in the risk matrix attached to the initial report and was solved by: co-opting a local expert evaluator, through a good planning under careful monitoring of the BE ROP management, respectively the evaluation manager, the strict compliance with the cadence in the chart initiating and maintaining a quasi-permanent communication with the RDA intermediary bodies, designing appropriate working tools for the targeted purpose by conducting assessment methods
- **Poor availability of funding beneficiaries** to engage in the online survey not because of the lack of interest, but mostly due to the unusual questioning and lack of time due to the fact that there are few people in micro-enterprises, that the entrepreneur is fully involved in everyday activities. This lack of availability was even more evident through the poor response to invitations to participate to the focus groups dedicated to them, involving physical presence, face-to-face. This risk was further pre-identified, materialized and the evaluation team resolved by the following measures: flexibility, organization of an additional GF at regional level, identification of the target group of beneficiaries from projects with the support of the Monitoring Directorate, transmission from the reasonable time of the invitations, where it was possible 2 weeks before, a firm telephonic communication of the evaluating expert and the backstopping staff who followed shortly after the invitations were sent, in the conviction of the mutual need for participation, the extension of the deadline for filling in online questionnaires, prompt response to requests for clarification from target respondents and other precautionary measures.
- **SMIS database.** For this axis, which has the largest number of projects, there have been encountered a number of difficulties that have made it necessary to query the database several times, which has led to the first analyzes being made on the basis of provisional values, which after completing the data involved resuming the analysis and updating the data. The working SMIS database deficiencies consisted of: about 50 missing projects, incomplete data on the projects contracted, about the rejected projects no data were found in about 15 projects, other projects did not mention the budgets or misleading budget calculations, very close terminology meant to rise confusion, values such as the non-reimbursable eligible amount that actually contains and its own contribution. These aspects required calculations from other files, restoring figures, checking amounts. Given the encountered difficulties in collecting, checking, correcting data, it is recommended that the colligated numbers (ERDF + BS + CP). to be set out separately and their total to be summed up later. This avoids or at least reduces the probability of error that can occur with a large volume of records.

## 4. Analysis and interpretation

The initial report defines the following evaluation questions:

Evaluation Question Code	Question Content
EG1 (General Evaluation Question 1)	To what extent has <b>ROP so far and will contribute</b> in the future to strengthen the market position and the survival rate of micro-enterprises
EG2	To what extent has <b>ROP so far and will the in the future stimulate</b> the SMEs economic competitiveness through means such as labor productivity improvement?
T2.1	What types of interventions have proven to be effective and which have encountered the most significant obstructions? What are the key features (context included also)

Evaluation Question Code	Question Content
(Theme 2 question 1..)	for these mechanisms?
T2.2	Are there found examples of best practices of the actions of promoting innovation and competitiveness?
T2.3	To what extent is the effect on the growth in job number sustainable?
T2.4 (Additional Question)	To what extent have the financed actions provided added value for the beneficiary enterprises in terms of activities expansion and innovation growth?

## 4.A Collected Data

In answers enunciation to each of the evaluation questions, information obtained through the following methodological tools were taken into account:

- Data from statistical sources on the status of the SME sector (6A-6G section)
- Data collected and processed from the Program's SMIS database (6H section)
- Documentary analysis and relevant literature review
- Beneficiary survey (partial results Section Annex 7)
- Interviews with officials from RDA intermediary institutions (section Annexes)
- Focus group with beneficiary participation
- Focus group with the interested stakeholders participation
- Experts Panel
- Case studies

The collection mechanism for each data category by methodological tools means, briefly described above is presented in the synoptic table below.

**Table 0.** Data Collection Mechanism

IE CODE	Collected Data							
	Qualitative							Quantitative
	Survey	Interview		Focus Group		Expert's Panel	Case Study	Statistical and administrative sources
		Beneficiary	Interested Factor	Beneficiary	Interested Factor			
EG1	✓	✓	✓	✓	✓	✓		✓
EG2	✓	✓	✓					✓
T2.1	✓	✓	✓	✓	✓	✓		✓
T2.2		✓	✓	✓	✓		✓	✓
T2.3		✓	✓	✓	✓	✓		✓

IE CODE	Collected Data						
	Qualitative						Quantitative
	Survey	Interview		Focus Grup		Expert s	Case
T2.4			✓		✓		✓

SourEC: Initial Report

## 4. B Data Analysis

Regional development is a concept that focuses on economic development centered on improving the competitiveness of the SME sector. Regional development has the objectives of boosting and diversifying economic activities as well as promoting investments to further stimulate the main economic competitiveness factors, namely: labor productivity, innovation and internationalization of the economic activities of the SME sector.

Nevertheless, the SMEs, due to the nature of their activities that are mostly circumscribed to the service sector, and the degree at which they carry out their activities are highly connected to local and regional markets, only few of them having the ability to carry out their business at national level or to find a niche on the international market. Therefore, most SMEs appear locally and act on that level, mapping out their local or regional market. This is a major challenge because service specialization is already a feature of the SME sector at both national and regional level.<sup>1</sup>

Reconversion to an industrial, secondary or tertiary specialization profile of agricultural commodities, liable to add value, implies a significant approach, taking into account the Romanian entrepreneur's profile, his training degree, the previous job, the age category and other cultural factors.<sup>2</sup>

The absorption rate provides the most synthetic descriptive image any time of the implementation period. Moreover, the breakdown of the absorption rate on the main factors of influence highlights progress on the implementation cycle stages. The corroborated analysis of this set of synthetic indicators is likely to contribute to substantiating decisions in order to identify action measures designed to sustain the absorption rate growth of the funds allotted to ROP 2014-2020.

Thus, the financial progress in managing the ROP 2014-2020 is provided by the synergistic progress action in:

- Ensuring programme transparency and accessibility<sup>3</sup>
- CF Selection and Approval submitted by eligible applicants<sup>4</sup>
- preparation and conclusion of funding contracts for approved projects after evaluation and selection<sup>5</sup>

<sup>1</sup> Anexa 6.7. The profile of the Romanian entrepreneur and the encountered difficulties

<sup>2</sup> Annex 6.7. The profile of the Romanian entrepreneur and the encountered difficulties

<sup>3</sup> This prospect of progress is given by the **accessibility rate** calculated as a ratio between the amount of the requested grant and the financial allocation.

<sup>4</sup> This prospect of progress is given through the **approval rate**, calculated as the ratio between the value of grant approved funding following the evaluation process and the value of grant requested by beneficiaries in CF

- Processing refund / payment requests and disbursement<sup>6</sup>
- Expense reimbursement by the EC<sup>7</sup>

Table 1 - The main financial indicators of ROP Priority 2 Axis and the implementation progress

Current Number	Specification	MU	Indicator value
1	Programme financial allocations	Mil. lei	5.372.224.017
2	The amount of requested non-refundable fundings	Mil. lei	7.891.058.395
3	The amount of approved non-refundable fundings*	Mil. lei	4.393.264.609
4	The amount of concluded non-refundable fundings	Mil. lei	3.654.145.195
5	The amount of payments performed towards beneficiaries	Mil. lei	915.583.117
6	The EC disbursed value (absorption)	Mil. lei	778.322.655
7=4:1	Program-level contracting rate	%	68,02%
8=2:1	Program -level accessibility rate	%	146,89%
9=3:2	Approval rate of EC funds	%	55,67%
10=4:3	Contract preparation and termination rate	%	83,18%
11=5:4	Processing rate of pre-financing / payment / reimbursement requests	%	25,06%
11=6:5	Reimbursement rate of EC expenditures	%	85,01%
12=6:1	EU funds absorption rate	%	14,49%

Source: SMIS and own calculations on data available on 31st of December 2018

The data in Table 1 highlights the following aspects:

- **The Absorption rate** of EU funds within AP2 amounts to 14.49% and is estimated to correspond to the implementation stage of the concluded financing contracts (16.5% completed projects).
- **The Accessibility Rate** was exorbitant, illustrated in 146.89% highlights the interest expressed by the SME sector as an expression of a great need for financing but also brings into light the activity results of informing, promoting, training and support given to the applicants and the consultancy market in accessing European funds, carried out before and after the opening of the 8 appeals for projects submission, respectively, during the clarification period performed by the actors in the institutional ROP 2014-2020 implementation system.

5 This perspective is given by the **preparation rate** for the conclusion of financing contracts calculated as the ratio between the value of the actually contracted non-fundable grant and the value of the grant that was approved when contracting.

6 This prospect of progress is given through the **payment rate**, determined as the ratio between the amount of payments made to the beneficiaries of their financing contracts / suppliers according to the payment mechanism and the non-fundable value for the contracted investment projects.

7 This perspective is given by the **costs reimbursement rate** from the one calculated as the ratio between the reimbursed amounts by the EC and the payments made at the level of the program to the beneficiaries of the CP / CR financing agreements approved for payment.



- **Funding request approval Rate with 55,67% rate** gives an indication of the high requirements imposed by the administrative eligibility criteria as well as the assessment criteria but also of the insufficient administrative capacity of the target sector to line up for these exigencies
- **The preparation rate to conclude the funding contracts** is calculated as the ratio between the amount of the actually contracted grant and the value of the grant that is approved for the contracting and is 83.18% considered to be quite high, which highlights the efforts of the institutional implementation program, system but also of the selected applicants to provide the necessary documentation in pre-contractual period.
- The program-level **Contracting Rate** amounts to 68.02%, which may be interpreted as a significant progress, but in conjunction with the contract preparation rate it reveals a phenomenon of renouncing to sign the contracts coming from the selected applicants or major changes that have occurred since the moment of TB submission up to the pre-contractual period fact that had disqualified some of the selected applicants because they no longer meet the established eligibility and administrative criteria or other motivations related to major changes that occurred being either co- -financing or access to financial surcharges other than own or changes in the relevant market. The reasons for this gap between the contracting preparation rate and the contracting rate should also be sought in the administrative requirements and tasks as well as in the analysis of stages duration from the opening of the appeals to the signing of the contracts. In conclusion, managerial flow area remains yet a space for substantial improvement, through in-depth analysis of the aforementioned negative influence factors.
- **Processing rate of pre-financing / payment / reimbursement** also provides the best progress indication in the physical implementation of activities related to the allotted projects / funding contracts . In fact, the resulting 25.06% rate is corroborated with the proportion of completed projects on 31 December 2018, further analyzed in the following sections. This rate may be considered as appropriate for the deployment stage.
- Last but not least, the **EC Reimbursement expenditures rate** of 85.01% indicates an accelerated pace in processing and reimbursement requests addressed by the programme to the EC and a financial progress appropriate to the physical one without major syncope.

#### 4.B.1 EG1 Evaluation question - To what extent has ROP so far and will further contribute to strengthen the market position and microenterprise survival rate?

To provide answers to each evaluation question, information obtained through the following methodological instruments had been taken into account

- Data analysis from the SMIS administrative source
- Survey among allotment beneficiaries, including P.I 2.1A and 2.1.B.
- Group discussions with relevant interested stakeholders, including beneficiaries
- Semi-structured interviews with OI group respondents ,part of each RDA to whom management responsibilities were bestowed on the the implementario A2 ROP side.

The corroborated analysis led to the following findings:

The early implementation stage of most of the concluded financing contracts leads to assessments based on a theoretical logic of the investments potential impact performed by by the allotment beneficiaries without having a measuring tool for their effectiveness on 31

December 2018. Instead, the theoretical logic based on the factors cogruncy was verified in the evaluation exercise with a broad spectrum of stakeholders directly involved.

Firstly, identifying and measuring the market position of a micro-enterprise or a SME in general represents a difficult task to do with scientific tools such as measuring market share before and in a while after intervention for the following reasons :

- SMEs major involment is in traditional service activity. Countrywide statistics provide 97.5% of the number of active SMEs in services, while in industry were active 11.6% of the total number of SMEs and the situation, the only excepton being the city capital, does not differ significantly between other development regions.
- Therefore through the nautre of its activity, they have a local market or at least a regional one. Services (excluding those in tourism, ICT, transport activites and partialy construction) are produced, supplied and consumed locali or at least zonal. Only a small part of them of aspire to a national or international market;
- The formula underlying the calculation of a market share is the ratio of the SME's turnover to the total value of transactions that operate on the segment or market niche where it is present. Therefore, even if SMEs would identify in their business plan the local competitors with whom they share the market, the data unavailability on the local market leads to the measurement failure. For SMEs delivering high added value and highly professional value services , being a player in a national or international market, the probability of available reliable data of the total volume of transactions on those markets increases (NIS sector data, balance sheet data, data extracted from administrative source of some branch associations, etc.), but time, qualified staff and money to access such data sources may be a barrier.
- Taking into account the theoretical considerations above mentioned, the appreciation of the position in the market may be performed by the subjects concerned by tracking the ways of expanding the sales, ie the intensive path (a higher number of transactions in physical units or value units with the same customers before and after the investment), the extensive path (number and volume of sales to new customers added in the portfolio after the subsidized investment) and, of course, the mixed path.
- For this reason in the current evaluation exercise, this question was addressed to the beneficiaries, but also to the responsible IO stakeholders as the transformations witnesses in the beneficiaries' business.
- The views and perceptions of this cross-query are synthetically presented in the Findings section.

With reference to the SME retention result indicator, as ROP 2014-2020 presents in the indicator section and the value target and documentary source columns, it is thus formulated:

The specific result indicator associated to the program specific objective 2.1. The micro-enterprises survival rate at 3 years from its foundation to reach the target of 72.8% in 2023 compared with the 2011 referece of 62,8%.

EUROSTAT is the indicator source documentation. Surely, EUROSTAT carries out such research through the annual statistical survey of the INS in Romania. For this reason, the stage achievement assessment of the this indicator was based on the latest available research, synthetically presented in graphical chart no.18 **Annex 1.E. SMEs Demography and dynamics have as documentation source the TEMPO online database, DOSME Eurostat Statistical Survey - Newly formed enterprises and entrepreneurs' profile in Romania**. The ROP 2014-2020 does not foresee the establishment of own documentation source for the indicator. For statistical data interpretation, the ROP contribution to the indicator achievement should be correlated with the specific weight of the number of SMEs financed related to the total SME population in Romania at the planned forecast horizon.



Thus, the graphical representation no.18 Annexes volume, **The survival rate** of the newly 1 year old enterprises provides a clear indication of the survival rate evolution of the newly created enterprises having 1 year since its establishment whose trend was fluctuantly increasing during 2008-2014 and decreasing after this year without reaching the minimum value of the indicator registered for the reference 2008 year.

This trend from 63.4 in 2011 to 81.1% in 2014 and subsequently to 77.8% in 2015 and only 68.9% in the last year with available data (2016) indicates that the survival of newly created businesses one year after its establishment, although it is growing, is volatile and therefore unsustainable due to vulnerabilities encountered by start-ups in their activity. This oscillatory growth tendency is a favorable prerequisite for promoting public financial support and non-monetary policy tools to help start-ups remain in activity and scale up by moving to a size class superior to the one enrolled at its establishment.

**Table No.2.a.** The achievement stage of the target programme indicators at P.I.2.1

Indicator	ID	Measurement Unit	Reference value 2011	Region Category	Target Value (2023)	Achieved at 31st of December 2016 (%)	Achieved in 2016 targeted to 2023 (%)
Result Indicator ("result") <sup>8</sup>							
Micro-enterprises survival rate at 3 years from its establishment	153	%	62,8	2011	72,8	68,9	94,6%

Source: ROP 2014-2020 and Data from DOSME investigation, NIS

**Table No.2.b** The achievement stage of the target programme indicators at P.I.2.1

ID	Indicator	Measurement Unit	Fund	Region Category (if relevant)	Target value (2023)	Contracted Dec. 2018	Achieved dec.2018
COO 1	Productive Investment:number of sustained enterprises	Enterprises	ERDF	Less Developed	2.037	1.854	395
COO 2	Productive Investment: Number of enterprises receiving allotments	Enterprises	ERDF	Less Developed	1.897	1.852	395
COO 4	Productive Investment:number of enterprises receiving non-financial support	Enterprises	ERDF	Less Developed	140	27	0

ID	Indicator	Measurement Unit	Fund	Region Category (if relevant)	Target value (2023)	Contracted Dec. 2018	Achieved dec.2018
COO 6	Productive Investment:Private investments corroborated with public support for enterprises (allotments)	In EUR	ERDF	Less Developed	50.000.000,0	134.079.403,84	18.948.021,77

Source: preliminary data collected to elaborate AIR ROP 2018

The above Table 2.a. shows achievement stage of the targets program indicators at the level of the investment priority 2.1. Thus, the table shows the achievement degree of the result indicator, ie "the survival rate of micro-enterprises after 3 years since establishment". An achievement level of 94.6% is highlighted in 2016. This level has to be interpreted cautiously, given the annual volatility emphasised in the G4a graphical representation, but also in terms of the difference in defining the time variable of this indicator. Thus, in analyzing and interpreting the evolution of this indicator, it is necessary to specify the methodological order, namely taking into account the documentation source of the P.I.2.1 result indicator, namely DOSME INS research, it is imperative to consider the difference in the definition of the indicator on the time variable. NIS research aims to measure the resilience of newly established enterprises after one year of activity, while the ROP AP2 P.I. 2.1. result indicator is defined by taking into account the variable time of 3 years from setting up.

As for the immediate achievement indicators presented in table 2.b. the following significant aspects may be observed:

- Number of sustained companies: 91% of the target value is already contracted, while the achievement of the indicator at the end of 2018 amounts to 19.4%.
- The number of companies receiving allotment is close to the abovementioned
- Contrarily, the number of companies having the benefit from non-financial support amounts only to 19.3% in relation to the contracting situation and not concluded on 31st of December 2018.
- Concerning the valuable volume of private investments mixed with public support for enterprises (allotments), the level of contracting amounts to 268.1%, a significant safety margin, which creates premises favorable to the achievement of the final target set for the horizon of 2023 and an actual achievement rate at 31st of December 2018 amounting to 37.9% of the target target value.

In other news, the internal (local, regional and national) action of the beneficiaries of the financing contracts is clear also from the perspective of the online survey results extensively presented in Annex no. 1H. Results from online survey among beneficiaries. Thus, the majority of the interviewed beneficiaries (65%) claim that they have sales on the local market or on the regional market (57.8%), as well as on the national market (49.4%). Only 9.3% state they have sales outside of the EU market. Looking at the project implementation stage, 70% of completed project responses concern the local market, while 31.8% of the responses of the projects under implementation are related to the EU Member States market. The entire economic sector, regardless of the field of activity (NACE Code) has the largest share in the local market. An interesting result is provided by industry beneficiaries (33.3% show themselves up on the EU internal market and those in transport and communications with 35.5% on the EU external market).

At the same time, it is estimated that the ROP 2014-2020 provided effective results in terms of diversifying SMEs' products and services, as well as improving their quality.

Similarly, there is a need for reflection upon the future and needs that are still not covered or newly formed ones. For example, survey data analysis shows the difficulties encountered by the interviewed beneficiaries: (i) take up new technologies; (ii) implement collaborations with other entities; (iii) internationalize the market. Part of these identified needs will be covered in the future appeals under Priority Axis 2 as well as through investment priorities from Priority Axis 1 - Promoting Technological Transfer.

#### 4.B.2 The EG2 evaluation question - To what extent has ROP so far and will stimulate in the future the economic competitiveness of SMEs by labour productivity improvement.

To provide answers to each evaluation question it had been taken into account information obtained through the following methodological instruments:

- Data analysis from the SMIS administrative source
- Group discussions with relevant stakeholders, including beneficiaries
- Semi-structured interviews with a group of IOs responsible within each RDA to which functions have been delegated on the AP2 ROP implementation management side
- Survey among the beneficiaries, including P.I.2.2
- Experts Panel

Their corroborated analysis led to the following findings:

Through investment priority 2.2. ROP supports the construction activities, upgrading or expansion of production facilities or services, specific to the beneficiary SME, which may contribute to the improvement and growth of the products and services development capabilities. Also, the endowment activities with industrial equipments and installations, machinery and tools or other types of specific equipments are supported, needed to improve the development capacities of the products and services specific for the beneficiary SMEs. In particular, innovation activities are mainly considered.

Thus, the main activities sustained in this investment priority are:

- building / upgrading and expanding the SME production space / SME services, including endowment with tangible and intangible assets
- Required activities to cover and implement the process certification implementation of the products, services or different specific processes.
- promoting products and services, web site creation to present the activities, products and promoted services, including online .
- Activities specific to the internationalization process (participation in fairs and international exhibitions, Investments in adapting the technological production processes to the certified systems and standards specific to the export markets, etc)

It is therefore intended to support enterprises operating in economic areas where a competitive advantage may be developed and / or maintained. In this respect, it is planned to support SMEs operating in the competitive areas identified according to the NAS, as well as those intending to adapt their activity to these areas.

It started from the assumption that funded SMEs under this investment priority are also able to get more sophisticated financial instruments or products compared to the allotment, being economically sustainable. The support offered through the ROP aims to encourage innovative SMEs that aim to exploit their own innovative or market potential in promoting business operations.

In beneficiaries opinion, the improvement of labor productivity of the resultant indicator of the EC II target of the second specific objective was considered a difficult indicator, given the requests for technological development and innovation of this axis and, in particular, the objective pursued by P.I.2.2.

Thus, the indicator at the calculation formula numerator is estimated to be less relevant from the perspective of ROP-supported investments, because growth may be due to other factors of influence and / or income obtained by the enterprise from activities other than the basic one or due to favorable / unfavorable market conditions (eg exit / entry of a major competitor in the market, as happened in different NE, SW Oltenia regions, renting other company assets, etc.).

In all the interviews and group discussions, case examples were given where the beneficiaries from the acquisition of equipment and technology have manufactured or mechanized production processes or even automatized them. Mechanization and automation do not contribute in creation of new jobs, but the factory operates with good results, superior yields impacting the reduction of production costs, what makes the enterprise more competitive in relation to the competitor. On the contrary, the collected opinions lead to the finding that replacing new and modern equipment and technologies is likely to lead to the deployment of jobs in terms of number. Instead, technological alignment leads to the need of recruitment, retrain or improve the workforce of higher training and qualification, to changes in the staff structure.

Although the output indicator is correct because productivity is one of the main drivers for stimulating economic competitiveness, however, PI.2.2. beneficiaries argue that the formula for calculating productivity as a ratio between annual turnover and average annual number of employees is less appropriate given the commitments made to create new jobs. Normally, technological upgrades lead to higher production yields and, in some cases, necessary changes in the staff structure without any increase in the total number of required staff or, on the contrary, to a reduction in the number of staff. Only in such a situation will the productivity of calculated work on the basis of the classical formula will register a growth. When the firm is hiring human resources according to the commitments of the financing contract and the requirements of the operation, the labor productivity will register growth only if the dynamics of the turnover is much higher than the dynamics of the number of personnel. In other cases, the labor productivity index will be negative.

Therefore, the indicator at the denominator of the calculation formula indicated by the programme <average annual number of employees> is considered to be less relevant in the case of projects that aim the economic competitiveness through technological modernization.

**Table NO. 4.a** The achievement stage of the target programme indicators for P.I.2.2

Indicator	ID	Measurement Unit	Referral Value 2011	Regional Category	Target Value(2023)	Performed at 31st of December 2016 (%)	Performed in 2016 to 2023 (%)
Result indicators ("result")							

Indicator	ID	Measurement Unit	Refferal Value 2011	Regional Category	Target Value(2023)	Performed at 31st of December 2016 (%)	Performed in 2016 to 2023 (%)
SMEs Labour productivity	1S4	RON	400.315 <sup>9</sup>	More developed regions	500.373	429.000	85,7%
			216.304	Less developed regions	316.479	299000 <sup>10</sup>	94,5%

Source: ROP 2014-2020 and INS data, Statistical 2018 Romanian Yearbook .Local active from the industry, constructions, commerce and other services.

**Table No. 4.b** The achievement stage of the programme indicators target at P.I.2.2.level.

ID	Indicator	Measurement Unit	Fund	Region Category (if relevant)	Target value (2023)	Contractated dec. 2018	Achieved dec.2018
CO01	Productive Investment:number of sustained enterprises	Enterprises	ERDF	Less Developed	510	825	1
CO02	Productive Investment:Number of enterprises receveing allotments	Enterprises	ERDF	Less Developed	490	805	1
CO03	Productive Investment:number of enterprises receiving financial support, other than allotments	Enterprises	ERDF	Less Developed	20	20	0
CO06	Productive Investment:Private investments corroborated with public support for enterprises (allotments)	în EUR	ERDF	Less Developed	250.000.000,00	423.732.203,10	181.806,78
CO07	Productive Investment: Private investments corroborated with public support for enterprises (other	în EUR	ERDF	Less Developed	252.000.000,00	78.000.000,00	0

<sup>9</sup> Reference Year 2012

<sup>10</sup> The labor productivity in less developed regions ranges from 243 thousand lei / person in the NE to 299 thousand lei in the center

ID	Indicator	Measurement Unit	Fund	Region Category (if relevant)	Target	value	Contractated	Achieved
					(2023)		dec. 2018	dec.2018
	thab allotments)							

Source: Preliminary data collected for RAI ROP 2018

The above no. 3. table shows the achievement stage of the programme indicators targets at the level of the investment priority 2.2. Thus, the table shows the degree of achievement of the output indicator, ie " SMEs labor productivity ". There is a level of achievement ranging from 76.8% to 94.5%, what illustrates that labor productivity has risen steadily in less developed regions, contributing to the disparities reduction. Instead, this level should be interpreted with caution as labor productivity, as outlined above, is the result of a couple of influence factors, of which the technological yield rather than the advantage of increasing the average factors of employees number.

In conclusion, the increase in the productivity of the planned work has all the prerequisites to be achieved, as a result of the higher efficiency of the equipments and equipment purchased for technological modernization.

As for the immediate achievement indicators presented in table 4.b. the following significant aspects be be noticed:

- Number of sustained companies: The contracting situation reported at the target value shows an index of 161.7% which creates an insurance reserve for the indicator achievement.
- Approximately the same hiring level of contract engagement in terms of number of companies receiving allotments.
- The actual achievements at the end of 2018 are slightly low, which reveals that most of the assigned projects are in the process of implementation.
- Concerning the volume of private investment combined with public support for enterprises (allotments) the hiring level by contracting amounts to 169.5%, which theoretically represents a significant security reserve, which creates premises favorable to the fulfillment of the final target foreseen for 2023. The actual achievement level is very low.
- On the other hand, the level of contracted employment of the immediate achievement indicator, the value of private investment combined with public support for enterprises (other than allotments) is only 30.95% of the planned target value.

#### 4.B.3 Evaluation Question T2.1 - What types of interventions have proven to be effective and which have encountered the most significant obstructions? What are the key features (including context) for these mechanisms?

To provide answers to each evaluation question it had been taken into account information obtained through the following methodological instruments:

- Data analysis from the SMIS administrative source
- Group discussions with relevant stakeholders, including beneficiaries

- Semi-structured interviews with a group of responsables within the scope of each RDA to whom functions have been delegated on the AP2 ROP Implementation Management side
- Survey among AP2 funding beneficiaries

Their corroborated analysis led to the following findings

Following all appeals on AP 2, a total of 4,945 projects were submitted until 2018, which provided eligible non-fundable budgets (ERDF + National Contribution) of 7,891.1 million RON - correlated to page 11 (out of which 6,707.4 million RON represents the total EU eligible expenditure budget and 1,183.7 million RON the national co-financing budget). In addition to the projects mentioned above, there is also a project representing the equity venture capital fund. The eligible non-reimbursable amount is 58,820,000 lei, out of which 50,000,000 European funds. This is not included in the table below (unless stated otherwise).

**Table 4.** Distribution division on development regions of the number of financing contracts signed on 31st of December 2018 within AP2 and types of investment priorities

Number of signed contracts	North - West	Center	North- Est	South- Est	Sout - Muntenia	Buchares - Ilfov	South- west Oltenia	West	Total
<b>TOTAL, of which</b>	<b>545</b>	<b>377</b>	<b>329</b>	<b>360</b>	<b>320</b>	<b>208</b>	<b>271</b>	<b>240</b>	<b>2650</b>
<b>TOTAL 2.1, of which</b>	<b>354</b>	<b>247</b>	<b>229</b>	<b>247</b>	<b>254</b>	<b>148</b>	<b>178</b>	<b>193</b>	<b>1850</b>
2.1.A. Micro-enterprises	353	247	227	205	250	132	177	192	1783
2.1.B. Business Incubators			2						2
ITI 2.1.	1			42	4	16	1	1	65
<b>2.2.SMEs</b>	<b>190</b>	<b>130</b>	<b>100</b>	<b>112</b>	<b>66</b>	<b>60</b>	<b>93</b>	<b>47</b>	<b>798</b>
ITI 2.2.	1			1					2

Within these calls, 4,945 projects were submitted, of which 3,624 projects were accepted and 2,650 projects were contracted (including the Equity Fund) venture capital fund. From the total projects, 69.8% were contracted on the investment priority 2.1 Micro-enterprises and Business Incubators and 30.2% respectively for P.I. 2.2. SMEs. Relatively similar percentages are also recorded in the regional analysis of the distribution of financing contracts on investment priorities. The percentage deviation from the average across the country is minor and is not likely to change this report.

**Table 5.** The development regions percentage of the number of signed financing contracts on 31st December 2018 on investment priorities types.

Region proportion in National total	North- West	Center	North- Est	South- Est	South - Muntenia	Bucharest - Ilfov	South- west Oltenia	West	Total
<b>TOTAL, of which</b>	<b>20,6%</b>	<b>14,2%</b>	<b>12,4%</b>	<b>13,6%</b>	<b>12,1%</b>	<b>7,8%</b>	<b>10,2%</b>	<b>9,1%</b>	<b>100%</b>
<b>TOTAL 2.1, of which</b>	<b>19,1%</b>	<b>13,4%</b>	<b>12,4%</b>	<b>13,4%</b>	<b>13,7%</b>	<b>8,0%</b>	<b>9,6%</b>	<b>10,4%</b>	<b>100%</b>
2.1.A. Micro-enterprises	19,8%	13,9%	12,7%	11,5%	14,0%	7,4%	9,9%	10,8%	100%
2.1.B. Business Incubators	0,0%	0,0%	100,0%	0,0%	0,0%	0,0%	0,0%	0,0%	100%
ITI 2.1.	1,5%	0,0%	0,0%	64,6%	6,2%	24,6%	1,5%	1,5%	100%
<b>2.2.SMEs</b>	<b>23,8%</b>	<b>16,3%</b>	<b>12,5%</b>	<b>14,0%</b>	<b>8,3%</b>	<b>7,5%</b>	<b>11,7%</b>	<b>5,9%</b>	<b>100%</b>
ITI 2.2.	50,0%	0,0%	0,0%	50,0%	0,0%	0,0%	0,0%	0,0%	100%

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The horizontal analysis of the distribution by development regions of the number of financing contracts signed on 31st December 2018 in AP2 and by the type of investment priorities as well as their weight is shown in Tables 4-5 above.

Thus, the data analysis shows that the region with the highest number of contracted projects at 31st of December 2018 is the NW region, which concentrated 545 of the total number of contracts, representing 20.6% of the total, followed by the center region (377 contracts, 14, 2%) and Southeast (360 contracts, 13.6%), NE (329, 12.4%), South Muntenia (320 contracts, 12.1%), SV Oltenia %) and the West Region (240, representing 9.1%).

Although the development region of Bucharest-Ilfov through the advanced development level was not the subject of this priority axis and did not benefit from its own financial allocation in any of the AP2 investment priorities. However, the demand of the SME sector has migrated to the other development regions and by setting up working points in the respective regions have become eligible applicants for funding. This leads to the occurrence of 208 contracts, ie 7.8% of the total number of financing contracts obtained by SMEs that have their registered office in localities belonging to the BI region, but with branches through working points in other regions . This is a new issue emerged during this programme period as a result of excluding the most developed region and migration to funding opportunities in the 7 regions with financial allotments for operations under this axis.

According to the distribution of the indicative financial allocation, at the regional level, related to the modification of the Regional Operational Program 2014-2020 - the written procedure in June 2018, Axis 2 Priority is allocated an amount of 1,152,565,707 Euros. At the average exchange rate of the National Bank of Romania in June 2018 of 4,6611 RON / EUR, the financial allocation for AP 2 is 5,372.2 million lei.

From the total financial allocation for AP 2, 376.3 million EUR (32.65%) was allocated to investment operations in 2.1.A., 129.4 million EUR (11.22%) is attributed to the investment operation 2.1. B., the higher investment level - 56.13% - coming from investment priority 2.2 (of which 588.1 million EUR for Operation 2.2 A. SMEs economic competitiveness and respectively 58.8 million Euro were allocated to the operation 2.2 B. Financial Instruments).

On 31st of December 2018, 2,651 projects were contracted on AP 2. The contracted eligible amount is 3,654.1 million lei, which leads the contracting rate to the axis level from the point of view of the volume value of the allocation, to 68.02%.

Project payments through pre-financing, reimbursement and payment requests have begun to be validated in the second half of 2017. By the end of 2018, pre-financing applications of 4.27 mil RON were submitted and validated, reimbursement requests of RON 409.0 mn and payment request that amounts to 502.4 mil.RON

**Table no.6** Numeric and value structure of submitted, approved and contracted projects on total AP2 ROP, investment priorities and operations at 31st of December 2018

Investment priority / operation	Submitted Projects		Approved Projects *		Signed Projects		Allocation
	% from number	(%) from value	% from number	(%) from value	% from number	(%) from value	(%) from total allocation
2.1.A	67,18%	29,25%	70,89	39,63	69,74	35,43%	32,65
2.1 B	1,44%	10,96%	0,33	2,67	0,08	0,13%	11,22
P.I 2.2	31,38%	59,79%	28,78	57,70	30,19	64,44%	56,13
Total AP 2	100	100	100	100	100	100	100



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When calculating the percentage of each specific objective in the total project value, the total eligible value of the project (including the ERDF budgets, the national contribution and the beneficiary's own contribution) was under consideration. The highest percentage in the value of the submitted and contracted projects was of the projects submitted for the specific 2.1 objective What is the purpose of strengthening the market position in the competitive areas identified in the CNS and RDPs in the case of micro-enterprises and business incubators?

**Compared to the distribution of financial allocations on the two investment priorities, this specific objective has achieved the best performance in attracting and contracting projects.**

The annual breakdown of the submitted projects, presented in the table below, shows that most of the projects were submitted in 2017. (61.5% of all projects submitted until 31st of December 2018

**Table no. 7-** Number of submitted projects, considering the submission year and the beneficiary category

Submitted Projects	P.I.2.1.A	P.I.2.1.B	P.I.2.2	Total
Submitted in 2016	1521	0	0	1521
Submitted in 2017	1783	0	1260	3043
Submitted in 2018	18	71	292	381
<b>Total General TB submitted</b>	<b>3322</b>	<b>71</b>	<b>1552</b>	<b>4945</b>

SMIS Source and Evaluation Processing Team - Reporting does not include the project submitted in 2018 on the Equity Risk Fund for SMEs.

The first projects were submitted on AP 2 on ROP / 14/2/1 /appeal. Strengthening the market position of SMEs in the competitive areas identified in the CNS and PDRs Investment Priority 2.1.A - Micro-enterprises, appeal launched on 27/07/2016.

From the perspective of the two investment priorities and operations, the largest number of projects were submitted by micro-enterprises (3322 projects) and business incubators (71 projects), followed by SMEs (1552 projects).

**Table 8 - Contracting Success Rate** (Number of grant applications contracted from the number of applications submitted by beneficiary type)

Number of Projects	P.I.2.1.A -Micro	P.I.2.1.B - Incubators	P.I.2.2 -SME	Total
Total submitted TB per beneficiary category	3322	71	1552	4945
Total financed and approved TB per beneficiary category	1848	2	800	2650
Contracting Success Rate per beneficiary category	<b>55,63%</b>	<b>2,82%</b>	<b>51,55%</b>	<b>53,59%</b>

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With regard to the value of the submitted projects, 59,5% of the amount of eligible expenditures from non-reimbursable funds were requested by SMEs, followed by micro-enterprises with a percentage of 29,5% of the total non-reimbursable eligible expenditures, the difference below 11, 0% returning towards business incubators.

**Table no.9.** Structure of financial allocation for AP2 by sources and investments categories

Investment Priority/ Operation - Lei -	TOTAL ELIGIBLE BUDGET	EFDR	STATE BUDGET	NON - REFUNDABLE COST BUDGET	% Non- refundable cost per total
2.1.A.	2.864.572.570	1.961.869.188	346.212.213	2.308.081.401	29,2%
2.1.B.	1.366.756.312	735.462.334	129.787.470	865.249.804	11,0%
2.2.	7.075.111.088	3.960.071.113	698.836.076	4.658.907.190	59,0%
<b>General Total</b>	<b>58.820.000</b>	<b>50.000.000</b>	<b>8.820.000</b>	<b>58.820.000</b>	<b>0,7%</b>

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The first validated and settled payments in the form of pre-financing requests, reimbursement requests and payment claims were made in 2017, the level of performed payments until 31st of December 2018 being 915.58 million lei.

**Table no. 10** - Disbursement of AP 2 payments on payment instruments and non-refundable source

Payment Instrument Category	EFDR	State Budget	Total
Pre-financing application	4.269.302		4.269.302
Payment request	427,015.560	75,339,512	502.355.072
Reimbursement request	347.037.793	61,920,950	408.958.743
<b>TOTAL</b>	<b>778.322.655</b>	<b>137.260.462</b>	<b>915.583.117</b>

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The regional distribution of the number of submitted projects shows that most of the projects, on all three investment priorities, were submitted in the North-West region and the fewest in the Bucharest-Ilfov region.

**Table no.11.** Structure of the number of financing applications submitted by development regions and P.I -% -

Development Region	Investment priorities, of which priorities			Total
	2.1 °	2.1B	2.2	
1. Northwest	18,33%	26,76%	20,31%	19,08%
2. Center	14,53%	19,72%	14,25%	14,51%
3. Northeast	14,35%	12,68%	14,06%	14,23%
4. South East	12,93%	22,54%	17,60%	14,53%
5. South-Muntenia	11,75%	7,04%	11,22%	11,51%
6. Bucharest-Ilfov	7,91%	2,82%	10,06%	8,51%
7. South-West Oltenia	9,94%	4,23%	8,06%	9,26%
8. West	10,27%	4,23%	4,45%	8,35%
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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Regarding the structure of the non-reimbursable expenditures related to the submitted projects, per total and each investment priority, the entire North-West region is the one with the largest

percentage of 21% of the total requested amounts, with almost 7 percentage points above the regional allocation .

**Table no.12.** Structure of requested funds submitted in terms of value per development regions and P.I-%

Development Region	Priority Axis 2/Investment Priorities, of which Operations			Total
	2.1 °	2.1B	2.2	
1. Northwest	18,08%	31,60%	20,74%	21,17%
2. Center	15,60%	9,72%	13,79%	13,89%
3. Northeast	13,79%	11,50%	12,96%	13,05%
4. South East	13,01%	23,57%	17,27%	16,64%
5. South-Muntenia	11,56%	9,02%	12,54%	11,80%
6. Bucharest-Ilfov	7,77%	6,54%	11,01%	9,42%
7. South-West Oltenia	9,96%	3,96%	7,88%	8,09%
8. West	10,24%	4,08%	3,81%	5,93%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>	<b>100,00%</b>

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The Southeast Development Region also found itself over the allocation of the ROP, while the other regions failed to submit projects in the allocated percentage.

**Table no.13** Main 10 beneficiaries of funding contracts within AP2 P.I 2.2

No.	Beneficiary name	Region	PI	Total eligible value	ERDF contribution , RON	% EU contribution Beneficiary from the EU Allocation 2014-2020 per AP2 level
1	COMPLEX HOTELIER PARC SA	South-West Oltenia	2.2.IMM	14.992.803	3.825.680	0,33%
2	POLARIS CAFE SRL	Northwest	2.2.IMM	11.939.158	3.830.457	0,33%
3	ARSAT INDUSTRIE SRL	West	2.2.IMM	9.714.225	3.830.592	0,33%
4	GREENFOREST SRL	West	2.2.IMM	9.667.321	3.839.620	0,33%
5	ECNTRUL MEDICAL TRANSILVANIA SRL	Northwest	2.2.IMM	9.569.310	3.839.620	0,33%
6	UNIVERS MARIN S.R.L.	South East	2.2.IMM	9.557.692	3.839.620	0,33%
7	EUROCOM - EXPANSION SA	South - Muntenia	2.2.IMM	9.552.704	3.837.655	0,33%
8	VERNI & FIDA ROMANIA SRL	West	2.2.IMM	9.494.590	3.780.369	0,33%
9	THERANOVA PROTEZARE SRL	Northwest	2.2.IMM	9.314.163	3.817.535	0,33%
10	OPTIMEDIA S.R.L.	Northwest	2.2.IMM	9.078.355	3.837.940	0,33%
	<b>TOTAL</b>			<b>102.880.320</b>	<b>38.279.088</b>	<b>3,32%</b>

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#### 4.B.4 Evaluation question T2.2 - There are examples of best practices in terms of interventions related to innovation and competitiveness promotion?

The following responses have been built based upon data and information obtained through the following assessment methods and tools:

- Case studies
- Consultation of the monitoring and verification departments within the IB ROP

The selection methodology for case studies on a two-stage multi-criteria analysis as well as on the basis of a consultation process of intermediary institutions has led to the following projects and respectively to the beneficiaries of the funding contracts.

1. SMIS Code 107808 2.1.A, Navoilinvest Sibiu, Micro-enterprise, RDA C, " Activity diversification by setting up a new production unit of recycled tiles and curbes"
2. SMIS code 110296 2.1 A UT4FBCONTROL Iasi, RDA NE, Micro enterprise, UT4FB CONTROL - sustainable development and performance in industrial automation
3. SMIS Code 112387 2.2. Flexibil SRL Recea, Maramureş RDA NW, SME, Increase in the products volume of SC Flexibil SRL by the acquisition of energy performant equipments

”

4. SMIS Code 112452 2.2 CHR Picadilly Constanta RDA SE IMM "Modernization and reconfiguration of the P + 4E Piccadilly Hotel by building elevators tower, extension of the 4th floor with an apartment, interior refurbishment, facade and roof repairs"

Case studies were conducted on the basis of a uniform format and visits to the place where the funded investments were implemented where interviews with project management team members were held. Case studies developed on the basis of a standard interview file and following the collection of data from visits at project headquarters are presented in Section 1.1 of Volume 2 of the present report and the elements of best practice and transferable lessons are highlighted in the appropriate box.

Beside the detailed description of the business and the beneficiary, the results obtained compared to the obligations assumed under the TB, the effects and the presumed impact, the lessons learned by the entrepreneurs and their team, the conclusion from all the case studies, which prove unequivocally, examples of best practice is that they all contribute in a proportional manner to the investment that has been infused by the ROP in achieving the specific objectives of Priority Axis 2.

#### 4.B.5 Evaluation question T2.3- To what extent is the effect on job growth sustainable?

The following responses have been built based upon data and information obtained through the following assessment methods and tools:

- Group discussions with beneficiaries present in FG
- Semi-structured interviews with a group of IOs responsible within each RDA to whom functions have been delegated on implementation management role of AP2 ROP
- Survey among beneficiaries of AP2 funding
- Case studies

**The processing of participants' answers to group discussions on the question of success factors to ensure job sustainability** focused on: long-term planning that overlaps with project development; business success and profitability are the guarantee of job maintenance, performance of indicators and their maintenance for at least 3 years; financing a SME project rather than the SME itself; the project must prove that it generates a marketable product with addressability in the market, the more adaptable and multidisciplinary, the better; evaluators to ensure that the project is a response to a real need in the market; to accept only investments in state-of-the-art, state-of-the-art technological equipment; retention measures of the hired personnel, trainings included, qualification at the workplace; adaptability to market changes; correct identification of market needs and their adequate financing within the project. Last but not least, the responsibility, ethics, realism and feasibility of the business plan for at least medium term.

Answers to the question of major risks to affect the effect and the estimated impact have highlighted the following: failure to achieve the proposed results; the lack of good planning / plan of inefficient businesses, organizational cultural values, respectively, the failure perception as a lesson learned rather than a misfortune / fatality; subsequent legislative changes, notably the in the taxation field.

Their corroborated analysis led to the following findings:

- The need for major legislative changes in bankruptcy, especially in the area of innovative business and research, areas of high risk activity;
- The content of the business plan capable of reaching all aspects of the result sustainability results obtained as a investment result;
- Changing the prioritization of some sectors according to the typology of previously submitted projects in order to better align with the funding application funding request;
- Last but not least, the honesty of the beneficiary and its ability to sustain the necessary financing after the completion of the investment project in technological modernization.

#### 4.B.6 Evaluation question T2.4 - To what extent the financing interventions offers added value to beneficiary enterprises in terms of expanding activities and innovation growth?

The following responses have been built based upon data and information obtained through the following assessment methods and tools :

- Survey among beneficiaries of AP2 funding
- Group discussions with beneficiaries present in FG
- Semi-structured interviews with a group of IOs responsible within each RDA to whom functions have been delegated on implementation management role of AP2 ROP

The results of the online survey among beneficiaries of funding contracts show that the highest percentage and 76.8% of responses indicated the "development of new products and services" as the targeted investment category, followed by the products quality improvement / offered services (in 57.8% of the cases). Only 18% of responses opted for the introduction of innovative technologies in business management and cost reduction (26.2%).

Specification: Even though there are elements related to products and processes innovation, the main focus of 2.1A is not innovation, but the focus is on acquiring new equipment and recovering the technological gap as a subsidiary objective. The innovative elements highlighted in the TB are not only due to the acknowledge need for the funding applicant, but also to the consultants advice attracted to the promised bonus through the evaluation grid. Equipment purchasing is the main action contributing to the achievement of the priority objectives 2.1

The areas of activity of microenterprises are in the classical services sector (road transport, construction, hotels and restaurants, dental and other specialties, beauty salons, dry cleaning, chemical laundry and other examples of traditional services). Thus, micro-enterprises predominantly have a local market and, to a lesser extent, offer high added-value services to urge them to aspire to a national or international market.

Innovation is a continuous and dynamic process that contributes to economic growth; it is defined as the introduction of substantially improved goods, services, processes or marketing methods. Growth and development depend on the generation, exploitation and dissemination of new knowledge, methods, processes and products. It is generally accepted that the right way to overcome crises and to move on a path of sustainable and socially equitable growth is to finance innovation in enterprises. EUROSTAT studies and research show that innovation clusters are increasing together with enterprise size and innovation is closely linked to facilitating the recruitment of RDI staff and the use of ICT in enterprises.

The ROP approach was based on the definition of innovation and the interpretations provided by the Oslo Manual developed with the support of the OECD. Thus, innovation generally describes an idea successfully applied in practice. It is a widely used definition, considered appropriate and adequate in relation to ROP objectives and the ability of beneficiaries to integrate product innovation, organizational processes or marketing.

However, field reality shows that innovation, even incremental / marginal, is hardly assimilated by SMEs because it involves collaborative and partnership work. The field findings, validated by the other experts involved in the consultation process, lead to the assessment that micro-enterprises and SMEs are generally not open to co-operation / partnership. Individual projects continue to be their interest rather than common ones with other partners.

The technological gap is still high and the chronic shortage in the labor market, including for low qualifications, does not favor the orientation towards innovation, but justifies the current concern of enterprises for technological modernization through the mechanization and automation of production processes.

The culture of innovation is closely linked to the partnership culture. Innovation must be stimulated by other means and after an anticipated technical assistance investment to support understanding of the innovative approach to product / organizational / marketing processes, etc.

As emerged from extensive consultations with business representative and consultants during the assessment exercise, SMEs do not have support services for designing, producing and marketing for the new products and services with innovative input and added value, and to supports the effort to internationalize their economic activities already formed incubators do not have the capacity to provide quality and specialty consulting services and to be catalysts and engines of innovation processes.

In addition, PI2.1 of the ROP is built on the finding that the first years of activity involve difficulties in integrating and strengthening the market of micro-enterprises on this basis provides that the creation, modernization and expansion of incubators and business accelerators will be supported, including endowment with utilities and equipment needed to provide services to companies (administration, accounting, marketing, mentoring, etc.). These activities will help to strengthen the SMEs market position , especially as the complexity of services and the ability of incubators to provide specific services for SMEs are taken into account. Also, sustaining the products promotion and business activities on micro-business sites, including by sustaining innovative business solutions (electronic catalogs, electronic invoicing, customer service, electronic supply, electronic store, electronic payment, etc.) will help increase on-line commerce and thus to the micro-enterprise development activity of their position on the market improvement

For these reasons, the extension of the activity and the degree of innovation among the beneficiaries in P.I.2.1.a must be seen in close connection with the implementation progress of PI.2.1.b. In contrast, the current implementation stage of P.I.2.1.b is not likely to be a favorable premise. However, the developments in the last part of 2018 which led to the award of 28 financing contracts, of which the vast majority of 23 contracts in three regions, namely NW (9) ,NE (7) and SE (7), represent a progress and contributes in creating a great foundation for innovation.

The SME's activity expansion , as well as the the economic competitiveness growth, may be achieved significantly both through inovation and internationalization. Moreover, by P.I. 2.2. ROP also proposes interventions to sustain the acces on the international markets through internationalization measures that are not limited only to participation in trade fairs or commercial missions, but are combined with actions related to business modeling such as knowledge about third country markets, products / services allignement for certain markets, etc.

Although the ROP funding offer is favorable to expanding internationalization activities by diversifying the eligible activities category, however, the demand from micro-enterprises and SMEs is limited in exports stimulation by participating in fairs and exhibitions, producing and disseminating promotional materials or building an eCommerce platforms website.

SMEs in focus groups are complaining that in their efforts to tackle the EU's internal market they face a number of non-tariff barriers, from different categories of internal standards. At the same time, their inaction on international markets may be attributed to a combination of factors: the lack of economic competitiveness, the lack of legislastion knowledge in the respective countries, the institutional ecosystem for the business establishment and development , language barriers, including those of wider international circulation, risks, including the non-payment of exported products and services, obstacles arising from the sphere of organizational culture in those geographical areas, which in theory represent a very attractive potential market where operators in Romania activated three decades ago, and where there is still an institutional memory and at the consumers level favorable to "made in Romania" products.

In conclusion, as documented above, the synthetic answer to this IE is that, despite current concerns, complementary support measures are needed to guide and sustain SMEs to access the EU internal market through effective market researches, to indentify retail intermediaries or the construction of their own distribution networks through joint consortium efforts in the field of marketing and logistics (*shipping, transport, storage, etc.*) the expansion of SME's activities remain long-term objectives.

The internationalization of private sector activities may be achieved in several forms, including the following:

- stimulation of intra-Community transactions and exports on non-EU markets

- promotion of active processing operations<sup>11</sup>,
- opening branches of Romanian companies abroad,
- setting up distribution networks on other markets,
- set up cooperation partnerships on research, innovation,
- the establishment of joint ventures in EU MS as well as in other countries, etc.

Internationalization in its different forms requires both public policies and an institutional framework to sustain international development through early investment in guidance and support of specialized technical assistance (legal, marketing, promotion, etc.) in order to move on to another stage and a new internationalization approach in SME sector in Romania.

Therefore, strictly congruent with the regulations underlying the use of FESI, ROP intervention on this area is circumscribed to sustain measures to improve economic competitiveness designed to stimulate exports as a first stage in the internationalization strategy

Instead, a comprehensive and in -depth approach requires analyses to underpin public policies and appropriate support measures to stimulate the free movement of Romanian products and services and romanian capital within the EU internal market or support Romanian capital to penetrate non -EU countries international market.

#### 4.C Analysis Findings

**The investment priority 2.1, i.e. Operation 2.1.A Micro -Enterprises, has recorded the best performance in attracting and contracting projects.**

**Operation 2.1. A.** was the first to begin ROP 2014 -2020 implementing and the previous experience on DMI 4.3. has proved valuable and used by the applicants for funding. On the other hand, the ROP to 2.1.A. offer is very generous compared to other POs or financial support measures from the state budget.

**Operation 2.1.**The value of submitted and contracted projects compared to the distribution of financial allocations on the two priorities of investment has recorded the best performance in attracting and contracting projects contributing to the achievement of the specific Objective of the P. I 2.1 strengthen the market position in the competitive fields identified in the CNS and RDPS.

**Migration of SMEs seeking funding to other regions.** Enterprises which are registered in Bucharest-Ifov region or even in other regions, which have consumed the financial allocation assigned to it, rises a operational office in the other regions, become eligible and, during the evaluation process, obtain funding. Subsequently, or even during the implementation period, use equipment and machines purchased through the project from other locations or working site. SMEs are attracted to less developed regons rahter their native regions, as well as to ITI due to a more attractive financial allocations. The size of this phenomenon amounts to 9.4% at AP2 level, of which 7.8% within operation 2.1.Micro-enterprises and 11% in P. I. 2.2-SME. The migration phenomenon of the funding request is illustrated in the number of financing contracts signed with businesses whose headquarters are located in other regions than the one in which the fund is allocated(Table no. 12).

**The risk phenomenon of relocating the funded projects results.** In the case of micro-enterprises and SMEs located in regions other than those from which they obtain funding, the interviewed interlocutors pointed out that there is a result relocation risk of the projects financed after the expiration of the statee aid monitoring period when the respective companies will close their operational offices and withdraw from the region or, as, they were not found at the project implementation site, as some findings from the implementation monitoring show,

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<sup>11</sup> Outsourcing, Partial or initial outsorcing operations known under the generic name of "lohn"



even earlier in the event that the investment project purchased tools and possibly portable equipments, they were not found at the place of project implementation.

**The return of funding beneficiaries from DMI 4.3. ROP 2007-2013 in order to continue the investments up to the maximum state aid limit.** One important aspect, which may even have the size of a specific phenomenon of the current period and which emphasize the importance of the ROP 2014-2020 is that during the programme period plenty of the SMES that have received funding in the period 2007-2013 be of DMI 4.3. or POS CCE priority axis 2, have reapplied to obtain complementary funds. The return phenomenon of some beneficiaries from micro enterprises category has risen especially in the I. P. 2.1.A and those from POS CCE 2007-2013 more on P. I. 2.2. In fact, this phenomenon is not fortuitous, on the contrary it is an aspect anticipated and taken into account, in view of the fact that the entire financing system in the AP2 was designed as a 'cascade system' able to provide for the possibilities to the enterprises, or former beneficiary or not, to access funding from the ROP, depending on their development degree, and the size category they are part of: 2.1.a-micro-enterprises with market experience of at least of one year, 2.2.- small and medium-sized enterprises.

In the opinion of the interviewees this is a such interesting assessment theme, which they were't thinking about until now, but which in the future should be followed both in monitoring and through thematic evaluation studies. In this way you might notice the aggregated effects through further funding by the same legal entity but for all other activities that enable them to truly grow (scale up) and to pass in another size category size. POS CCE beneficiaries return to P. I. 2.2. with different perceptions and expectations.

**Changes occurred as a result of the justice law modification of the beneficiary related to the VAT payment during the implementation period.** Beneficiaries are start-ups with only one year history having not yet reached the turnover threshold to become VAT subjects (i.e. 60,000), fact that turned the VAT not to be considered as project budget expenditure. During the implementation, as a result of turnover growth, the beneficiary becomes a VAT payer and, consequently, eligible becomes only non-deductible VAT. As a result of this aspect related to the artlessness business dynamics development, the allocation in the amount of non-reimbursable funds (grant) increases pro rata the non-deductible VAT that arises and is eligible and increases in absolute tax amount of own contribution compulsory for the deductible VAT which falls under the ineligibility regulation. Therefore, increases the funding effort of ROP and the beneficiary without changing the ratio of 90/10%.

**The TB drafting capacity by the funding beneficiaries are still low.** Few applicants draft the TB on their own. The fact that most applicants tend to request consultants services is observed in the budget project budget presented in TB. 95% of the cases micro-enterprises act as the consultants say and is assumed. Applicants who are not involved in the early stages of application preparation become aware of the obligations they have undertaken only at the signing stage or later in implementation. Plenty of them do not even check the foreseen indicators as recommended by the consultants in the hope that they will gather points for the technical evaluation and to which the beneficiaries commit by the financing contract. Most dropouts, namely, contract cancellation initiated by the beneficiaries occurred in pre-contractual stage when the beneficiary who has been trained in TB preparation becomes aware of the obligations and responsibilities he must be accountable for, or in the first 2-3 months from its termination (RDA SVO).

Instead, the situation is different on P. I. 2.2 where, even if consultants are involved, the applicants involvement is higher since TB and technical documentation preparation. This involvement finds its explanation in the superior category, meaning also ownership complex, in the higher complexity of the financed action, as well as with the existence of a specialized staff in medium sized and categories compared to micro- enterprises.

Although the consultants training capacity has increased compared to the first 2007 -2013 programme, quality imbalances are maintained on the consultancy market, significantly at the regional level. New consulting companies have emerged on the regional to attract European funds whose lack of experience in project management was observed during the evaluation process and in implementation monitoring. There were few situations when such new and inexperienced companies made repetitive mistakes in the preparation or implementation of the TB, which led to divergences, disputes and even consultancy services contract cancellation. On the other hand, experienced consulting firms have committed to writing dozens of projects/TB and have been left to work superficially. In the technical assessment this was as obvious as possible. In the evaluation this issue turned to be more and more conclusive. Lack of professionalism, repetitive mistakes, passages copied from one business plan to another are just some of the comments in the evaluation. However, the claim regarding the overall increase of the consultants' abilities is maintained. This was reflected in fewer requests for clarification and in the results of the technical and financial assessment. Thus, only few TB were technically rejected (because they were not able to meet the minimum score, i.e. 50 points).

**The implementation projects capacity for which funding has been obtained has been improved.** The improved capacity is due to an investment in seminars/training on topics such as: contract financing, with emphasis on the beneficiaries' obligations, public procurement mechanism and payments mechanism. These training events were held immediately after the signing of the financing contracts. The presence was always good (20-30 participants) although when making promotional events few were interested. It is true that part of the improved implementation capacity can be connected with the fact that the beneficiaries have chosen more carefully their consultants who assisted them in implementation. The beneficiaries documented themselves in the consultancy market, took references and turned to those who could prove a successful history. For those who had previous involvement in REGIO 2007-2013 was much easier because they had their own project management experience.

Although, in terms of managerial implementation capabilities of the beneficiaries, opinions and experiences differ from region to region. Thus, some regions consider that on the contrary the managerial capability in the implementation of activities is weak, so projects well written are stuck in implementation and beneficiaries without consultants would not have managed it.

The construction industry generates greater issues and the stars in this sector procurement were bulldozers, excavators and water pumps. The evaluation interlocutors assessed that about 30% of the total purchases in this sector is represented by tools and equipments. This information was identified in almost all 7 visited development regions. During the previous programme period, the "stars" were dental offices, which led to the quality improvement of medical services. In contrast, in the case of the construction sector the situation is different because the applicants requested, especially, equipment purchasing, machinery from the above mentioned categories. In most of the cases, the equipment is rented to other SMEs or is used in other regions of the country, but not in the region where the financing is obtained. Moreover, during monitoring visits to the implementation site it was found that mobile or transportable machines were not found at the project implementation site.

IT domain also raises a number of issues related to the specific nature of these businesses and services. Thus, the place of carrying out the activities is usually not the real place of implementation. To a certain extent, since companies in this sector of activity are in the region of Bucharest and Ilfov where few funding opportunities are accessible, go in other regions and open operational branches, submit there the projects and for this reason, in the opinion of some interviewed interlocutors there is a risk that those SMEs not to produce almost anything for the local community. There is also a problem with "new software" which are not at all new, but only brought from someone else at an overestimated price. All these issues were subject to appropriate measures with the regulations in force after monitoring officers' field visits.

Moreover, the software proposed for purchase is an issue since the TB evaluation due to the involved prices and the lack of experts who should verify the veracity of these prices.

Also, it is noted that in the engineering and architecture areas, buildings surfaces required for the financing are much higher than necessary.

**Newly emergent factors contributing / impeding implementation as well as expected effects or/and desired impact.** The chronic labour shortfall (qualified and unqualified) is the negative factor that occurred with the highest frequency invoked by the beneficiaries. The intensity of this phenomenon could not be anticipated in the TB preparation. The situation which subsequently intervened in the labour market triggered difficulties in recruiting staff (eg. The site construction director - for the situation in which the project beside the goods acquisition has also purchasing services for expansions or construction of new production capacities) and in created employments hired by the financing contract. All the more so since much the desire to increase the success at the technical and financial evaluation, and, most often, to the consultants advice , in the TB- the indicator number of jobs was oversized fact that will be created pursuant to the investments.

The population ageing and labour force the migration are the root causes of problems related to the already chronic deficit of the labour force.

The craft and art school disappearance, as well as the declining quality of vocational education from high schools it's another reason why companies are unable to find staff in accordance with the requirements of the newly created jobs, as well as, the demand of skill level in the private sector. The corresponding professional qualification could not be performed in the absence of school workshops, technically upgraded to the appropriate current standards. For these reasons, some mid and high-level companies have concluded that they must create their own schools in the factory (returning to qualification and apprenticeship at the workplace) to solve the employment issue on newly created jobs.

*Experts consulted during the evaluation year, other than those of the assessment team, argued unanimously, that, without the modification of public policies, the migration flow will continue at the same pessimistic pace. There is a need for measures to stimulate the labour retention in the country. At the theoretical level, there were initiatives on public policy, but it is unknown whether these measures are still active. In the financial Diaspora Start-Up instrument context, the performed intervention through POCU 2014-2020, it is noted or those in the diaspora consider it a great challenge to develop business in Romania, even in provision funding costs. Therefore, it takes more than subsidies to stagnate or return the migration flow. In fact, the movement of labour within the EU market is one of the rights gained by accession. So, at the moment the scenario is a "pessimistic" one in which the population will continue to migrate to other EU member states and/ or to other areas of the country .To conclude, in addition to external migration, there is an accentuation of the internal migration flow between country regions.*

In other news, the amendment of the regulatory framework by approving the Order No.3 of the National Regulatory Agency for electronic communications and information technology.1248/2016 on public procurement is likely to simplify and speed up implementation. This is one of the reasons why in operation 2.1.A are many physically completed projects.

For the situation in which projects involve the acquisition of works a positive factor of influence in this case is the emergence of HG 907/29.11.2016 on the elaboration and content stages of the technical-economic documentation framework related to the objectives/ investment projects financed from public funds. The introduction of this normative act has made the general estimate costs to be identical in structure with the project budget which led to the simplification in training, and empowerment of the implementation team. Moreover, the general

estimate is now compiled with the opinion of a designer which gives you a guarantee regarding the correctness and veracity of the included data.

In exchange, obtaining construction permits for the investment objective, such as expansion or construction of new generating capabilities, are still delay and obstruction factors, although the beneficiaries deadline to present this document was expanded by the order amend of the general guideline for the ROP applicant, from 60 to 90 days starting with the incipient pre contractual stage.

Last but not least, factors of influence in the political area and legislative environment (eg. the VAT rate have changed three times since the beginning of ROP implementation , changes survened to the minimum gross wage per economy and differentiated in some activity sectors (eg. the construction sector), factors of influence in the area of financial policies on the segments, the credit market or the foreign exchange (the continuous depreciation of the national currency and the exchange differences on the payment of purchased equipment on which the beneficiaries must bear as an ineligible expense) have led to the increase of the own contribution of the beneficiary during the implementation of the investment project, with delay consequences, additional obstructions and difficulties in establishing co-financing sources and cash flow.

### **Findings related to the organizational processes needed for AP2 implementation are:**

#### **Informing and guiding the applicants throughout the clarification stage**

A newly introduced mechanism is the Help Desk Information and support offices. They worked in all OI on the basis of an operational procedure. SMEs and consultants were the ones calling frequently in help desk services. Microenterprises have resorted less to this support facility given their cooperation with a consultant since the preparation phase of the TB. Moreover, in the OI case (eg. NW region) who monitored and carefully counted the number of requests and the origin of the sector, more than half of the number of help desk requests were risen from applicants in the above mentioned categories. The explanation lies in the potentially large number of Axis 2 applicants compared to the cumulative number of eligible applicants on all other priority axes.

This support mechanism worked at the stage open to clarification, did not work during the evaluation process, but in some situations (eg. OI SW Oltenia) was resumed and functions in the projects implementation. In the case of other OI , guidance, support and supervision shall be carried out by the designated monitoring officer.

Another significant aspect observed by those responsible for providing support and guidance at the post-call clarification stage is the request for services by applicants/consultants who did not pertain to that region, but from others, sometimes quite remote. This aspect can be explained both by the fact that those interested checked the received information from multiple documentation sources , as well as the fact that the specific guidelins presented confusing situations, with equivocation, which imposed additional clarifications from multiple sources. Last but not least, these information and support requests from other regions could be related with the migration phenomenon of the SME financing application to the regions with more attractive financial allocations .

From the beneficiaries participating perspective in the focus groups organised in the evaluation (endorsed by the results of the investigation, but also by findings from focus groups with beneficiaries) this support mechanism, although functional and useful, has failed to go beyond the explanations provided by the guidelines.

With all the positive and qualitative aspects highlighted as a result of this support mechanism, the problems related to the differences of approach between the RDA sites still remain, with the mention that some of the clarifications provided defy logic, requiring the supporting

documents difficult to access due to the age or technical specifications that ranged from one RDA to another as the detail degree.

Another thing worth pointing out is that the activities of ROP's communication plan went beyond information, advertising and promotion. Preparatory seminars, debates and other thematic meetings were conducted. Because it has been observed that at the time of the specific actions from the informing campaigns, the applicants were represented by their consultants, this kind of activity was resumed after signing the financing contracts with addressability to those who signed them.

### **Appeal Organisation and TB submission Process**

2.1.A It was the first operation within P. I 2.1. with which the implementation of the ROP 2014-2020 started. Due to the fact that the need for funding is extremely high, the operation.2.1.had a high requestment rate in terms of the applicants number and the submitted TB.In return the request did not cover the financial allocation (eg. around 125% for ARD NE, 81.6% for 2.1 a, 133,8% for 2.1.In the case of RDA SE or RDA SW Oltenia, the financial allocation of the region is almost consumed/employed 97% in P. I. 2.2. and about 73% to 2.1.A, and in the case of DRC around 70% of the distributed financial allocation is contracted. Therefore, appeals are expected to be reopened on this investment priority and micro-enterprises are in active standby.

All consulted stakeholders throughout the process of participatory evaluation have acknowledged that the specific guideline have been greatly improved, in the sense of clarification and completeness. This consensual finding does not mean that there were no problems that caused confusion or equivocal situations in the category of the succinct ones presented below.

Thus, the eligible NACE codes were different depending on the Investment Priority Category (2.1. and 2.2.) which can be explained by the different operations complexity under these priorities. However, the condition laid down in the number 1 appeal, related to 2.1 operation to invest in a single NACE code has led to the narrowing of the beneficiarie action sphere s through a simplistic approach and somehow bureaucratic that makes the proof of the misunderstanding behaviour intrinsically dynamic and interconnected of innovative business even developed at a small-scale forcing to become artificial or the enclosing the action with effect on some partial results.

In the Operation 2.2. specific guideline this requirement has been eliminated, but there have been situations of confusion and bias generated by the provided in the guide relating to the “modernization without fundamental change”, the condition caused by the need for alignment and compliance with the rules of state aid applicable.

On the other hand, eligible NACE codes from appeals organised under P. I. 2.2. have been fully correlated with 10 areas of competitiveness identified by NAS, but not with the competitiveness areas of each RDP.

In conclusion, although the list of eligible NACE codes has been continuously widened following consultations and proposals to the MA ROS in the regions, there are still domain in which regional specific were not covered.

The principle of complementarity is one of high importance and for this reason, the ROP sustains non-agricultural SMES in urban areas, as well as non-agricultural medium-sized enterprises in rural areas while the NRDP sustains agricultural SMES from urban and rural areas, as well as non-agricultural micro and small enterprises in rural areas), respectively businesses in rural areas that carry out agricultural activities and first processing. With all this border of complementarity well defined by the NRDP (primary processing of agricultural raw materials) specific guidance in the ROP have remained outside of the activities eligibility of secondary and tertiary agricultural processing which are industrial activities that add value along the production chain and,

moreover, are areas of competence for research and innovation. In support of this finding, it brings out one of the examples given by the interviewed interlocutors: a SME in the agriculture cultivates potatoes, the same or/and another from the raw material potato extracts the processing of the primary starch, the starch provides slow chemical ingredients (secondary processing) ingredient used in the manufacture of medicinal products or of masks cosmetics (tertiary processing). The second and third processing of this example fall into industrial/non-agricultural processing which must be an eligible objective within ROP and not NRDP. Also, by tracing the border of complementarity between ROP and NRDP in relation to the eligibility of the applicants based on area of residence, where the enterprise has its headquarters, have been dropped from the view of SMES located in the territorial area of the metropolitan suburbs, where usually, in the last time, were either relocated, or were implanted with business activities. Typically, industrial and medium-sized enterprises are located in bordering urban and rural areas.

There are opinions from the implementation system that the maximum funding caps and thresholds in the investment priority 2.2. operations are too high and, consequently, can pose risks for the development of oversized production capacities, which subsequently could not be used at its maximum capacity and with expected performance through the business plan.

In summary, with all improvements brought to the specific guidelines from one appeal to another, it should be further reviewed for some additions still needed, leaks or inconsistencies just as a result of too many versions. The flexibility of changing the guidelines from one appeal to another allowed their improvement, but also generated too many changes and led to situations (7-8 versions) likely to create confusion among those interested.

Furthermore, the intermediate institution, which are located closest to the beneficiaries, were involved in guideline revision only at the stage of public consultation and not in the initial stage of training, which means an administrative capability not used enough in an early stage, more than that know there is a involvement pro-active availability. The ROP intermediate institution the prove themselves to be resource centers as a result of the acquired and consolidated experience gathered in time, knowledge and their direct relationship with beneficiaries.

## **Evaluation and Selection**

Evaluation is not an objective itself. The role is to make the submitted projects evaluable and not an obstruction factor.

The evaluation was made outside MySMIS because during that period the application was not functional for 4-5 months, so the evaluation was made "on paper". Subsequently, all information and data had to be introduced into the system for historical purposes, which led to the additional load of OI staff.

The results of the survey among the beneficiaries report that the greatest difficulty was caused by delays in the evaluation and selection process which leads to lack of applicants predictability , the accumulation of frustrations and even the option to give up to the termination of the financing contract, because during this long time framework(the evaluation occurred at 4-5 months since submitting and running the entire process went and up to a year ) plenty of changes have emerged, new risks were risen, risks that the beneficiary considered not to be able to undertake. Changes in the micro-enterprises market were so extensive that the submitted business plan together with the TB rose no more interest, and was no longer topical. The opportunities on which the business plan was built disappeared, other opportunities appeared that no longer justified the purchase of equipment foreseen in the plan. In this long interval between time of submission and the one of the selection or of the signature of the financing contract, as an obsolescence result , new equipment and machinery have already appeared, more modern and efficient, which replaced those of the initially undertaken plan or other causes related to the

orientation of the entrepreneurial firm and the flexibility of the SMES to the requirements of the emerging market.

The administrative verification grid contains too many criteria, in the tens order, and increases the risk of projects rejection from the content and proposal point of view . Moreover, most of the submitted TB drops at the stage of administrative compliance verification and eligibility (eg. from the evaluation practice of the region we noticed that 32% of the submitted TB were rejected because they lacked a document). Some requirements are regarded as excessive (eg. it is mandatory to attach a document concerning the environmental impact assessment and projects which do not have any negatively estimated impact on the environment) or other situations related to the standard budget requested through the Guidance appreciated as being very detailed going until the subcategory of expense together with the fact that everything had to be loaded in MySMIS which subsequently led to the notifications and additional acts, which doubled the work load. Clarifications in the evaluation process were prohibited. So excellent projects in terms of content were able to be dropped due to the consultants lack of attention on minor details.

Business plans are most often drawn up by consultants. Although they are often unrealistic or overly optimistic documents, they did not deviate from the appeal requirements. Therefore, in the technical and financial assessment stage, there were no qualitatively rejected applications.

Raising the quality threshold in the evaluation at 85, 70, 65 points aimed not necessarily the applications quality (the difference score does not necessarily mean different quality, it depends on what criterion has received the bonus). Moreover, when raising the threshold, the consultants advised their clients to adopt a waiting policy until the threshold decreased, in order to increase their winning chances, to extend the duration of the evaluation process.

### **Pre-contracting, Contracting and Subsequent Amendments**

The compliance verification of administrative and eligibility is resumed at the pre-contracting stage. This activity falls in the responsibility of the OI ROP . Some of the surveyed stakeholders considered that this verification task exceeds the statutory tasks of the RDA and is time and human resources consuming because the databases (RegAS, RECOM, ARACHNE) are not interconnected.

During the time it has been observed that many applicants did not understand how the links between businesses functions, due to a lack of official methodology need to be studied. This has led to misunderstandings, disagreements or even disputes between the OI and the part of the beneficiaries, who have agreed to defend their interests on a procedural, judicial legal action.

However, most of the projects rejection in this stage was produced as a result of the fact that successful applicants could not prove the financial capacity of co-financing up to the expiry of pre-contractual (RDA'S).

Approximately 5% of the contracts were rescinded. Most contract annulments at the initiative of the beneficiaries occurred within the first 2-3 months after their signing.

The large number of requests for contracts modification and the functionality of the MySmis platform lead to overloading the ROP intermediate institutions within the RDA.

The standard contract displayed on the MySMIS platform did not respond to the specific program and operation for which the appeal was organized. Thus, in the effort to adapt to the specific ROP the financing contract was modified several times which involved additional time and work "on paper"

Some of the bonuses granted according to the project documentation (TB, business plan, technical documentation, etc.) at the evaluation (eg. complementarity with the local

development strategy, with integrated projects, with other OPS, such as the NRDP, is not reflected in the funding contract as an prior obligation ulterioră of the beneficiaries and dispose of monitoring and verification into the implementation and ex-post.

Investigating the principle of complementarity at project level remains something declarative without a clear record of the subsequent fulfilment. Thus, for example in accordance with the guiding principles envisaged at the base of the operation, when selecting beneficiaries shall be granted an additional score to applicants who propose a project on the basis of a local development strategy, which ensures complementarity with other investments made from other funding sources with other operational programmes (COP, HCOP, NRDP, Cosme and Horizon 2020 or national budgetary sources programmes managed by the Ministry of Economy, SMES department and various financing schemes initiated by the Ministry of Finance), issues that subsequently are not to be found in the provisions of the contractual clauses and, consequently, are not monitored. These issues remain mere statements proving only the awareness of the applicant for a congruent and complementary approach. Even if subsequently it fails to attract funding from another source or, on the contrary, do not make any endeavor, it remains with the bonus received from the assessment without any reward for success or penalty.

Other bonuses, although small in number of points, as for example as for the investments project by which the applicant proposes the equipment acquisition, such as bulldozer or excavator and, by chance, the legal entity has its registered office in a spa resort, the TB becomes automatically the subject of the evaluation subsidy, unlike a legal entity with a similar request from the municipality of residence of the county where the volume of activities that require such equipment may be larger and more complex. The bonification in the first example is artificial, without reflecting the added value of the actual location in the economy of the proposed project. Moreover, it can lead to an oportunist applicants behaviour.

### **Monitoring and verification**

As a general observation: the implementation of the 2014-2020 goes much better than ROP 2007-2013 being majority opinion of all stakeholders, including beneficiaries. This is also linked to the clarity of the OP indicators and their disaggregation up to the project level. Sources documentation of result indicators are clearer and better organized by Project Management

The payment claims mechanism was born out of obstruction and inability to co-finance and was perhaps the best introduced change that eased financial effort , streamlined and accelerated financial flows. In addition it helped to introduce financial discipline in the economic environment. According to the assessments of those interviewed, 95% of beneficiaries use this mechanism in 95% of situations and only the last is the reimbursement request . Another consequence of the introduction of this mechanism is that the percentage of beneficiaries who have applied for pre-financing has decreased. As a result, ROP no longer immobilize its resources contributing to the efficiency of the timely use of the program resources as it progresses in the physical implementation of the projects.

### **Sustainability results of Ex-post monitoring**

From the OI observations and experience in the ex-post monitoring of the ROP 2007-2013 the beneficiaries shall strive, make efforts to maintain in time the results of the investment project and, in particular, the number of created jobs, despite the difficulties that they encounter with the employment or staff retention.

But it is also noted that in the few situations where ex-post monitoring reveals that indicators are not maintained, there are not contractual means and instruments to act. Series of recommendation are performed and stops at this level.



## **MySMIS**

MySMIS is an application designed to respond horizontally to all operational programs that are financed by ESI funds. Although it is a substantial improvement under the fact that there is no need for the document to be sent on the paper support, a number of deficiencies, limitations and obstructions have emerged and requested alternative working solutions.

MySMIS has essentially contributed in increasing transparency in the management and use of ESI funds. Therefore, it is an "asset" of the PO that needs to be maintained in an improved, upgraded formula to better respond to the ROP's specificity.

When designing MySMIS was not always taken into account the operational procedures. From here, all sorts of short-circuits have appeared, including in the project monitoring phase

The links between the sections / modules are not sufficiently explained. On the other hand, many steps in the SMIS were redundant, repetitive. Users proposals have not been taken into account. MySMIS was not fully tested before setting it live. The test was only limited to some modules.

The user manuals are theoretical and there is no actual case / example from A to Z. Very few people in the ROP Coordination, Management and Control system have been trained in using MySMIS. Even the people who were trained complained about the conditions under which the training was done. Beneficiaries do not know how to submit their notices / proposals for additional acts for further changes to the grant agreement. Refund requests can not be updated on the platform. Support is still requested from the help desk offices and other deficiencies that have not yet been repaired.

### **Jobs sustainability created by means of the project**

It is influenced by a number of factors, of which:

The already chronic crisis of both skilled and unskilled labor. Among the reasons are the lack of attraction of youth for these service areas and migration to other countries. The social and economic impact of the migration phenomenon is higher in small urban localities, where the labor market is by its nature much lower.

The lack of financial resources at the level of micro-enterprises to attract, motivate and maintain employees through wage policy and attractive incentives. In order to overcome these severe financial constraint, some of the beneficiaries have turned subsequently to the subsidies provided through the financial support of the Ministry of Labour and Social Justice and other PO with financing from European funds for the hiring of high school students, considering as being a great way of development both for them and for the staff who reenters on the labour market.

Last but not least, the fact that young graduates access the labour market and not come with adequate qualification and training during schooling in pre-university education. Therefore, they must be qualified and guided in the workplace which involves time, concern and financial resources.

## 5. Conclusions, Recommendations and Lessons

### Learned 5.A Conclusions

The following reached conclusions by the evaluation team are proposed for the decision makers analysis. They were divided into four categories, as follows: general, simplification / administrative capacity, access to financing, ensuring synergies.

As a final conclusion, **the investment in SMES is necessary as it is now focused on technological modernization!** The beneficiaries learned what to do with public money obtained on competitive bases, consultancy costs decreased, their negotiation capacity with equipment suppliers increased.

The following pannels highlights these conclusions in a punctual manner.

#### *General*

- Although SMES were better integrated in the design and development of public policies, though the instruments of public policy effectiveness must take into account not only the size of the SMES, but also to reflect the whole range of parameters that determines the nature of each SME (areas of activity, location, innovation level) and the different stage of the SMES lyfe cycles.
- The proper functioning of the partnership principle at the program stage and subsequently in implementation through the ROP Monitoring Committee (CMROP) brings together representatives of all stakeholders, including the PO with whom ROP is complementary. However, both the documentation carried out at the level of international practices, and findings from the field, identified during the evaluation exercise shows that there is space left to improve the handling of the partnership principle during the implementation of the programme, due to the a risk that the involvement of partners would be just a formalist exercise . As result of these conclusions the application of the partnership principle should be monitored in the implementation stage, and through the activation of a technical working group established according to article 21(1) of the organization and functioning of the CM ROP Regulation.
- The 2021+ development stratify for the ESI funds will require a greater and more active involvement of the business associative environment of entrepreneurs associations, employers ' organizations at all levels as was done in the 2014-2020 ROP period of preparation, or when the evolution of the growth concept approach which icreased the SMES competitiveness of imposed the resumption of the consultations.

#### *Simplification / Administrative Capacity*

- For the moment, in spite of the operated simplifications remains the propoționality lack of the administrative requirements versus the amount of the obtained financing, as well as other administrative obstacles that prevent SMES to look for support by the ESI funds.
- Local capacities suppot of the business structures sustenance(sector advisory services, centers and territorial informational agencies , guidance and counseling, incubators/accelerators, etc.) for assisting SMES in the process of preparation and, subsequently, the implementation of their investment projects.

#### *Access to finance*

- Depending on the SMEs category , they have distinct needs . Therefore, it was necessary to consider adapting the types of support to these different needs. Thus, the conclusion

is that ROP proposes financing solutions based on the distinct needs of SMEs (see operation 2.2.B financial instruments, venture capital fund, operation 2.1.B

incubators/business accelerators, as well as AP 15 SME initiative etc.). In the same way, RPE is just one of financial instruments policy implementation public of supporting the development of SMES and can not come up with financing solutions for absolutely all the problems of all Smes from all sectors of the Romanian economy, given the restrictions intrinsic conditions, but also by the budget available.

- Facilitating access to finance, in particular for SMEs and start-ups, such as improving the training scheme, events and disseminating funding opportunities at the local level.

### ***Ensuring synergy***

- Complementarity and synergies between structural fund programmes and other national and EU investment programmes must be strengthened.
- You have explored the possible synergies and complementarities between the ESI funds and the European Fund for strategic investments (EFSI) which may be the subject of future evaluation studies.
- For the moment, Romania does not have a public policy to support the internationalization activity of the business sector, beyond the promotion of export activities. Therefore, national/regional initiatives to support the internationalisation of SMEs cannot exceed the national regulatory framework, which are only subsequent financial instruments of implementation

Following the analysis of the qualitative data and information collected from the field, the following conclusions are drawn:

- Help desk Information and support offices are a newly introduced mechanism. The support of applicants during the clarification period during the call opening also existed during the previous programming period, but the operation of this service was not systematic. This explains why there is still no harmonised, uniform practice in all intermediate bodies. Here arises the need for improvement in operating procedure, training and introduction of a mechanism of exchange of experience and lessons learned in the relationship of communication with SME and other categories of beneficiaries of the program.
- Unequivocally the qualitative level of the guides has increased. The corrections that were made and improve the guidelines as evidence that it is a learning process that still the system of implementation through with understanding the specifics of the SME sector which it finances. A more participatory and pro-active approach in the preparation of guidelines could remove some of the planning mistakes. However, while flexibility was maintained from one appeal to another, it also generated moments, when changes caused difficulties.
- MySMIS is an application designed to respond horizontally to all operational programmes that have as source of funding the ESI funds. Although it represents a substantial progress appreciated in terms of the fact that there is no need to send the necessary documentation on paper overflow, however in operation there have appeared a number of shortcomings, limitations and bottlenecks that have asked for alternative working solutions.
- MySMIS has also contributed crucially to increasing transparency in the management and use of ESI funds. It is therefore an 'asset' of the OP that needs to be maintained in an improved, modernised formula to better respond to the specific ROP.

- The SME sector has become a strategic one for Romania. That's why he was and is extremely important to provide assistance of a financial nature and non-monetary SMES to reduce the great differences of economic competitiveness in comparison with the European average, in particular by increasing labour productivity as a result of reducing the technological gap and reduce the cost of production, re-industrialization based on innovation and smart specialisation in sectors with development potential at the regional level, stimulating participation in the EU internal market, boosting exports, as well as circular economy, circulation of Romanian capital in international development projects.
- Underdevelopment is a phenomenon which is recorded, in different proportions, in almost all regions of the country, including in Bucharest-Ilfov region, classified as a more developed region that has not benefited from the financial allocation per priority Axis 2, in the current programming period. By contrast, this region and the SME sector respectively in this region benefit from financial allocation on AP15-the SME initiative.
- Although cohesion policy targets every region in the EU, there are also certain action limits dictated by the regional policy framework. Most of the funds are directed to regions that need them most: regions where GDP per capita is below 75% of the EU average. To reduce disparities between areas, as a result of funds allocated through the ROP is achieved through the mechanism of financial allocations to regions. But, it must be taken into account that there are other factors of influence, not only economic, but also including cultural factors which, over time, contributed significantly to the production of these disparities. There should be a strategy/approach/paradigm devoted to the less developed regions, what to take note of the mode of implementation and funding within the counties, considering that including even in the situation of more developed regions (West, North-West) if he examines more in-depth the situation at the county level will find that there is again the islands of underdevelopment ( see Jiu Valley). The regional policy framework involves the approach of Level 2 regions (NUTS II) with demographics thresholds between 800,000 and a maximum of 3 million inhabitants.

Another conclusion refers to the business incubators that are experiencing great financial difficulties, are not the subject of lending for the banking system, therefore they have to attract a large share of co-financing from alternative sources on which to engage them in their own name. Therefore, where possible they are more attracted to cross-border operational programmes where co-financing is not provided. The incubator revenue sources are poor. Very few incubators are organized as corporations, most are set up as non-governmental organizations, possibly by the public utility, permanently subsidised by the initiators, founding. Others benefited at the beginning and subsequently only intermittently from grant funding based on projects and some own sources from the renting of space and from the provision of General Services, as a rule, secretarial services. Their ability to provide specialised or high-value added services is weak, if not non-existent, hence their inability to provide themselves financially.

**With reference to EG1-Has the BOP contributed so far and will contribute to strengthen the market position and survival rate of micro-enterprises in the future?"**

- One conclusion is that the resilience rate of newly created enterprises one year after its establishment is increasing from 63.4% in 2011 to 77.8% in 2015 and 68.9% in 2016, the last year with data available from EUROSTAT. The annual resilience rate is on a longer-term but unsustainable growth trend. The appreciation is based on the annual volatility recorded by this indicator, respectively increases, followed by quite large decreases. On this growth background, instead characterized by volatility, the result indicator related to the specific objective of the I. P. 2.1., respectively the survival rate of micro to 3 years from establishment to reach the target of 72,3% in the year 2023 has general premises favorable to touch

- The development of these favourable prerequisites contributes not only to the evolution of data from statistical source, but also to the appreciation of the IB management factors and the monitoring and verification of investment projects within IB. Thus, it is assessed that the Regional Operational Programme has contributed significantly to strengthening the market position of SMES and, also, the survival rate of these enterprises. An important qualitative indication showing the importance of ROP is that in this programming period SMEs in the 2007-2013 period have again applied to obtain new funds to cover their emerging needs.
- Furthermore, according to the results of the ex-post monitoring of state aid granted in the ROP 2007-2013, very few of the SMEs financed were suspended, dissolved, radiated or became involved. All interviewees expressed optimism about the achievement of this indicator at the horizon year 2023 knowing the previous efforts and awareness of the beneficiaries of the financing for the conservation project results in the period of monitoring of state aid. Period which, under the new EC regulations, extends practically to more than 3 years, given the date from which the period of ex-post monitoring flows (i.e. 6 months after the last payment under the grant contract awarded).
- From the perspective of the beneficiaries of the financing contracts, the participants in the group discussions, this effect is the one followed by their strategy to continue to access different types of funding available. Some of the beneficiaries of PA2 funding. P. I 2.1.A were also beneficiaries in Kai 4.3. ROP 2007-2013, and some of the SMEs benefiting from financing contracts on AP2 P. I. 2.2. they have had experience in the implementation of projects financed from PA2 of POS CEC 2007-2013.
- In addition, the characteristics of the sample from the survey carried out in the framework of this assessment exercise indicates that micro-enterprises and SMES, in the overwhelming majority, they had more than 3 years from the time of the establishment when they filed the CF and have concluded the financing contract, Which is a guarantee that their life expectancy thanks to access to financing and solving some of the needs of the endowment and recovery of technological gap will extend far beyond the time span of 3 years got in the definition of the indicator result.
- All of these elements combined represent the precautionary measures that entitle to assert themselves even in this stage of implementation that the result indicator thus formulated will meet, and the ROP 2014-2020 will contribute to the resilience of the overall SME sector in Romania according with the weight of the specific time of its indicators of output (number of beneficiaries of financing from the SME category). Of course, exceptional situations of recession, economic crisis-financial or force majeure are excluded (whereas at this point of the analysis are not assumptions sufficient to be taken in the calculation) in this scenario realistic optimistic, according to the opinion of experts evaluation validated by the experts in the panel

## 5.B Recommendations

**Set up networks for information and support offices.** In relation to the help desk support recognized by the beneficiaries as being useful and successful it is recommended to be introduced in the activities plan of the Regional Development Association Agencies (RDAA) of a

theme related to the establishment of the national information offices and support network which works in the ROP intermediate institution of the Regional Development Agencies (RDA). Such an initiative can contribute to the activities correlation coming to support the projects preparation to be evaluated by eligible applicants, to the homogenize support and counseling practices, would facilitate the exchange of experience and casuistry, would contribute to a better preparation of the experts working in these offices regarding the requirements and issues specific to the types of appeal, not only those relating to the SMES sector and the business environment, but also for the other axes. The type, configuration and network architecture could be the subject of participatory approaches at the level of this association.

**Introduction of an operational procedure to prepare and certify appeals guidelines.** The involvement of the OI in the preparation of guidelines for Applicants prior to their publication for public consultation, as was the case during the first programming period when the OI was more involved in the preparation of the Guidelines and procedures. At the same time, it is recommended to limit the areas of eligible activity and to focus them better on the areas of competitiveness in PRDs and, for the future programming period, on those of smart specialisation, in line with the recent strategies adopted at regional level. The selectivity of eligible sectors /subsectors and areas of activity should not be seen as a restriction of access, but derives from the need for better strategic coordination and convergence with the economic and development potential, the industrial, economic and social tradition of the regions. It is also appropriate to carry out a broad consultation process with the RDA, at a relatively high decision level, before launching the preparation of the applicant's Guide with the specific terms of the call and the involvement of the staff, at expert level, in the preparation of the Guide for a dedicated operational procedure, irrespective of whether they prepare: is internalised by the system or externalised.

The guidelines should be prepared by consulting the associative business environment, the section of consultants experienced in attracting European funds, and intermediate bodies, and not only subject to public consultation in accordance with decision -making transparency in the regulatory process.

The public consultation shall be accompanied /preceded by the acceptability test with actual situations from A to Z. Axis Guideline responsables to be appointed therefore almost all specific situation to be anticipated, to reduce opportunity costs and to eliminate wasted time.

**Introduction of a new declaration under the sole responsibility of the legal representative** concerning the maintenance of the shareholder tax and the size category of micro -enterprise at the time of the contract. In the current context, this declaration would be the responsibility of the beneficiaries, would no longer load /overload the OI and would speed up the procurement. Verification of the veracity of the declaration shall be carried out either on the first monitoring visit or on the occasion of the project audit by an independent auditor contractually employed.

Proof of the beneficiary's own contribution shall be submitted within a maximum of 90 -day period from the notification of the start of the pre -contractual period, in a similar manner to the scheme for the presentation of the building permit which has been extended by order to amend the general ROP Guide or even within a period of time after the conclusion of the co -contract. In the second alternative, which would also allow guarantees to be provided for the commercial bank bridge credit, the financing contract should provide for a suspensive clause in the event of the absence of evidence within the requested time limit and stipulate that it shall be legally terminated in the absence of evidence within the fixed time limit. it by instruction. The process of analysing the credit files with a view to obtaining co -financing from a bank source is a complicated one and may involve an even longer 60 -90 -day period. In the alternative of extending the term in the pre -contractual period, the search for alternative or complementary sources to their own will take place within the same vicious circle. The bank is asking for guarantees for bridge credit on the basis of the financing contract, while AM ROP is

asking for proof of its own sources or a credit agreement for the signing of the financing contract. This vicious circle must be eliminated by means of a solution or a couple of solutions, possibly accompanied by a support mechanism in search of alternative sources for the beneficiary's own contribution.

**Changes required in the procedure for subsequent contracts amendment aiming to simplify the acceleration.** The rule of subsequent modifications is the Additional Act (AA) which lengthens and even stops for a period of time the implementation of the project at activities level. The processing time of the additional document design at AM is long and due to multiple filters may last up to two months. In addition to delays, deadlocks, frustration and higher expenditures, this cessation of activities includes non -eligible expenditure (interest, exchange rate differences, bank charges, etc.) for the beneficiaries, not to use the credit lines granted by the banks.

**Perform a separate analysis in subsequent evaluation exercises aimed to understand how is innovation used and introduced by SMEs.** Financing innovation does not just mean making financial resources available to accomplish the businesses efforts themselves. It also means providing technical support on project development skills side, their analysis and the complementary technical and managerial expertise provision needed to develop new innovative enterprises. Efforts are therefore necessary in the technical assistance strategy plan of the programme and in the field consultancy market, in order to provide those skills, develop institutional infrastructure for innovation and technological modernisation as factors for SMEs competitiveness growth.

**Activation of a technical working group under the inter -institutional coordination and cooperation mechanism to promote the partnership principle throughout the programme cycle,** of a working nature at the level of the MFIs operating at least intermittently but throughout the ESI fund management, so that coordination and complementarity to be addressed beyond the avoidance of duplication and risk for double funding, but in the spirit of an integrated approach (see the new IT mechanisms, the DCRC established at EU level and piloted by Romania) and partnership promotion of throughout the entire implementation.

**In the public policy recommendations plan,** appears as necessary from the evaluation content, the creation of an early investment in the culture development of innovation both through the programme's technical assistance strategy as through proposals to the decisive factors to include this subject in the entrepreneurship curriculum, in order to raise awareness and raise the young generation of potential entrepreneurs in the spirit of a permanent search for new ideas with practical applicability, so that innovation becomes a way of life. Innovative attitudes cannot be the result of a transplant by transferring attitudes, or of a mimetic nature, but must be internalised to become an intrinsic vital function for any economic and even social organism.

**Sustaining the development and strengthening of an innovation -driven consultancy sector and innovation brokers as business -level promoters and /or catalysts of innovation or partnerships to stimulate demand for innovation and technology transfer.** In Romania, the demand for innovation and technology transfer is much lower than the request.

**As regards to the financial contribution towards business support infrastructures,** it should be extended to clusters or the stimulation of sectoral /specialised incubators in the areas of competitiveness in the DRCs. In order for existing incubators to be able to access the funds available on 2.1.B, it is necessary to extend the eligibility of incubator staff at wage costs, similarly to the situation of technology transfer centres where even the percentage of 50% proves to be insufficient.

Clearly, the financial contribution of the beneficiary (from its own or attracted sources /credit bridge /other loans) to the realisation of the investment project is a guarantee of its



accountability in implementation and a way of sharing the risks that may arise in implementation.

However, with regard to EG1, on the basis of the findings and conclusions set out in the above section, a proposal for a recommendation appears to be inadmissible. Thus, given the documentation source of the result indicator P.I.2.1, EUROSTAT claims respectively, the difference in the definition of the time that variable indicator should be taken into account. EUROSTAT requirements aim to measure the resilience of newly created enterprises after one year of activity, while the ROP result indicator AP2 P.I. 2.1. is defined by taking the time variable into account every three years from its inception. **This difference in methodology leads to the need to compile a documentation source for the programme itself on the basis of a representative sample survey in the final evaluation of the programme**

Another recommendation proposal concerns the measurement of the already installed phenomenon of the applicants return for funding, which can be traced from the start through the CF form. Requesting such information through the CF form can monitor the traceability of applicants either on the same intervention category compliant with the state aid cap or switching to more complex intervention categories as a result of changes in the size category as that beneficiary evolves.

In the situation of those who already have projects in place or have completed their proposal, the proposal is to include a question of evaluation in the CdS of the following evaluation exercises in the ROP evaluation plan 2014 -2023. The OI s were very interested in commenting on this phenomenon of the return of eligible applicants /beneficiaries that they observed at the time of the administrative and eligibility verification but whose exact dimensions are not known due to the absence of a source of documentation of this process indicator or investigations. you are dedicated.

With reference to EG2. The result indicator is found to be correct as productivity is one of the main factors stimulating economic competitiveness, but less relevant, according to the beneficiaries, in the situation of P.I.2.2, is the formula for calculating productivity as a ratio between the annual turnover and the annual average number of The technological modernisation of the investments financed leads to an increase in production returns and, in some cases, to the necessary changes in the structure of personnel without an increase in the total number of staff required. In this case, and for the next programming period, it is recommended that, in addition to the productivity of the work calculated according to the formula above, other indicators be introduced to measure the efficiency with which the funding was used, such as the turnover of 1000 -pound investment in non -repayable funds or /or product the apparent activity calculated as the ratio between the added value and the number of staff. Already.

Support measures in the next ROP aimed at increasing economic competitiveness target SMEs promising high growth potential, business partnership structures, including informal type, innovative clusters and upstream and downstream value chains and focus on better eligibility activities in the areas of specialisation of development regions, so that the investment is not spread over a long list of sectors of activity.

As a principle, financial support of a grant type should not be given to those who can help themselves or ask for a higher co -financing rate to make them more accountable. From observations and by comparison with the IT sector, entrepreneurs are more responsible in spending their own funds and even follow austerity policies. Direct medium -sized enterprises towards private equity financial instruments

Providing financial support under the cascade scheme to the same beneficiary entities in the new programming period 2021 -2027 in order to support the economic growth of the ECSC. Growth means moving to a higher size class with a higher number of employees, higher economic performance (market share) and financial performance (turnover, gross profit). This course of action was already experimented on ROP 2014 -2020 through the beneficiaries eligibility of ROP 2007 -2013 DMI 4.3. for eligible types of actions and costs other than those previously financed

under the de *minimis* cap or other state aid caps for product / CDI process , marketing and organisational process.

## 5.C Lesson Learned

Any participatory evaluation exercise is also a learning process. Thus, following the process, the team drew a number of lessons summarised below.

The desk documentary analysis and the review of the literature on ESI Funds contributed to the extraction of the following lessons /lessons synthetic presented in the below framework

Lists of the studied experiences are emphasized in the Annexes

<b>Lessons learned from studying international experience</b>	There was insufficient cooperation from interested parties which resulted in a low degree of resource integration and the difficulty of integrated projects.
	Instead, there was a mixed approach between Member States and regions in terms of partnership and providing support to SMEs to navigate the administrative channels of the ESI Funds.
	The delay in the introduction of delegated and implementing acts has created uncertainty and prevented access to funds.
	Some of the simplification measures included in the regulations governing the ESI Funds, such as the use of reduced /simplified administrative costs and documents shorter retention periods , were not as effective if the aid had been considered State aid,because the competition regulation usually denied these possibilities.
	Examples of good combining funding practice for SMEs so that an enterprise can apply for different projects, such as research and development, training, energy efficiency, but within the same process or appeal. In this respect, it is necessary to analyse the capacity of a SME in Romania to propose and implement this type of project.
	Conducting systematic studies after the period of state aid consumption monitored through a government organisation on the model of the Irish Government Economic and Evaluation Service, <a href="https://igees.gov.ie">https://igees.gov.ie</a>
	SMEs funds accessing seems to work best when there is a clear commitment from the MS by setting targets to reduce the administrative burden and the duration of operational processes, in particular in the documentation preparation, funds submission and request, technical and financial evaluation, pre -contractual preparations, funds termination contracts and until effective receipt of non -repayable financial assistance.

Evaluation activities carried out mostly on the ground to implement the proposed evaluation methods or in direct consultation with relevant stakeholders contributed to the extraction of the following lessons /lessons synthetically presented in the below frameworks.

<b>Lessons learned from the ROP experience 2014 -2020</b>	In the 2021 + perspective, sustainable regional development should focus on regional economic development in line with economic potential,development plans, and competitive specialisation of each region separately.
	The SME sector is the catalyst for economic growth as defined by Peter Drucker, the father of management. The complementarity of SME -type entities and their business structures is what gives them a high capacity to adapt to market conditions and fluctuations in the economic and social environment. That is why the SME support relationship must show flexibility and focus on their needs.

	<p>AP2 result indicators are more synthetic, and project outcome indicators are coordinated and consistent with those of the program. The documentation sources of the indicators are correctly determined, but some differences remain in the definition of the ROP 2014-2020 outcome indicator with the definition given by the documentation source, which is why either align or sett up a source of documentation at project level on the basis of systematic investigations at key times.</p> <p>Funding the theory and intervention logic of the future ROP to be done through in-depth context analyzes of the situation and dynamics of the SME sector in Romania.</p> <p>Notable progress has been registered in the implementation of the 2014-2020 ROP, mainly through the establishment of mechanisms that have supported the implementation of a priority horizontal investment and the intervention areas of each axis (the helpdesk information and support mechanism , payment request mechanism) compared to the previous programmd period</p> <p>Any administrative restriction will lead to an oportunist behavior on of SMEs and entrepreneurs / administrators side. Transferring the results to the origin region does not actually lead to their aloss in the national economy, but the region where funding was granted will only have jobs for a fixed period of time and thus the objective of reducing regional disparities is not achieved.</p>
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- Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions - "Think Small First" - A "Small Business Act" for Europe COM/2008/0394
- Kauffman Firm Survey [1]- Angheta Kauffman în întreprinderi- Summary of findings, conclusions and policy recommendations
- OECD-Eurostat Entrepreneurship Indicators Programme (EIP)[2] -Brief presentation of the entrepreneurial indicators
- Doing Business ReROPt World Bank

#### List of the consulted links and documents

- Inforegio website on ERDF: [ec.europa.eu/regional\\_policy/index\\_en.cfm](http://ec.europa.eu/regional_policy/index_en.cfm)
- Regional Policy projects database:  
[ec.europa.eu/regional\\_policy/indexes/project\\_examples\\_en.cfm](http://ec.europa.eu/regional_policy/indexes/project_examples_en.cfm)
- Regional development projects database:  
[ec.europa.eu/regional\\_policy/projects/stories/index\\_en.cfm](http://ec.europa.eu/regional_policy/projects/stories/index_en.cfm)
- <https://www.interregeurope.eu/news-and-events/news/939/moving-from-business-incubators-to-accelerators/>
- WP1 Synthesis reROPt, final reROPt:  
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- EC Guidebooks on supROPt to SME policy from structural funds, with particular reference to [How to use structural funds for SME & Entrepreneurship Policy](#)
- The book "Access to finance for innovative SMEs", A policy brief from the Policy Learning Platform on SME competitiveness, INTERREG Europe  
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