CLUSTERS OF ENTERPRISES AND THE INTERNATIONALISATION OF SMEs: THE CASE OF THE ROMANIAN REGION OF TIMI OARA

Summary report of the seminar held by the OECD Local Economic and Employment Development (LEED) Programme in Timișoara, Romania, 24 May, 2004

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INTRODUCTION

The OECD LEED (Local Economic and Employment Development) Trento Centre for Local Development organised a conference on “Clusters of Enterprises and the Internationalisation of Small and Medium Sized Enterprises (SMEs): The Case of the Romanian Region of Timișoara”, at the City Hall of Timișoara, Romania, 24 May 2004. This conference was organised in co-operation with the City of Timișoara, the Chamber of Commerce and Industry of Timișoara, the Central European Initiative-European Bank for Reconstruction and Development, the Investment Compact, and the Romanian Regional Development Agency for the West Region. The Timișoara conference was a back-to-back event with the Bucharest conference on “Entrepreneurship and Employment in South Eastern Europe”, 26-27 May 2004, organised by the LEED Programme and the Stability Pact for South East Europe. The OECD LEED conferences in Timișoara and Bucharest provided an input for the Romanian participation in the 2nd SME Ministerial in Istanbul, 3-5 June 2004.

The conference is part of the Centre’s entrepreneurial activities and it is anticipated that this material will be an input to the final publication by the LEED Trento Centre presenting the results of all SME seminars held in Central and Eastern Europe.

The purpose of the conference was to identify the main factors that contributed to the Timișoara success story, by analysing the role of foreign investments and the internationalisation of SMEs in fostering entrepreneurship and local economic development. The conference resulted in a series of policy recommendations on local development strategies to:

i) foster entrepreneurship through co-operation and clusters of enterprises;

ii) improve access to finance for SMEs; and

iii) foster innovation and bridge the gap between research and industry.

PROGRAMME

The Seminar was divided into two main sessions.

The first aimed at analysing the role of German and Italian foreign direct investment (FDI) in fostering SME development and cooperation between German / Italian firms and local firms. Then, the question of cluster development was raised, and policy options to facilitate networks of enterprises and cluster building at local level were suggested. The debate was based on OECD LEED background report “Developing a Favourable Business Environment: Lessons from the Experience of Italian Firms in the Timișoara Region”, by Professor Antonio Majocchi, and on two presentations by Consul Klaus Peter Marte “German FDIs and the Role of German Enterprises in Fostering Entrepreneurship in the Region of Timișoara”, and by Dragos Pislaru, “Prospects and Challenges for Cluster Development in the Timișoara Region”.

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The second session focused on enterprise financing and innovation as essential elements of entrepreneurship and cluster development in the Timișoara region. During the session, the level of access to finance and innovation for SMEs was assessed, and policy recommendations were proposed to enhance innovative activities and to bridge the existing finance gap. The debate was structured around the OECD LEED background report on “Access to Finance for Micro, Small and Medium Sized Enterprise Development in the Timișoara Area” by Dr. Ricardo Pinto. Two presentations, “The Innovation Strategy for the West Region” by Dr. Nicolae Farbas and “Innovation through Businesses and Universities / Research Institutes Cooperation – Timișoara Study Case” by Dr. Nicolae Robu, also nourished the debate.

For the complete list of speakers and their respective contributions, please refer to Annex I.

BACKGROUND ON THE TIMIȘOARA REGION

In the framework of the transition process from a centrally planned economy to a market economy, the Timișoara region has had to tackle a series of key issues in order to ensure business development, job creation and economic growth. The privatisation process, largely facilitated by the existence of a land register, was achieved in 2000. Likewise, measures were taken to clarify the regulatory framework related to property rights, which was a prerequisite to the emergence of the private sector. These reforms helped stimulate an inflow of FDI, and the need to maximise the positive effects of this trend gathered momentum. As a result, the City of Timișoara released in 2000 The Strategic Development Concept 2000-2007. This aimed at utilising existing competitive potential with a view to promoting the region as a competitive multifunctional centre in Romania and in the Euro region Danube-Cris-Tisa, which will be integrated in the national and European economy and capable of providing a favourable environment for economic activities.

It is worth highlighting that The Strategic Development Concept represents an effort to build a long term development strategy upon the existing economic assets of the region, namely:

- Its geopolitical position: the largest western city in Romania, bordering Serbia and Hungary, provided with good connections and infrastructure, which makes it "Romania's open door to Europe".

- Its level of economic development: the unemployment rate is inferior to 4%, which is below the national average; the level of FDI is four times higher than the national average; the existence of dynamic economic sectors, especially with respect to industry and services.

- Its human resources: the existence of a skilled labour force at low cost; a good network of universities; dense business relationships (such as sub-contracting agreements between foreign and local firms); and a cosmopolitan population with an international attitude.

Among the main priorities identified by the The Strategic Development Concept, the development of an attractive business environment and the improvement of the physical (technical) and institutional infrastructure depending on the local institutions are envisaged. Indeed, the
The development of a modern transport infrastructure is at the core of the local strategy: the City of Timișoara has maintained a high level of infrastructure (Timișoara International Airport, roads and railways, highway under construction ...), and has developed partnerships with EU governments (Italy and Germany), and the EBRD for local development projects. The adoption of coherent and stable regulations at local level regarding the attraction of native and foreign investors is all the more necessary, since local authorities have to harmonise local legislation with the acquis communautaire, this being a pre-condition of the accession process to the EU. Considering the private sector in the region, it can be mentioned that the region has a diversified industrial structure, with a number of dynamic economic activities, which can contribute to cluster development, especially as regards the software, automotive, textile and leather-footwear industries.

At national level, the effort to build a dynamic and competitive SME sector in Romania is also reflected in several programmes promoting SME internationalisation and Romanian exports. These programmes are currently implemented by central institutions, such as the Ministry of Economy and Trade, the Ministry of Agriculture and the National Agency for SMEs and Co-operatives (NASMEC). The Ministry of Economy and Trade as well as the NASMEC have developed programmes aimed at:

- Providing comprehensive information and studies for Romanian and foreign entrepreneurs (manuals and periodicals, databases, working papers) interested in developing businesses in Romania or export-oriented activities.
- Providing assistance and consulting services to entrepreneurs.
- Organising promotion events (fairs, economic missions, conferences, trade information stands).
- Developing co-operation relations with international, regional and national institutions and organizations promoting trade and investment.

SESSION I. FOREIGN INVESTMENT, SMALL BUSINESS AND CLUSTER DEVELOPMENT IN THE TIMIȘOARA REGION

1. Foreign Investment: the Role of Italian and German Enterprises

Foreign investment inflows usually make a positive contribution to economic growth and development, through the transfer of capital, new technologies and know how, and also by fostering entrepreneurship and job creation. The Timișoara region is amongst the most attractive regions in Romania as regards foreign investment, by virtue of its geographic location, its infrastructure, its labour market specificities, and the economic strength of the area. The analysis of the Italian and German presence in the region carried out in the framework of the conference highlighted some key factors accounting for the attractiveness of the region in terms of FDI, the retention of the firms already present in the region and the development of a network of local firms with a good level of competitiveness in European and world markets.
Italian FDI: a major contribution to SME development in the Timișoara region

Italy is the second biggest investor in the Timiș and Arad counties in terms of capital invested, but it is ranked first in terms of number of enterprises (see Figure 1). Italian investments are concentrated in SMEs operating in more traditional sectors of activity, i.e. footwear-leather, textile and wholesale/food processing industry.

Figure 1 Volume of investments and number of enterprises by country of origin in 2003

<table>
<thead>
<tr>
<th>FDIs by country of origin</th>
<th>Capital invested (million USD)</th>
<th>Number of enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>128.1</td>
<td>1283</td>
</tr>
<tr>
<td>Italy</td>
<td>70.4</td>
<td>1638</td>
</tr>
</tbody>
</table>

Source: Chamber of Commerce and Industry of Timișoara

The reasons that brought many Italian firms to transfer part of their activities to the North-Western area of Romania are:

- The context of globalisation: the heavy exposure of Italian firms working in traditional sectors to the fierce competition coming from companies belonging to developing economies with low labour costs.
- Labour force shortages and in prosperous northern Italian regions.
- The strength of the Euro, which has pushed Italian firms to relocate low value-added activities in low cost areas to meet international competitive pressures.

The factors accounting for their presence in the region are:

- A high-qualified labour force at low cost.
- The outward processing trade, or customs duties exemptions, for processing goods temporarily exported from the EU, which was used by Italian firms for labour intensive activities in the area.
- Cultural similarities (language).
- The geographical position and relatively well developed transport infrastructure.

The role of German FDI in the development of high value added production activities

On the other hand, Germany plays a decisive role in the economic development of the region. Besides German FDI, whose role will be analysed below, Germany runs numerous development programmes, whether bilateral or multilateral, for instance in the framework of EU pre-accession programmes for candidate countries, or other international donors’ programmes. The analysis of German FDI shows that it is the largest in terms of capital invested, but only second in terms of number of enterprises. German FDI tends to concentrate in large firms operating in high value added activities, namely: electronics, automotive and software industries. By outsourcing some of their activities, German firms have contributed to the development of a dense network of local SMEs, which benefit from the transfer of technology and know-how. German FDI as such, plays the role of catalyst for local SMEs acting as suppliers to German firms.
Factors such as a high skilled labour force, a cultural proximity due to the existence of schools and universities teaching in German, a good transportation infrastructure linking the region to German cities account for the important flow of German FDI to the region. Moreover, institutional agreements between the Chamber of Commerce of Timișoara and the city of Karlsruhe, and also the setting up of the German Economic Club in Timișoara consolidated the basis for reinforced bilateral relationships between Germany and the Timișoara region.

However, German entrepreneurs feel that local authorities should tackle a number of issues in order to further attract FDI to the region, namely:

- The high rate of introduction of new legislative acts, which reduces the perception of a stable investment climate.
- The underdeveloped transport network (compared to EU standards).
- Relatively weak coordination among regional and national authorities.

2. Prospects and challenges for cluster development - possibilities for implementing the cluster model in Romania

The recent economic development of the Timișoara region due to an inflow of FDI, and the tendency of local and foreign firms located in the region to specialise in some successful export-oriented economic activities, have raised the question of cluster development.

What is a cluster of enterprises?

Clusters have been defined as “geographic concentrations of interconnected companies and institutions in a particular field” (Porter). The advantages to firms (especially SMEs) participating in a cluster are significant: concentration and specialisation of local labour markets, specialisation and division of labour yielding scale economies, outsourcing possibilities, ease of technology transfer, information and knowledge sharing and lower transaction costs. Therefore, policy makers promote clusters and networks because of their perceived positive effects on firms’ competitiveness. The typology below indicates the different stages of development of a cluster.

Figure 2 Typology of clusters by stage of development

<table>
<thead>
<tr>
<th>Type of cluster</th>
<th>Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential cluster</td>
<td>Some good opportunities and some key elements are already in place</td>
</tr>
<tr>
<td>Latent cluster</td>
<td>Cluster with a high number of firms but with a low level of interaction due to lack of trust, low cooperation and high transaction costs</td>
</tr>
<tr>
<td>Working cluster</td>
<td>A well developed industrial district</td>
</tr>
</tbody>
</table>

Source: M.J. Enright
In some cases, public authorities may bring significant support to cluster development: a “policy driven cluster” is a cluster which has benefited from a heavy public intervention, whereas a “wishful thinking cluster” is an uncompleted cluster, where the role of policy has failed.

In the case of Romania, policy driven clusters (industrial parks, scientific and technological parks) have been established by law, but only few of them are fully operative. On the other hand, some potential clusters in several Romanian regions have been identified by the EU Interreg III financed project “Industrial Cluster Development Project” (INCLUD), running from 2003 to 2005. The objectives of the INCLUD project are to set up a transnational cooperation network of industrial clusters, establish stable relationships, support the SMEs internationalisation process and stimulate positive attitudes to cooperation between EU regions (Italy, Austria, Poland, Hungary) and non EU regions (Bulgaria, Romania). The table below resumes the main findings of INCLUD as regards potential clusters in Romania.

### Figure 3 Candidate clusters by counties and regions in Romania

<table>
<thead>
<tr>
<th>Region</th>
<th>County</th>
<th>Specialisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>Bacau, Botosani, Iasi, Neamt, Suceava, Vaslui</td>
<td>Textiles</td>
</tr>
<tr>
<td>Central</td>
<td>Alba, Brasov, Covasna, Harghita, Mures, Sibiu</td>
<td>Wood processing, steel frame construction and metal products</td>
</tr>
<tr>
<td>West</td>
<td>Timi</td>
<td>Textiles and software</td>
</tr>
<tr>
<td>North West</td>
<td>Cluj</td>
<td>Software</td>
</tr>
<tr>
<td>South</td>
<td>Bucuresti</td>
<td>Software</td>
</tr>
</tbody>
</table>

Source: “Prospects and Challenges for Cluster Development in the Timișoara Region”, presentation by Dragoș Pislaru

Timiș county is one of the first counties where cluster possibilities have been suggested, namely in the textile and software sectors. Although development opportunities exist, the software and textile clusters are still “potential clusters”.

**Policy recommendations for cluster development in the Timișoara region**

It seems that a cluster policy should be part of a wider economic development strategy aimed at maximising the benefits of FDI and the existing dynamic in the region. Indeed, “establishing a cluster should not be seen as a goal in itself, but rather as a means to increasing competitiveness and develop the Timiș region. The efforts of developing a cluster are in fact efforts to change the nature of Romania’s competitive advantage from factor driven competitiveness to innovation driven competitiveness” (D. Pislaru). According to the three stage development path described below, the Timișoara region should move towards the third stage of economic development in order to build an innovation driven economy.

- During “first stage” of development, the local economy was weakly structured but nonetheless FDI contributed to creating an entrepreneurial culture in the area.
• During the “second phase”, the process of FDI inflows has been consolidated (new and more stable investments) but innovation still lags behind.

• During the “third stage” of development, priority should be given less to the quantity and more to the quality of investment.

Achieving an innovation driven economy in the medium and long term is all the more necessary since the region will have to compete not only with less developed Romanian regions, but also with other regions in the EU (Slovakia, Poland, and Hungary) or in South East Asia. Therefore, the central question is that of cluster sustainability, and more globally of the economic sustainability of the region, i.e. the ability of the district to compete in the international arena over a long period of time. This means that public authorities should promote the emergence of local “centre of excellence”, gathering higher values activities, higher paid and skilled workers, increased transfer of knowledge, and more intense local business relationships.

In order to reach this third stage of development, the action of public authorities should concentrate on:

• Implementing “light policies” aimed at accompanying the process rather than intervening in it: for instance public private partnerships may be an option.

• Prioritising public policy through advocacy exercises (local and foreign entrepreneurs).

• Facilitating networking between all stakeholders (business associations, Chambers of Commerce, universities, research centres).

Policy conclusions of session I

The main issues raised during the first part of the conference were:

1. Cycles of development: It is important to deal with the cycles of cluster development and more globally with cycles of development in order to achieve a competitive economy in the medium and long term.

2. National policies should be “light” on intervention: A stable and simplified legislative framework and better dissemination of information on SME support programmes implemented by public authorities are required.

3. The need for sectoral policies: Better prioritisation at national and local levels and public-private partnerships are a means of increasing the efficiency of sectoral policies.

4. The need for further SME creation and cluster development: While keeping already attracted FDI, more emphasis should be put on local firms, and the level of networking should be increased to consolidate potential clusters.
1. Enterprise Financing

This session, focusing on the issue of SME access to finance, gathered representatives of local entrepreneurs’ associations, commercial banks and Micro Finance Institutions (MFIs) active in the region. Successful though the Timi oara region may be in obtaining access to finance compared to other Romanian regions (it is second only to the Bucharest-Ilfov region around the capital city), the issue of finance remains acute. Indeed, the development of the SME sector in the Timi oara region depends on local entrepreneurs’ capacity to finance productive activities, which should be both innovative and competitive on the European and international markets. A financing system that is poorly adapted to SME needs may hinder the growth and employment potential of local SMEs in the long term. Results of research carried out by the OECD LEED Programme on the access to finance for local SMEs were presented during the session and they constituted a basis for a thorough debate on finance development opportunities and priorities for the Timi oara region.

First of all, the OECD LEED background paper provided a comprehensive overview of the main sources of finance available to local SMEs. The list below summarises the main institutions offering credit lines to SMEs, as surveyed by the OECD LEED Programme:

- **Commercial Banks**: which provide the great majority of finance available to MSMEs.

- **Micro Finance Institutions (MFI)** offer diverse loan products tailored to SME specific needs, such as fixed asset (investment) and short term loans. Among the main micro finance providers in Romania, there are: Community Habitat Finance International (CHF) - actually the sole MFI effectively active in Timi County and in the wider Western region and offering financial and business development services, Soros Foundation, World Vision’s Credit Consulting and Training for Business (CAPA Foundation), and ROMCOM, Romanian American Enterprise Fund and Opportunity International.

- **Insurance and leasing**: Although the leasing market is expanding (for instance Allianz-Tiriac, BCR, Asirom, etc.), it is largely restricted to medium sized enterprises and its focus is mainly on the purchase of vehicles, rather than equipment.

- **Equity**: Despite the fact that there are currently 5 venture capital funds operating in Romania, none of them focuses specifically on Timi County / the Western region.

- **Business Angels**: there are currently no networks in Romania.

- **Credit Guarantee Funds**: Romania has 3 national funds, with local offices in Timi oara. The guarantee is of a maximum of Euro 400,000 for the West region.

- **Mutual Credit Guarantee**: no mutual credit guarantee schemes exist in Romania at present.
• **Other funds and credits:** Numerous other forms of finance exist in Romania. Examples include factoring (e.g. Romanian Commercial Bank), micro finance by various NGOs/donors, PHARE funded programmes and other state funded initiatives.

Further to this overview, the question of a possible gap in SME access to finance was raised. According to analysis reported in the background papers to the conference, SMEs’ access to finance (cost of, and access to capital) is ranked fourth and ninth in the set of 21 potential obstacles to doing business in Romania (see OECD-EBRD, 2003). Moreover, analysis of the sources of finance used by Romanian entrepreneurs to finance their working capital needs and new investments demonstrates a heavy reliance on internal funds and loans from family and friends (69.5% for working capital requirements and 62.24% for new investment requirements), which is greater than in Western European economies. Private commercial banks meet a modest share of their financing needs (8.1% for working capital requirements and 6.4% for new investment requirements). These findings were confirmed during the debate by local entrepreneurs, who remain highly critical towards commercial banks. According to them, commercial banks set up a series of extremely constraining conditions, especially for start-ups and micro enterprises: excessive reliance on collateral, high collateral requirements (150% - 200%), high interest rates, high commission charges, excessive bureaucracy (lengthy and complex application process), lack of flexibility (e.g. one loan at a time) and short term loans. In terms of access to information related to finance, the Business Centre managed by the Chamber of Commerce and Industry of Timișoara, only partially meets the needs of local entrepreneurs, in so far as business advice and support services offered by the Business Centre are restricted to the members of the Chamber of Commerce, which are actually medium sized or larger enterprises. Local entrepreneurs perceive the situation to be so grave in terms of accessing any form of finance, that none of the entrepreneurs had devoted much time developing their strategies for innovation. In this respect, they are not aware of any options being offered by banking and non-banking institutions to assist their activities (such as EU programme, state programme, etc.).

An alternative credit scheme tailored to SME needs, such as the Italian model of cooperative banks, was presented during the conference. The Italian cooperative credit system provides successful financing for SMEs and most cooperative banks are located mainly in the northern regions (67%), in small towns with less than 20,000 inhabitants and in provinces where the per capita income is higher than the national average. The vast majority of their clients are SMEs as well as micro enterprises, which are part of clusters and local districts. The key advantages of the Italian cooperative banks are:

- The cultural and geographical proximity to the local economy and local entrepreneurs.
- The capacity to “look after” local entrepreneurs and find a common way towards mutual development.
- A high level of networking: banks know local entrepreneurs and **vice versa**, thus leading to a *de facto* informal control, which reduces the rate of bad loans dramatically.
- A hundred year experience in working as a network.
- An endemic reality: members/clients participate in the capital of cooperative banks and share common objectives and problems.

The debate resulted in a series of recommendations and policy priorities, as follows:
1. Improve access to information related to SME finance. Although various programmes and funds exist, most SMEs are not well informed about financing possibilities. The need to implement a regularly updated and widely disseminated database was suggested.

2. Foster the exchange of information and experience between commercial banks and MFIs. MFIs have experienced successful credit lines based less on collateral than cash flow lending. Given that this method meets the specificities of most start-ups or small sized enterprises (which have few or no assets), commercial banks should therefore adapt their lending behaviour and experience these methods already used by MFIs.

3. Encourage the use of intermediary groups to match supply of finance by commercial banks with demand from local entrepreneurs. Banks should co-operate more closely with business or entrepreneurs associations when selecting their clients. This method, using networking, may help avoid bad loans and it can increase trust between banks and their clients.

4. Implement a Business Support Centre: as mentioned above, the possibility of creating a business oriented centre on a commercial and sustainable basis, open to all SMEs, especially potential and actual start-ups, should be envisaged.

5. Diversify the sources of finance: bank cooperatives and mutual credit guarantee schemes could be successfully developed in the Timișoara region, and more generally in other Romanian regions.

2. Innovation, an essential element of entrepreneurship and cluster development in the Timișoara region

This session dealt with the issue of innovation, and more specifically with the need for better linkages between research and industry. As mentioned before, the Timișoara region has an important tradition of teaching and research, and this can be a decisive asset with respect to the need to develop a competitive and innovation driven economy. Not only should local firms be aware of the work undertaken in the research field, but they should also be able to fully benefit from it, in order to adapt it and develop innovative activities in line with their production.

Innovation through co-operation between businesses and university/research institutes

A series of initiatives, both at regional and local level, clearly shows that the local public authorities are aware of the strategic role of innovation in the economic development of Timișoara. The project “Regional Innovation Strategy of the 5th West Region” (RIS) financed by the European Commission and coordinated by the Regional Development Agency for the West Region, aims at analysing the needs of regional firms and how these needs are met by research centres and Universities. It is foreseen that an Innovation and Technological Transfer Centre will be created to enable a better linkage between SMEs and research centres in the whole Timișoara region. At local level, the project “Software Business Incubator and Technology Transfer Centre Timișoara” was started in 2002 on a public private partnership basis between the City Hall of Timișoara, the “Politehnica” University of Timișoara, the IBD/GTZ and the Timiș County Council. The global objective of the “Software Business Incubator” is to provide assistance for young graduates starting up their own companies in the field of software production, with a view to stimulating research and innovative activities. The location of the “Software Business Incubator” within the “Politehnica” University of Timișoara, underlines the purpose of the project, which is to enable the transfer of technology and knowledge between research centres and the business community. The “Scientific and Technological Park – IT Park Timișoara” project is also an example of partnership gathering the local authorities (the City of Timișoara, the Regional Development Agency for the West Region and the
Timi County Council), two local Universities (“Politehnica” University and West University), and an Austrian research institute (e-Austria), and financed by the PHARE Programme. The “Scientific and Technological Park”, which opening is planned in the forthcoming months, has been designed as a means to fostering innovative activities in the ICT field.

Despite these initiatives, the linkage between local firms and research centres is far from being fully-fledged. Firstly, the problem of mentalities can be a serious impediment in bridging the gap. For instance, only one third of local entrepreneurs recognise that innovation is the principal source of competitive advantage (according to a survey led within the framework of the RIS project). More generally, local entrepreneurs have not developed an innovation oriented culture, which is further hindered by the lack of finance for innovative activities (see session on finance). They consider that the research carried out by universities and research centres is too theoretical and not applied enough. Lack of information is the second main problem. In the same way as research centres are not aware of SMEs’ needs, local entrepreneurs are ill informed about the work undertaken in the research field. At present, there is no effective structure enabling the collection of information and its transfer between research institutes and firms. Last but not least, the field of research may be jeopardized by a phenomenon of “brain drain”, affecting most universities in the Timi oara region. A couple of years ago, between 60 and 80% of graduates used to leave the country because of better employment and financial opportunities in developed economies such as Germany, the USA or Canada. Although this rate has decreased over the last years, this problem is a sensitive issue, not only at regional level, but also at national level.

**Recommendations to increase the linkages between research institutes and businesses**

The following actions should be implemented to bridge the gap between industry and research:

1. Create sectoral platforms gathering research institutes and local enterprises interested in co-operating together.

2. Organise training sessions on innovative opportunities for SMEs and start-ups.

3. Develop clusters of enterprises: within clusters, relationships between firms are increased and communication with research institutes is facilitated. Clusters are ideal frameworks for technology transfer.

**CONCLUSIONS**

1. **Follow an appropriate economic development pattern in the medium and long term.** Although the region is relatively well developed, its existing assets may be temporary and the region will have to face other competing economies. The prioritisation of policies, the design of sectoral policies and better coordination between national and local policies are the key messages of the conference.
2. **Design policies to further stimulate entrepreneurship and SME creation at local and regional level.** This means that local authorities should endeavour to embed existing FDI, while improving access to finance for SMEs and start-ups on the other hand. The development of clusters and tailored policies favouring cluster building may accelerate SME development and retain FDI.

3. **Foster innovation and the development of innovative production activities.** This should also be a priority for local authorities, business associations, Chambers of Commerce and research institutes. The dissemination of innovative activities through networks of enterprises and research centres is critical to the emergence of a competitive local economy, capable of meeting EU or international standards.
ANNEX I LIST OF PRESENTATIONS

Foreign Investment: the Role of Italian and German Enterprises

Marte, K. P., *German FDIs and the Role of German Enterprises in Fostering Entrepreneurship in the Region of Timișoara*

Majocchi, A., *Developing a Favourable Business Environment: Lessons from the Experience of Italian Firms in the Timișoara Region*

Paladini, O., *The example of industrial districts in the Veneto region, Italy*

Grapini, M., *Opportunities and obstacles for SME creation: the experience of local entrepreneurs*

Prospects and challenges for cluster development in the Timișoara Region

Pislaru, D., *Prospects and Challenges for Cluster Development in the Timișoara Region*

Popa H., *How to improve the competitiveness of SMEs networks in the Timișoara area and the West Region?*

Other comments were also made by:

Mr. Sorin Maxim, Ms. Florentina Ionescu, Mr. Declan Murphy and Ms. Geana Iasmina.

Entreprise Financing

Pinto, R., *Access to Finance for Micro, Small and Medium Sized Enterprise Development in the Timișoara Area*

Moller Glenn C. and Ohmann T., *The role of microfinance institutions in providing access to credit to SMEs in Romania*

Dragomirescu C. and Nicosevici R., *SME difficulties in accessing finance: entrepreneurs’ view*

Napoleoni E., *The experience of Italian co-operatives banks in fostering entrepreneurship and local development*

Innovation, an Essential Element of Entrepreneurship and Cluster Development in Timișoara

Farbas N., *The innovation strategy for the West Region*
Robu N., *Innovation through businesses and university/research institutes co-operation – Timi oara study case*

Other comments were also made by:

ANNEX II LIST OF SPEAKERS

Mr. Gheorghe Ciuhandu, Mayor of Timisoara, City of Timisoara, Romania

Ms. Corina Dragomirescu, Vice President of the Confederation of Private Entrepreneurs from Timis County, Timisoara, Romania

Mr. Nicolae Farbas, Scientific Director, National Institute R&D for Welding and Material Testing, Timisoara, Romania

Ms. Iasmina Geana, Director, Regional Policies Implementation, Ministry of European Integration, Romania

Ms. Maria Grapini, Vice President of Chamber of Commerce and Industry of Timisoara, Romania

Ms. Magdalena Gurzun, Director, MIRO Bank, Timisoara Branch, Romania

Ms. Florentina Ionescu, Counsellor, National Agency for SMEs and Co-operatives, Romania

Mr. Klaus-Peter Marte, Head, Romanian-German Economic Club, Consul, Consulate of Germany in Timisoara

Mr. Antonio Majocchi, Faculty of Economics, University of Insubria, Italy

Mr. Sorin Maxim, Director, Regional Development Agency V for the West Region, Timisoara, Romania

Mr. Emil Mateescu, President, Chamber of Commerce and Industry of Timisoara, Romania

Ms. Glenn C. Moller, Deputy Director, CHF International - Romania

Mr. Declan Murphy, Director, Investment Compact - OECD, Paris

Mr. Eugenio Napoleoni, Iccrea Banca, Italy

Mr. Radu Nicosevici, Chairman, Advocacy Academy Association, Romania

Ms. Tina Ohmann, Shorebank

Ms. Orsetta Paladini, Chamber of Commerce of Veneto, Antenna Veneto, Italy

Mr. Ricardo Pinto, Stratagem Consulting International, Germany

Mr. Dragos Pislaru, Researcher, Romanian Centre for Economic Policies (CEROPE)
Mr. Cristian Petrovici, Director, Ministry of Economy and Trade, Romania

Mr. Horia Popa, Professor of Management, Polytechnic University of Timisoara, Romania

Mr. Jonathan Potter, Senior Economist, OECD LEED Programme, Paris

Ms. Rodica Ramneantu, Director, National Fund for Credit Guarantee for SMEs, Timis Branch, Romania

Mr. Nicolae Robu, Rector, Polytechnic University of Timisoara, Romania

Ms. Ekaterina Travkina, Consultant, OECD LEED Programme, Paris
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