

# Romania

In BEEPS V, the top three business environment obstacles identified by Romanian firms were tax administration; corruption; and political instability (Chart 1). Large firms complained about the practices of competitors in the informal sector. In contrast young firms complained more about inadequate access to a skilled workforce. In BEEPS IV, workforce skills were among the top three obstacles however corruption was not.

## Despite some improvements, corruption remains a challenge

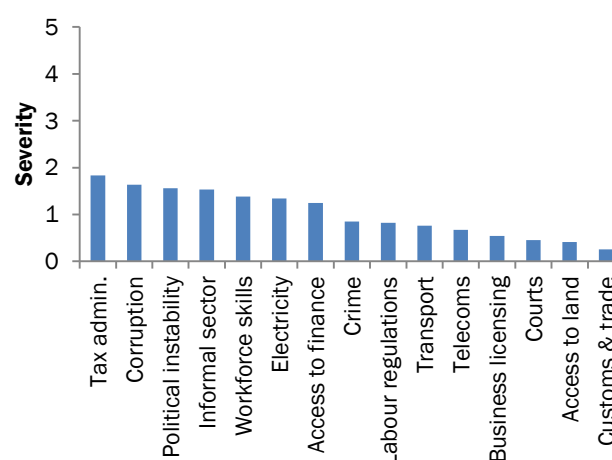
**Tax administration** emerged as the most severe obstacle. An estimated 18% of senior management's time was spent on dealing with tax regulations, a 6 percentage points increase compared with BEEPS IV, and above the south-eastern Europe (SEE) average of 14.3% (Chart 2). Untaxed, undeclared activity amounts to more than 28% of national output, putting Romania second only to Bulgaria in the EU for the size of the shadow economy as a proportion of GDP. Romania nevertheless made some progress: it reduced the tax payment frequency from quarterly to twice a year and introduced an electronic system for filing and paying taxes.

**Corruption** remained a serious problem in Romania, despite significant improvements in all corruption related BEEPS indicators since 2008-09. Informal payments or gifts were expected or requested from 13% of firms applying for a construction-related permit, 5.4% of firms meeting with tax officials and 5.8% of the firms applying for an operating licence – all at or below the SEE average, but above the average of fellow EU members in central Europe and the Baltic states (CEB). The firms no longer reported that such payments were expected or requested to obtain an import licence; in BEEPS IV, 16.3% did (Chart 3).

**Political stability** increased after 2012, when the centre-left Social Democratic Party (PSD) won both municipal and general elections, obtaining a strong majority of seats in the parliament combined with a strong presence in local offices. However, the political environment was adversely affected by difficulties between the prime minister and the then president, which culminated in 2013 in the failed attempt to impeach the latter.

After the country joined the EU in 2007, the number of Romanians migrating abroad increased, especially among young people. In 2010, 3 million Romanians (14.8% of the population) were estimated to be working abroad. In BEEPS V, **workforce skills** were seen as less of a constraint, possibly due to the impact of the economic crisis in Italy and Spain, popular destinations for Romanians working abroad.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Dealing with government regulations

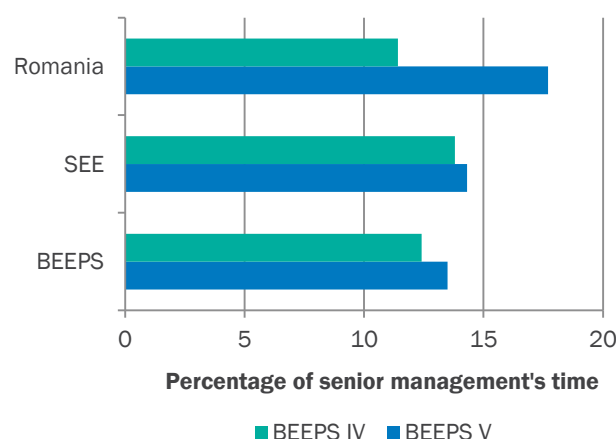


Chart 3. Informal payments to obtain an import licence

