Romania as the destination for SSCs and BPO

KPMG in Romania

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Introduction

Romania is one of the largest countries among those which have joined the European Union (EU) over the last decade, with a population of around 21 million. EU accession in January 2007 acted as a stimulus to investment and the economy showed strong growth before the recession hit. Since the second half of 2008, investment has declined and the effects of the recession have been felt, with significant falls in consumer demand. Moreover the Government has implemented austerity measures, as part of an agreement with the IMF, with some positive results. In July 2011, Fitch improved Romania’s long-term debt rating for both local currency (RON) and foreign currency. Romania continues to present many opportunities for investors and some investments are still underway.

This publication presents a basic overview of Romania and its main cities to support new investors which want to enter the Romanian market and existing investors which want to undertake additional activities and expand their scope. In particular, this brochure gives relevant information related to Shared Service Centers (SSC) and Business Process Outsourcing (BPO) activities in Romania, as this has been a particularly dynamic sector for investors over the past decade. This has been recently reflected by a significant increase in the number of SSC/ BPO set-ups, while a surge in these activities is expected to occur in 2011 and 2012, in the light of expected government incentives to IT-related sectors.

While this publication addresses relevant areas, it does not provide the in-depth information needed to make investment decisions. As matters in Romania are still subject to frequent and rapid change, we recommend that you obtain comprehensive advice before taking any investment decision.
1. Key facts on Romania for investors

<table>
<thead>
<tr>
<th>Country Snapshot</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Country area</td>
<td>237,500 sq.Km</td>
</tr>
<tr>
<td>Population</td>
<td>21 million</td>
</tr>
<tr>
<td>Official language</td>
<td>Romanian</td>
</tr>
<tr>
<td>Capital</td>
<td>Bucharest</td>
</tr>
<tr>
<td>Currency</td>
<td>Romanian Leu (RON)</td>
</tr>
<tr>
<td>Average RON/EUR (2011)</td>
<td>4.2</td>
</tr>
<tr>
<td>Average RON/USD (2011)</td>
<td>3.0</td>
</tr>
<tr>
<td>Inflation rate (2011)</td>
<td>6.5%</td>
</tr>
<tr>
<td>Unemployment rate (2011)</td>
<td>6.5 %</td>
</tr>
<tr>
<td>GDP per capita (2010)</td>
<td>EUR 5,700</td>
</tr>
<tr>
<td>Time zone</td>
<td>GMT + 2 (GMT + 3 in summer)</td>
</tr>
<tr>
<td>Climate</td>
<td>Temperate-continental climate, with four distinct seasons</td>
</tr>
</tbody>
</table>
Brief overview of Romania’s economic environment

The recent development of the Romanian economy has followed the trend of the Central and East European region, registering a 7.1% fall in GDP in 2009, followed by a 1.3% decline in 2010. This was accompanied by a significant increase in the budget deficit and a depreciation of the domestic currency. As a consequence, fiscal consolidation measures were needed, the main objective being to reduce public expenditure and achieve greater efficiency.

Against this background, in April 2009, the Romanian authorities signed a loan agreement with the European Union, the International Monetary Fund and other international financial institutions, worth EUR 20 billion. At the end of 2009, Romania’s macroeconomic position improved, as the current account deficit had narrowed, from 11.6% of GDP in 2008 to 4.5% of GDP in December 2009.

Nevertheless, this adjustment was made entirely by the private sector, which recorded a 3.8% GDP surplus, while the public sector increased its deficit by 3 percentage points.

Although the contraction of the Romanian economy was severe, the inflation rate fluctuated, declining gradually by the end of 2009, but picking up in the third quarter of 2010, as a consequence of an increase in the VAT rate from 19% to 24% in July 2010. The local currency has also been relatively stable, from an annual average of RON 4.23/EUR in 2009 to an average of RON 4.20/EUR in 2010, reaching RON 4.22/EUR at end of August 2011.

The macroeconomic environment in Romania for the period 2011-2013 is expected to be more stable, and the recession is predicted to become less severe by the end of 2011. Growth of 1.5% in GDP is estimated for the current year, while 2012 growth is expected to be 4% (National Commission for Prognosis).

Growth in internal demand is considered to be the main factor that will determine economic recovery, along with the expected improvement in absorption of EU funds, which can be used to finance eligible investment from the state budget.

Both exports and imports are expected to have an annual growth rate of 10%. In 2011 inflation is expected to stay relatively flat compared to the previous year, at 6.5%, while gradually decreasing and meeting its target of 3.5% for 2012.

The main expected government priorities for 2011-2013 are:

- A revamping of the IT sector by introducing state incentives to boost employment
- Co-financing projects benefiting from European funds
- Environmental infrastructure and road rehabilitation
- An investment program for the rural economy, particularly aiming to develop rural SMEs

Romania is a member of the European Union, the United Nations, the World Trade Organisation (WTO), NATO, the Regional Cooperation Council (RCC), the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF), as well as the Organisation for Security and Cooperation in Europe (OSCE). It is also a party to the Central European Free Trade Agreement (CEFTA) and the United Nations Conference on Trade and Development (UNCTAD).
Key Economic Data

<table>
<thead>
<tr>
<th>Key Indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP (EUR m)</td>
<td>139,753</td>
<td>119,734</td>
<td>127,034</td>
<td>129,673</td>
<td>141,207</td>
</tr>
<tr>
<td>Real GDP Growth (%)</td>
<td>7.3</td>
<td>-7.1</td>
<td>-1.3</td>
<td>1.5</td>
<td>4.0</td>
</tr>
<tr>
<td>Total public sector debt (%GDP)</td>
<td>13.6</td>
<td>23.7</td>
<td>30.8</td>
<td>39.5</td>
<td>38.8</td>
</tr>
<tr>
<td>Government deficit (EUR m)</td>
<td>-24,655</td>
<td>-36,401</td>
<td>-33,305</td>
<td>-5,706</td>
<td>-4,236</td>
</tr>
<tr>
<td>Trade balance (EUR m)</td>
<td>-6,694</td>
<td>-8,752</td>
<td>-8,237</td>
<td>-5,370</td>
<td>-4,891</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>7.85</td>
<td>5.59</td>
<td>6.09</td>
<td>6.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>5.8</td>
<td>6.9</td>
<td>7.3</td>
<td>6.4</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: National Bank of Romania, The Economist Intelligence Unit, National Commission for Prognosis, Ministry of Finance

FDI and Key investors in Romania

Romania has become a very popular FDI destination, reflecting large-scale privatizations, the country’s macroeconomic stabilization and the benefits of European Union membership. However, the amount of Foreign Direct Investment has declined steadily since 2008 as a result of both external and internal economic pressures, in the context of overall economic decline in Central and Eastern Europe. Total foreign investment in 2010 was EUR 2.6 bn.

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>5 months 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI Value (EUR m)</td>
<td>9,059</td>
<td>7,250</td>
<td>9,496</td>
<td>3,488</td>
<td>2,596</td>
<td>799</td>
</tr>
</tbody>
</table>

Source: National Bank of Romania, The Economist Intelligence Unit, Romanian Agency for Foreign Investment

The local currency has also been relatively stable since 2009, with an annual average of RON 4.24/ EUR in 2009, an average of RON 4.21/EUR in 2010, reaching RON 4.22/EUR at end of August 2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (estimated)</th>
<th>2012 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average F/X rate (RON / EUR)</td>
<td>3.53</td>
<td>3.30</td>
<td>3.68</td>
<td>4.24</td>
<td>4.21</td>
<td>4.18</td>
<td>4.18</td>
</tr>
</tbody>
</table>

Source: National Commission for Prognosis

Top 10 FDI in Romania by country of origin

The top three countries of origin in terms of Foreign Direct Investment are: the Netherlands, Austria and Germany.

Top countries that have invested in Romania

Source: O.N.R.C

* Analysis based on paid-in capital figures.
Human Capital and legal aspects of employment in Romania

One of the largest markets in Central and Eastern Europe (ranking 7th), Romania has over 21 million inhabitants and a highly skilled workforce with low costs. In 2010, the average gross salary was EUR 454, while the net average salary was EUR 331. The highest net average earnings were registered in the aviation sector (EUR 771), while the lowest were in hotels and restaurants (EUR 188).

Until 2008, employers were under strong pressure to increase salaries, while competing for talent with other local companies, but also at the regional level, as an increasing number of graduates were seeking employment overseas. However, as the economy began experiencing the effects of the global recession, the upward trend for wages has come to a halt. Although financial remuneration is still decisive, professionals are also interested in non-monetary benefits and rewards, such as career development opportunities, relocation options, medical packages and sponsorship of recreational activities.

The National Institute of Statistics releases a report each month presenting the level of gross and net average salary by activity.

In addition to the cost aspects, investors are attracted by the availability and qualifications of the Romanian labor force. These factors have been perceived as key advantages of investment in Romania, particularly in labor-intensive sectors. The good quality of the Romanian education system and sound knowledge of foreign languages have allowed Romanian professionals to meet the growing expectations of companies both locally and abroad.
Net taxable income is taxed at a flat rate of 16% for residents and non-residents. A deduction is generally available for compulsory employee social security contributions. The basis for applying the social security contribution (31.3%) is capped at 5 times the average gross salary (i.e. 2,022 RON for 2011) for the employee and at the number of insured persons multiplied by 5 times the average national salary, for the employer.

The main Romanian social contributions are:

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Employer</th>
<th>Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>20.80%</td>
<td>10.50%</td>
</tr>
<tr>
<td>Health Fund</td>
<td>5.20%</td>
<td>5.50%</td>
</tr>
<tr>
<td>Unemployment fund</td>
<td>0.50%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Risk fund</td>
<td>0.15%-0.85%</td>
<td>-</td>
</tr>
<tr>
<td>Salary guarantee fund</td>
<td>0.25%</td>
<td>-</td>
</tr>
<tr>
<td>Medical leave and allowances</td>
<td>0.85% (capped)</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Romanian legislation

**Key human capital facts**

<table>
<thead>
<tr>
<th>Salary</th>
<th>2009</th>
<th>2010</th>
<th>2011 (est.)</th>
<th>2012 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average gross salary</td>
<td>EUR 472</td>
<td>EUR 454</td>
<td>EUR 485</td>
<td>EUR 508</td>
</tr>
<tr>
<td>Average net salary</td>
<td>EUR 343</td>
<td>EUR 331</td>
<td>EUR 354</td>
<td>EUR 370</td>
</tr>
</tbody>
</table>

Source: National Commission for Prognosis, National Institute for Statistics

**Income tax and Social Contributions**

Net taxable income is taxed at a flat rate of 16% for residents and non-residents. A deduction is generally available for compulsory employee social security contributions. The basis for applying the social security contribution (31.3%) is capped at 5 times the average gross salary (i.e. 2,022 RON for 2011) for the employee and at the number of insured persons multiplied by 5 times the average national salary, for the employer.

**Immigration**

Generally, the Romanian immigration rules for non-Romanian nationals depend on the nationality of the individual. Long-term visas are valid for stays of up to 90 days within a 6-month period and can be used to apply for Romanian residence permits. Romanian residence permits are generally issued for 1 year and can be extended for successive one-year periods. EU nationals can obtain five year permits. Work permits are generally required for non-Romanian individuals who are employed by Romanian employers or who are seconded by their non-Romanian employers to perform work on Romanian territory.

**Top 10 University centers (2009/10) (graduates per year)**

Source: INS (National Institute for Statistics)

**Literacy rate** 98%

**University graduates (yearly average)** 215,000

**Source:** Romanian legislation
Romania’s Infrastructure

Romania’s infrastructure is relatively undeveloped compared to the CEE peer countries, with significant improvements in the road and rail networks needed to bring them up to European standards, and so far modernization has been slow. Despite being the ninth largest country in the EU, Romania has only 313 km of motorways, which is less than three percent of the German motorway network.

There are large amounts available in EU funding to support infrastructure projects, and, with the right approach by the government, a national infrastructure development program could bring opportunities for the private sector. However, one of the main problems that Romania faces is its degree of absorption of funds for developing its infrastructure. According to a World Economic Forum report, Romania is eligible for EU funding worth EUR 4.4 billion for transport infrastructure by 2013, but so far only a small proportion of this has been absorbed.

There are 313 completed km of motorways and another 276 under construction, according to the Ministry of Transportation. The key motorway projects include Medgidia-Constanta and the Trans European Corridor IV Nadlac-Constanta (Transylvania motorway). The Transylvania motorway will be 415 km long, but so far only 10% has been completed.

The main Romanian cities are also connected to large European cities by direct flights, as many regional and global airlines have expanded their reach to the country’s main economic hubs:

Source: Airline companies’ websites
Incentives for investors

The government offers a number of investment incentives to attract FDI, including real estate tax exemptions, as well as preferential tax deductions for the purchase of new technology and R&D centres. Grants are also available, from both national and EU sources, which can support new investment and job creation.

Nevertheless, investors need to be aware of a number of challenges that are common to most transition economies in the region, including Romania.

Government incentives to support economic growth

The main conditions upon which state aid is granted are: initial investment volume (EUR million) and number of new jobs created:

<table>
<thead>
<tr>
<th>Initial investment ranges (EUR million)</th>
<th>Number of new jobs created</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-10</td>
<td>50</td>
</tr>
<tr>
<td>10-20</td>
<td>100</td>
</tr>
<tr>
<td>20-30</td>
<td>200</td>
</tr>
<tr>
<td>Over 30</td>
<td>300</td>
</tr>
</tbody>
</table>

The government grant scheme is available for five years (2009-2013) and consists of grants of up to 50% of the eligible costs of the investment. The maximum level of the grant an economic operator can receive is the RON equivalent of EUR 28 million (for investments outside the Bucharest – Ilfov region) or EUR 22.5 million (for investments in the Bucharest – Ilfov region).

Government incentives supporting investments over EUR 100 million

Large enterprises can be granted financial support for initial investment exceeding the RON equivalent of EUR 100 million, with eligible costs of over EUR 50 million (RON equivalent) if they create at least 500 new jobs. All fields of activity are eligible, except the primary production of agricultural products, fisheries, the coal industry, the steel industry, transport, maritime shipbuilding and synthetic fibers. The level of aid is calculated by adjusting the regional ceiling to the eligible expenses.

In this respect, there were a few large investments that amounted to EUR 712 m in 2010 and employed cca 5,000 people, qualifying for total state aid of EUR 215 m. Renault, Pirelli, Lufkin and Remar are just a few of the investors that benefited from these incentive schemes in 2010.
Incentives related to European Union funding

Following accession to the EU, Romania has gained access to a significant pool of EU funded grants, available at national and public level as well as at private level. The most attractive and accessible funds for SSC/ BPO entities relate to investments in human capital development, total funds available for Romania amounting to EUR 4.25 bn for the period 2007 – 2013.

A multitude of private and public institutions have benefited from such funds, beneficiaries including HP Global E-Business Operations, the BPO arm of HP in Romania, which has been granted EUR 360,000 via such programs.

Employment incentives

Employers who hire recent graduates may apply for a monthly grant. This is calculated by multiplying the reference social indicator (currently RON 500) by 1.2 - 1.5 for each new graduate (depending on the education level of the employees), for a period of 12 months. Employers are also exempt for the same period from paying the unemployment contribution due for the amounts paid to these graduates.

The Romanian authorities recognize the importance of the IT sector and, in this respect, IT specialists have been exempt from salary tax since 2001. This incentive is available indefinitely and aims to retain workers with high level IT expertise in Romania.

Additional incentives are granted for the employment of recent graduates with disabilities. In this case, the monthly grants as well as the exemption from the contribution to the unemployment fund are offered for 18 months. In addition, companies hiring scholars and students during summer vacations, benefit from a monthly incentive of 50% of the reference social indicator for each student/scholar. The incentive is granted for a maximum of 60 days.

Employment incentives are also granted to companies which hire unemployed persons aged over 45, as well as for employment of an individual who is the sole supporter of their family. Employers receive a monthly grant equal to the reference social indicator for each such person and are also exempt from paying the unemployment contribution due for the amounts paid to them. The employment relationship must be maintained for at least two years.
Tax incentives

- Research and development

Romanian legislation provides for two main tax incentives for Research and Development (R&D) costs:

- 20% additional tax deduction for all eligible R&D costs (e.g. salary expenses in relation to staff involved in R&D activity, depreciation of intangible assets used in R&D activity, operating expenses such as raw materials, consumables incurred in R&D activity, etc.);

- Accelerated depreciation for equipment used in R&D activity.

For taxpayers to be able to take advantage of these incentives, they must conduct R&D activities which generate an outcome that can be used by the taxpayer for its own benefit in order to increase revenues.

- Local tax exemptions

Buildings and land used within hydroelectric, thermoelectric and nuclear power plants, as well as buildings and land related to transformation and connection posts are exempt from local taxes. In addition, building and land used within industrial parks are exempt from building and land tax.

Local councils may grant building or local tax exemptions to legal entities which benefit from state aid schemes.

- Tax incentives for reinvested dividends

Dividends reinvested for the purpose of creating new work places or for the purpose of developing the activities of Romanian legal entities distributing their dividends, are dividend tax exempt. In addition, dividends reinvested in the share capital of another Romanian legal entity, for the same purposes as the above mentioned ones, are also dividend tax exempt.

Other fiscal incentives are provided for renewable energy producers, such as exemption from excise duties for energy produced from renewable sources.

- Accelerated depreciation

According to Romanian fiscal legislation, accelerated depreciation can be used by companies for machinery and equipment, computers and their peripherals. Consequently, taxpayers may apply accelerated depreciation to fixed assets which fall within the above mentioned categories, even if they do not qualify for the fiscal incentive in relation to R&D costs. Under this depreciation method, a maximum of 50% of the asset’s fiscal value may be deducted during the first year of usage, while the rest of the asset’s value can be depreciated using the linear method over the remaining useful life.
2. Romania: an attractive SSC and BPO Destination

Shared Service Centers (SSC) and Business Process Outsourcing (BPO) are the cornerstone of today’s strategies for corporations around the world. Locations are no longer limited to the areas the organization resides in, as globalization and new technologies have led to the proliferation of SSC/ BPO entities beyond their traditional frontiers.

Studies show that early adopters of SSCs and BPO have already pocketed benefits of 20 – 30% or more, as a result of increased efficiency, scale and lower operating costs. Those which have not acted yet are increasingly contemplating intensifying their cost cutting activities by moving operations off-shore or near-shore. A different category is made up of companies which have initially set up SSC/ BPO entities in well-established economies and are now considering moving them to lower cost locations, which have the potential of offering comparative service quality and safe business environments. Recent trends also show that single-function SSC/ BPO entities are gradually shifting to multi-function organizations to increase scale, as their SSC/ BPO organization matures.

SSC/ BPO activities have also gained in scope. In addition to the traditional IT, finance and supply chain processes, SSC and BPO providers are expanding and becoming more sophisticated in their approach, handling a more diverse range of services: legal services, tele-sales, spare parts management, warranty management, real estate management, marketing intelligence and knowledge management. Furthermore, new industries are being added to the SSC/ BPO universe, such as the public sector and the healthcare industry.

In terms of expectations, companies are not only looking to cut costs, although the pressure of cost-cutting across functions and geographies is still on. They also push for innovation and enhanced services, challenging their SSC/ BPO units to deliver similar operational and financial performance to that of their mother companies.
As SSC/BPO locations become more and more popular and competition for skilled labor intensifies, new locations are getting a seat at the global services table. Romania has emerged as a top European destination, with companies such as Microsoft and Oracle entering the IT outsourcing market as early as 15 years ago. Compared to other Central and Eastern European countries, Romania has historically excelled in providing highly skilled IT and engineering specialists, while the business culture is steadily aligning to the standards imposed by the well-established economies.

Various studies place Romania among the top 5 European destinations for all types of global services activities. The provision of global services continues to be an attractive business proposition for companies investing in Romania, either in the form of setting-up and expanding shared service centers, or by outsourcing particular activities to local BPO entities. People skills, their availability, their language proficiency, the cultural compatibility and the business environment are backed up by financial attractiveness of Romania. These three characteristics are decisive when choosing a location.

<table>
<thead>
<tr>
<th>Rank* 2011</th>
<th>Country</th>
<th>Financial Attractiveness</th>
<th>People skills and availability</th>
<th>Business environment</th>
<th>Total score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Baltic Countries**</td>
<td>2.45</td>
<td>0.94</td>
<td>2.07</td>
<td>5.47</td>
</tr>
<tr>
<td>2</td>
<td>Bulgaria</td>
<td>2.82</td>
<td>0.88</td>
<td>1.67</td>
<td>5.37</td>
</tr>
<tr>
<td>3</td>
<td>Poland</td>
<td>2.14</td>
<td>1.27</td>
<td>1.81</td>
<td>5.23</td>
</tr>
<tr>
<td>4</td>
<td>Romania</td>
<td>2.54</td>
<td>1.03</td>
<td>1.65</td>
<td>5.21</td>
</tr>
<tr>
<td>5</td>
<td>Germany</td>
<td>0.76</td>
<td>2.17</td>
<td>2.27</td>
<td>5.2</td>
</tr>
<tr>
<td>6</td>
<td>Hungary</td>
<td>2.05</td>
<td>1.24</td>
<td>1.82</td>
<td>5.11</td>
</tr>
<tr>
<td>7</td>
<td>Czech Republic</td>
<td>1.81</td>
<td>1.14</td>
<td>2.03</td>
<td>4.98</td>
</tr>
<tr>
<td>8</td>
<td>Ukraine</td>
<td>2.86</td>
<td>1.07</td>
<td>1.02</td>
<td>4.95</td>
</tr>
<tr>
<td>9</td>
<td>Spain</td>
<td>0.81</td>
<td>2.06</td>
<td>1.88</td>
<td>4.75</td>
</tr>
<tr>
<td>10</td>
<td>France</td>
<td>0.38</td>
<td>2.12</td>
<td>2.11</td>
<td>4.61</td>
</tr>
</tbody>
</table>

Notes: * Rank within European countries only, extracted from the Global Service List
Source: A.T. Kearney Global Services Location Index, 2011
The key factors that contributed to A.T. Kearney’s assessment of Romania’s attractiveness for the global services sector include:

- Financial attractiveness: compensation, infrastructure and tax & regulatory costs
- People skills and availability: SSC/ BPO experience, ratings of main management and IT institutes, languages, labor force availability
- Business environment: investors/ analyst ratings of the business and political environment, government support for the IT/ BPO sector, quality of infrastructure and security of intellectual property

Romania is an ideal near-shore location, capitalizing on the solid education system, providing a steady, inexpensive and qualitative flow of skilled resources to meet the growing demand of SSC/ BPO entities. Cultural compatibility and a large scale of foreign language skills, covering English, French, Hungarian, Spanish, Italian, German and Russian, provide a competitive edge to the Romanian work force. Romania is a member of the European Union and of NATO, resulting in increased mobility for employees, as visas are not required within the EU, and increased guarantees of political stability.

Despite a large range of SSC/ BPO entities active in Romania, there is still tremendous potential for growth in this sector. Most companies that entered the market initially have approached it with caution, limiting themselves to single-function units, with the potential of adding new services as their Romanian entity matures. As SSCs and BPO are continuously evolving, companies such as Continental, Renault, Siemens and Alcatel are constantly expanding their scope of services in Romania, opening new centers and taking on additional tasks. Early entrants have set up their SSC/ BPO units mostly as greenfield investments, but there are a few companies that entered the Romanian market through acquisition of local companies.

A study conducted by the Central and Eastern European Outsourcing Association shows that Romania has consistently been the fastest growing market within the CEE Region, with a +44% increase in IT Outsourcing services provided in 2009 compared to 2008. The overall Romanian IT market has continued to show signs of growth, despite tough economic conditions. Therefore, the Software and IT services volume in 2010 reached EUR 704 million, an increase of cca 7% compared to the 2009 level (www.wall-street.ro). The key trend that has contributed to this accelerated evolution is the growth of both IT services and IT infrastructure support, accompanied by increased deployment of Quality Management systems. There is a general opinion that the hottest areas are the financial sector and the public sector. (Source: www.ceeoa.org). Romania’s outsourcing focus is reinforced by the share of IT outsourcing services within the total IT market, which is as high as 97%. (Source: www.anis.ro)
3. Main cities in Romania

Bucharest

SSC/BPO setting

Among main Romanian cities, Bucharest has consistently been the preferred SSC destination in Romania, capitalizing on the wide availability of highly qualified workers and proximity to already established headquarters of many companies. It is also a more attractive choice for the expat community (international schools, wide range of private healthcare services, access to international flights etc).

Numerous companies have set up headquarters in Bucharest, offering a full range of SSC/BPO services, attracted by the highly skilled labor force and low operating costs. The list includes multinationals such as Microsoft, IBM, P&G, HP, Oracle, Wipro, S&T, as well as national companies such as UTI Systems, Petrom etc.

For the past 6 years, Romania has been one of the fastest growing IT markets in Europe. Bucharest’s services industry has attracted most of the multinational companies operating in the area. The capital is used as a national operations center by some, and in some cases as the home of a broader management, which often includes the Republic of Moldova, Bulgaria and other countries in the CEE region.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Main services offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>HP (Global E-Business Operations Center)</td>
<td>SSC and BPO for EMEA region, providing a wide range of financial, logistic and administrative business processes</td>
</tr>
<tr>
<td>IBM GDC/ GPSG</td>
<td>SSC for procurement, BPO for financial, customer relationship and human capital management</td>
</tr>
<tr>
<td>Microsoft (GTSC)</td>
<td>SSC and BPO for customer support and IT services for EMEA</td>
</tr>
<tr>
<td>Procter &amp; Gamble GBS Global Procurement Center</td>
<td>SSC for procurement covering EMEA region</td>
</tr>
<tr>
<td>Petrom (part of OMV Group)</td>
<td>SSC for Finance &amp; Accounting, IT</td>
</tr>
<tr>
<td>Siemens IT Solutions and Services PSE RO</td>
<td>SSC for Research &amp; Development and IT</td>
</tr>
<tr>
<td>Huawei</td>
<td>SSC for Finance &amp; Accounting</td>
</tr>
</tbody>
</table>


In addition, some of world’s most reputable BPO companies carry out activities in Romania, aimed at both local customers as well as regional ones: Genpact (financial services, collections, procurement and delivery services), Oracle EMEA (IT services and customer support), S&T (Customer support and IT related services), WIPRO (Finance & Accounting and IT Services covering the Eastern European market), WNS Global Services (Finance & Accounting and customer support services; delivery center for global clients), Business Ideas Provider Group (merchandising, promotion and sampling activities), Accenture (outsourcing of various process).

City introduction

Bucharest, the capital of Romania, accounts for around 23% of the country’s GDP and about one-quarter of its industrial production, while being inhabited by only 10% of the country’s population. In 2010, at purchasing power parity, Bucharest had a per-capita GDP of EUR 14,300, or 45% that of the European Union average and more than twice the Romanian average.

Bucharest’s economy is mainly focused on industry and services, with an important IT services market segment. It houses 186,000 companies, including a significant number of headquarters of companies operating at a CEE level (Bucharest serves as a hub for the Balkans operations for many international companies, such as Michelin, Procter & Gamble, Roche, GE, etc).

<table>
<thead>
<tr>
<th>Location</th>
<th>Situated in the south of the country, on the banks of the Dambovita River.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>2,200,000</td>
</tr>
<tr>
<td>Major industries</td>
<td>Food and beverage production, commerce, services, IT, logistics.</td>
</tr>
</tbody>
</table>

Human resources

- Institutes of Higher Education: largest Romanian academic center and one of the most important centers in Eastern Europe, with 16 public and 18 private institutes.
- Number of students: 300,000
- Employees: 890,000
- Unemployment rate: 2.3%
- Average net wage: EUR 450
- Languages spoken: Romanian, English, French, German, Italian, Spanish.


Infrastructure

- Office space

There is a high availability of office space, with vacancy rates at 19% as of 2010, following the delivery of newly built space and shrinking demand.

Therefore, prime office rents in 2011 have ranged from EUR 11.5/sqm (suburban) to EUR 18.5/sqm (center).


- Telecom Infrastructure

Full scale telecommunication services are available in Bucharest, ranging from fixed lines to cellular phones and high speed Internet lines. The main telecom operators in the region are Orange, Vodafone and Cosmote for mobile services and Romtelecom for landline telephony. Several companies offer Internet services. Romtelecom, the former national telecom company, has a strong presence covering telecommunication services, mobile (through Cosmote), fixed (via its own lines) and Internet. Mobile telephony and Internet services are relatively inexpensive and of higher quality compared to other CEE countries.

- People mobility

Bucharest has two international airports: Henri Coanda (close to the city) and Aurel Vlaicu (within the city). The city is linked to the rest of the country mostly by main roads, as well as a limited motorway network, which is currently being extended. Romania has a fairly extensive railway system. Plans are under way to upgrade the country’s road and rail networks to bring them up to European standards.


Quality of life

- Cost of living

Bucharest has the highest cost of living indicators in Romania, still lower than its peer CEE cities. The net average salary is EUR 450, the highest of all Romanian cities.

- Ease of commuting

The city has a reasonably developed transportation network including trams, buses, trolleybuses and a subway network. Traffic congestion occurs, particularly during rush hours, but various projects are under way to ease this.


Key drivers for the city to emerge as a favourable SSC/BPO destination

- Bucharest is the main university center of the country, offering a large talent pool.
- The city offers an inexpensive labor force and lower administration costs than in other European countries.
- Bucharest is the economic center of the country, registering 30 billion EUR in foreign investment up to 2010 and representing cca two thirds of national direct foreign investment.
- Steps are being taken to improve the city’s infrastructure.

Source: http://arisinvest.ro/files/whyromania/ISD%202008.pdf

Upcoming projects

At the heart of the national economy, Bucharest has been in a state of constant change in recent years. EU accession prompted more investment in the capital city, speeding its development. Several projects are under way to improve the city’s infrastructure, for example various road building projects. Plans have been made for an extension of the city’s metro system over the next few years.

Cluj-Napoca

City introduction
Cluj-Napoca, the capital city of the Cluj county, has historically been one of Romania’s major academic, cultural and commercial hubs. It is the largest and most important city in the Transylvania region, with a dynamic social and cultural life and a large number of investors.

Special features of Cluj-Napoca

**Location**
Situated in North Western Transylvania in the valley of the Somesul Mic river, approximately 50 minutes by air from Bucharest.

**Population**
330,000.

**Major industries**
IT, financial services, food processing, textiles, wood processing, pharmaceuticals.

**Company name** | **Main services offered**
--- | ---
HP Global E-Business Operations Center | SSC and BPO for EMEA region, for a wide range of financial, logistic and administrative business processes
Genpact | BPO for Finance & Accounting, collections, procurement and delivery services
Evalueserve | BPO for IT services
Office Depot | SSC for Finance & Accounting
Bombardier Transportation | SSC for Administrative Services
Emerson | SSC for Engineering services

Source: Company websites, Ziarul Financiar

Source: National Institute of Statistics – Romania, Eurostat
Human resources

- Institutes of Higher Education: 50 public and private institutes.
- Number of students: 60,000
- Employees: 180,000
- Unemployment rate: 3.7%
- Average net wage: EUR 350
- Languages spoken: Romanian, English, German, Hungarian, Italian, Spanish, French.

Infrastructure

- Office space

There has been a recent excess supply of office space. Average rent is cca EUR 9 per sqm.

Source: http://www.manager.ro/articole/analize/analiza-plata-de-spatii-comerciale-si-birouri-din-romania-10469.html

- Telecom Infrastructure

Full scale telecommunication services are available in Cluj-Napoca, ranging from fixed lines to cellular phones and high speed Internet lines. The main telecom operators in the region are Orange, Vodafone and Cosmote for mobile services and Romtelecom for landline telephony. Several companies offer Internet services. Romtelecom, the former national telecom company, has a strong presence covering telecommunication services, mobile (through Cosmote), fixed (via its own lines) and Internet. Mobile telephony and Internet services are relatively inexpensive and of higher quality compared to other CEE countries.

- People mobility

The city has a well developed rail and road network and it is crossed by the E60 European Road. Cluj-Napoca International airport, which is the third largest airport in Romania, offers direct flights to Timisoara and Bucharest in Romania as well as various destinations across Europe including France, Germany, the UK, Italy, Austria and Spain.

Key drivers for the city to emerge as a favourable SSC/BPO destination

- Cluj-Napoca is an important IT and financial hub in Romania. The city is being considered as an alternative outsourcing location to Bucharest, due to increasing competition for talent in Bucharest.
- Average salaries are lower than in Bucharest, but higher than the country average (EUR 340 net).
- The talent pool is skilled in many languages, especially English, German, French and Italian, and suited to provide multi-lingual services.

Source: http://arisinvest.ro/files/whyromania/ISD%202008.pdf

Upcoming projects

The city is to be linked with Bucharest and the Hungarian border by Autostrada Transilvania (Romanian Motorway A3). The 415 km highway is estimated to be completed in 2013. Several real estate projects are being developed in Cluj-Napoca, including a construction of a 10,000 sq meters business center in the city center.

Quality of life

- Cost of living

High salaries and low prices mean that Cluj takes third place in the league table of the best cities to live in Romania. This is the result of a large amount of foreign investment which has led to higher than the average monthly salary levels (EUR 350 net) and GDP per capita (EUR 7,625).


- Ease of commuting

The city has a transportation network including tram lines, buses and trolleybuses. However roads are congested during rush hours. There is no underground public transport.
Timisoara

City introduction
Timisoara is the fourth largest Romanian city and the main economic and cultural center of the Banat region in the west of the country. It is a multicultural city with influential minorities, primarily Hungarians, Germans, and Serbs.

In recent years, Timisoara has registered a significant economic boom, based mainly on foreign investment, especially in high-tech sectors. Some of the most substantial investments have been from the European Union, especially from Germany and Italy, as well as from the USA.

SSC/BPO setting
Many leading companies are currently active in Timisoara, including some of the most important global players on the SSC/BPO market. Services offered on the local market include process outsourcing, software production, database management, software integration and consultancy, while clients range from the automotive industry to services.

The IT&C sector is one of the most dynamic in Timisoara, registering substantial growth in the last 10 years. In the regional IT business environment, there have been major investments in new software and hardware solutions that could allow companies cut costs. The major interest is in data security, business continuity and system back-up. IT solutions for end users have also attracted important international IT players. A new IT&C center is planned, which will host a series of IT companies, based on a project managed by the City of Timisoara in cooperation with the Regional Development Agency.


<table>
<thead>
<tr>
<th>Company name</th>
<th>Main services offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>HP Romania - Timisoara</td>
<td>SSC and BPO for EMEA region, for a wide range of financial, logistic and administrative business processes</td>
</tr>
<tr>
<td>WIPRO Timisoara</td>
<td>BPO for IT, Finance &amp; Accounting, Procurement Services covering the Eastern European market</td>
</tr>
<tr>
<td>Bosch Communications Center</td>
<td>BPO for telemarketing services</td>
</tr>
<tr>
<td>Siemens VDO Automotive</td>
<td>SSC for engineering services</td>
</tr>
<tr>
<td>Alcatel Lucent</td>
<td>SSC for Human Resources, Research and Development</td>
</tr>
<tr>
<td>S&amp;T Romania</td>
<td>BPO for customer support and IT related services</td>
</tr>
<tr>
<td>Continental Automotive</td>
<td>SSC for Finance &amp; Accounting, Research and Development, Technical services and Procurement</td>
</tr>
<tr>
<td>Oracle</td>
<td>BPO for IT services and customer support</td>
</tr>
</tbody>
</table>

Source: Companies’ websites

Location
Located in the west of the country, near the border with Hungary and Serbia.

Population
322,000

Major industries
IT, agriculture, textiles, machinery.

Human resources

- Institutes of Higher Education: 45 public and private institutes.
- Number of students: 42,000
- Employees: 195,000
- Unemployment rate: 2.6%
- Average net wage: EUR 340
- Languages spoken: Due to the proximity to Western Europe, there is high foreign language literacy: Languages spoken include Romanian, English, French, German, Hungarian, Serbian, Italian and Spanish.

Infrastructure

- Office space
In Timisoara, the office space market is still developing, due to the increasing number of investors. Spaces with Class A facilities, situated within built-to-suit buildings, can be rented out at prices as low as 7 – 12 EUR/sqm/month. 


- Telecom Infrastructure
Full scale telecommunication services are available in Timisoara, ranging from fixed lines to cellular phones and high speed Internet lines. The main telecom operators in the region are Orange, Vodafone and Cosmote for mobile services and Romtelecom for landline telephony. Several companies offer Internet services. Romtelecom, the former national telecom company, has a strong presence covering telecommunication services, mobile (through Cosmote), fixed (via its own lines) and Internet. Mobile telephony and Internet services are relatively inexpensive and of higher quality compared to other CEE countries.

- People mobility
The Timisoara region is well connected to other important cities in Romania by national and express roads, railways and one of the largest airports in the country, Traian Vuia, which operates both international and domestic flights. The west side of the country benefits from the most significant investments in infrastructure being located on the Pan-European 6th corridor (Timisoara- Arad highway was finished in December 2011).

Source: Statutul Municipiului Timisoara,

Key drivers for the city to emerge as a favourable SSC/BPO destination

- Timisoara is one of Romania’s most important university centers.
- Proximity to Western Europe: Timisoara is close to the border with Hungary, and this presents several advantages: foreign language literacy, quick access to a wide network of road and train transportation routes providing connections to most EU countries, and an innovative culture, proven by its tradition of being the first Romanian city to implement several technological breakthroughs.
- Local administration support for the IT&C market through “software companies’ incubators”, offering start-up companies incentives, etc.

Source: http://arisinvest.ro/files/whyromania/ISD%202008.pdf

Upcoming projects

Timisoara’s local administration has initiated a development program to support companies in the software, telecom and IT industries, at the same time encouraging new companies to take on more qualified workers.

Improving the transport infrastructure, services and production industries are priorities for the local authorities in an effort to promote Timisoara as an economic hub for the region and the DKMT Euroregion. Industrial, technological and research parks were developed and supported by a financial incentive plan.

Quality of life

- Cost of living
Timis is one of the counties where, in spite of the high prices for basic products, the cost of living is still lower that in the rest of the country. Salaries are above country average and the number of employees exceeds the number of retired, while the unemployment rate is under control. The county is considered to be one of the richest in Romania because of its high GDP (EUR 8,218 per capita).


- Ease of commuting
Timisoara has a reasonably developed public transportation network including buses, trams and trolleybuses. There are no major congestion issues in the city and a strategic plan for public transportation improvement has been implemented by local authorities. There is no underground public transport.

Brasov

City introduction
Brasov lies in central part of Romania and it is the capital of Brasov County. The economy of Brasov is complex, with a strong industrial character. Heavy industry is abundant, including the Roman truck factory, which manufactures MAN AG trucks under license. Although the industrial base has been in decline in recent years, Brasov is still a site for industrial activity. There are also chocolate factories and a large brewery. In particular, the pharmaceutical industry has undergone further development lately, with GlaxoSmithKline establishing a production site in Brasov.

Location
Located in the central part of Romania, 166 km from Bucharest. It is surrounded by the Southern Carpathians, and it is part of the Transylvania region.

Population
232,000.

Major industries
Machinery, textile, food, pharmaceuticals.

Source: National Institute of Statistics – Romania, Eurostat

SSC/BPO setting
Brasov emerged as a favorable SSC/BPO destination as an alternative location to Bucharest or as an additional location for companies that already have set headquarters in Bucharest. While continuing to be a highly industrial city, Brasov offers many advantages for new investors in the people intensive industries, capitalizing on a strong education system with high emphasis on foreign languages.


<table>
<thead>
<tr>
<th>Company name</th>
<th>Main services offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBM GDC</td>
<td>SSC and BPO for EMEA region, for a wide range of financial, logistic and administrative business processes</td>
</tr>
<tr>
<td>Siemens IT PSE Brasov</td>
<td>SSC for Research &amp; Development</td>
</tr>
<tr>
<td>DCI Database for Commerce and Industry Romania</td>
<td>BPO for IT services</td>
</tr>
<tr>
<td>Wind Technologies</td>
<td>BPO for IT services</td>
</tr>
<tr>
<td>Computer Generated Solutions, Inc. (CGS)</td>
<td>BPO for IT services and call centers</td>
</tr>
</tbody>
</table>

Source: www.bursa.ro; www.curierulnational.ro, Mediafax, Companies’ websites
Human resources

- Institutes of Higher Education: 6 public and private institutes.
- Number of students: 25,000
- Employees: 140,000
- Unemployment rate: 5.5%
- Average net wage: EUR 330
- Languages spoken: Romanian, English, German, French, Hungarian, Serbian.

In Brasov county there is high emphasis on bilingual teaching (English, French, Spanish, German). There are also high school classes allocated for German and Hungarian based teaching.

Infrastructure

- Office space
  
  Brasov's office space market is relatively underdeveloped, as there is a lack of class A office spaces and the vacancy rate is low. Rent levels are in the range of 8-10 EUR/sqm.
  

- Telecom Infrastructure
  
  Full scale telecommunication services are available in Brasov, ranging from fixed lines to cellular phones and high speed Internet lines. The main telecom operators in the region are Orange, Vodafone and Cosmote for mobile services and Romtelecom for landline telephony. Several companies offer Internet services. Romtelecom, the former national telecom company, has a strong presence covering telecommunication services, mobile (through Cosmote), fixed (via its own lines), and Internet. Mobile telephony and Internet services are relatively inexpensive and of higher quality compared to other CEE countries.

- People mobility
  
  Brasov has well developed rail links for both national and international transit. The lines connecting the northern regions to the southern regions and the western regions to the Eastern regions cross in Brasov's rail hub.

  The city is crossed by European Road 60. The Transylvania A3 highway is under construction- the Comarnic-Brasov segment will be ready by 2014.

  An airport is currently under construction and is due to open in 2012.

Key drivers for the city to emerge as a favourable SSC/BPO destination

- The city is considered a good alternative location for multinational companies with head offices in Bucharest.
- Salaries are lower than in other large Romanian cities, at an average of EUR 330 (net).
- Brasov is an important university center.
- The construction of an international airport is underway thus making the city more accessible. Highways linking Bucharest (connecting it to the port of Constanta) and the Hungarian border are under construction.

Upcoming projects

- A model for the planning of industrial estates is being devised, along with the development of the two national roads that link Brasov with Ghimbav and Cristian.

  The local authorities plan a project to improve the quality of life and the working conditions for the labor force. They are contemplating setting up a Business Incubator to give advice to new small and medium businesses.

Quality of life

- Cost of living
  
  The National Institute of Statistics concludes that, due to the lower than the average cost of living, the quality of life in Brasov is above the national average.
  
  Source: http://www.brasov.ro/articles/view/406

- Ease of commuting
  
  Brasov has an integrated system of above-ground public transport, with 23 bus routes covering over 400 km, 6 trolleybus routes covering over 175 km and 12 minibus routes covering 115 km. There is no underground public transport.
  
  Source: ratbv.ro
Iasi

SSC/BPO setting

A significant number of leading companies perceive Iasi as a developing IT and services market and the city has already become a business environment for companies such as Siemens, Oracle, Pentalog and Synergy, confirming both its potential and the local workforce’s qualifications.


<table>
<thead>
<tr>
<th>Company name</th>
<th>Main services offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ness Romania</td>
<td>BPO for IT services</td>
</tr>
<tr>
<td>XL World</td>
<td>BPO for IT, customer services and telemarketing</td>
</tr>
<tr>
<td>Continental Automotive</td>
<td>SSC for Research &amp; Development</td>
</tr>
<tr>
<td>Amazon Development Center</td>
<td>SSC for software development</td>
</tr>
<tr>
<td>E.On Servicii</td>
<td>SSC for Finance &amp; Accounting and Human Resources</td>
</tr>
</tbody>
</table>

Source: http://www.ziaruldeiasi.ro/economic/industria-fara-fum-de-la-iasi-ni42sa

City introduction

Iasi is one of the largest Romanian city according to its population, and it is the economic, cultural and academic centre of the Romanian region of Moldavia, in the north-east of the country.

Location

Located in the north-east of Romania, close to the border with the Republic of Moldova.

Population

315,000.

Major industries

Pharmaceuticals, petrochemicals, textiles.

Human resources

- Institutes of Higher Education: 10 public and private institutes.
- Number of students: 58,000
- Employees: 156,900
- Unemployment rate: 5.5%
- Average net wage: EUR 315
- Languages spoken: Romanian, English, French, German, Russian.


Infrastructure

- Office space

There is an adequate supply of modern office space. Currently, prime office rental rates range from EUR 7 to EUR 12 per sqm.


- Telecom Infrastructure

Full scale telecommunication services are available in Iasi, ranging from fixed lines to cellular phones and high speed Internet lines. The main telecom operators in the region are Orange, Vodafone and Cosmote for mobile services, and Romtelecom for landline telephony. Several companies offer Internet services. Romtelecom, the former national telecom company, has a strong presence covering telecommunication services, mobile, through Cosmote, fixed - via its own lines, and Internet. Mobile telephony and Internet services are relatively inexpensive and of higher quality compared to other CEE countries.

- People mobility

Iasi is linked with other parts of Romania and abroad through roads, railways and an airport. Highways are not available in the region, but plans are in place for development. A city belt is planned, which will ease commuting and/or access to suburban facilities. Several international bus companies offer daily road transportation to major European capitals, while the airport has direct flights to Bucharest, Timisoara, Budapest and Vienna (which offer a wide range of onward connections).

Quality of life

- Cost of living

The average net salary in Iasi is EUR 315. For the past 3 years, the cost of living has increased consistently.

Source: Family Budget Inquiry, National Institute of Statistics, local media

- Ease of commuting

The Iasi region has an adequate road and railway network which facilitates commuting. Buses and trams are available for in-city transportation. There is no underground public transport.

Key drivers for the city to emerge as a favourable SSC/BPO destination

- Iasi is a major regional economic center and a traditional university center.
- Lower workforce costs than in Bucharest and a high rate of qualified personnel.

Source: Municipality of Iasi, Socio-economic development strategy, Strategia de dezvoltare economico-sociala durabila a Municipiului Iasi

Upcoming projects

Iasi’s local administration plans to develop the IT&C industry and services (placing IT&C companies in the center of the city), emphasizing the importance of IT services in their mid and long term development strategy. Taking into consideration the city’s size and the economic role it plays in the north-eastern part of Romania, there are many opportunities for development and expansion.

Source: Municipality of Iasi, Socio-economic development strategy, Strategia de dezvoltare economico-sociala durabila a Municipiului Iasi
Constanta

City introduction

Constanta is one of the major cities in Romania and home to the fourth largest port in Europe. Located on the Black Sea coast, the city has a beach length of 13 kilometers, while the port spreads across 39.26 square km. It is an important university center and the administrative capital of the southeast development region. Traditionally a port city, Constanta now presents opportunities rather than a previously established market. A transportation node with both national and international destinations, hosting strong economic activity, Constanta can harbor an IT services market.

<table>
<thead>
<tr>
<th>Location</th>
<th>On the Black Sea coast, southeast Romania.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>298,000</td>
</tr>
<tr>
<td>Major industries</td>
<td>Agriculture, tourism, chemicals and petrochemicals, food and beverage processing.</td>
</tr>
</tbody>
</table>

Source: National Institute of Statistics – Romania, Eurostat
**Human resources**

- Institutes of Higher Education: 3 public and private institutes.
- Number of students: 14,000
- Employees: 181,000
- Unemployment rate: 4.1%
- Average net wage: EUR 360
- Languages spoken: Romanian, English, French, German, Turkish.

*Source: National Institute of Statistic, Ministry of Education*

**Infrastructure**

- Office space

The office space market is yet to settle in Constanta, as the availability of office space is limited.

In 2011, office building rent prices range between EUR 5 to EUR 10 per sqm.

*Source: http://imobiliare.topestate.ro/*

- Telecom Infrastructure

Full scale telecommunication services are available in Constanta, ranging from fixed lines to cellular phones and high speed Internet lines. Main telecom operators in the region are Orange, Vodafone and Cosmote for mobile services and Romtelecom for landline telephony. Several companies offer Internet services. Romtelecom, the former national telecom company, has a strong presence covering telecommunication services, mobile (through Cosmote), fixed (via its own lines), and Internet. Mobile telephony and Internet services are relatively inexpensive and of higher quality compared to other CEE countries.

- People mobility

Constanta is a major hub, linking road, railway, air, sea and river transportation. There is a highway to Bucharest, major roads (express and national) linking the county to other major cities, rail infrastructure able to manage both passengers and freight, sea connections to other world ports and a river connection to Danube riverside countries. A commercial ferry line was opened in 2011, linking Constanta to Istanbul, Turkey.

**Quality of life**

- Cost of living

The cost of living is lower than the average, but the inflow of tourists over the summer may inflate prices temporarily.

*Source: http://www.sfin.ro/articol_23256/unde_e_bine_sa_traiesti_in_romania__harta nivelului_de_trai.html*

- Ease of commuting

Local bus companies provide links to most of the near by area, in addition to railway services. Trams, buses and trolleybuses provide in-city transportation. There is no underground public transport.

**Key drivers for the city to emerge as a favourable SSC/BPO destination**

- Constanta is one of largest cities in Romania, associated with an important university center.
- Growing economy and lower developing costs than Bucharest

**Upcoming projects**

The local administration has developed a long-term strategy to increase the competitiveness of the industrial production sector, build up the tourism industry and improve the transport infrastructure.

Targu - Mures

City introduction

Targu Mures is the capital of Mures County and the city with the largest ethnic Hungarian population in the country.

The wood processing and exploitation industry is one of the most representative, favored by the abundance of timber in Mures County. The utilities industry, although represented by a small number of economic operators, accounts for a third of the total local revenues, due to the E.ON group.

Other prolific industries in the city are: food (milk, dairy and cheese), textiles, ready-made clothing, leather and footwear, electrical, electronics and optical equipment. The pharmaceutical industry has registered significant growth, as pharma multinationals have set up local production facilities in Targu Mures (Gedeon Richter, Sandoz). The chemical sector is also a key contributor to the Targu Mures economy, with Azomures SA as the leading chemical fertilizer producer in Romania.

<table>
<thead>
<tr>
<th>Location</th>
<th>Located in central Romania, at approximately equal distances from border crossing points.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>231,000</td>
</tr>
<tr>
<td>Major industries</td>
<td>Pharmaceuticals, chemicals, food, wood processing</td>
</tr>
</tbody>
</table>


SSC/BPO setting

With a strong educational system, one of the most diverse in terms of foreign language-based education (Romanian, Hungarian, German and English), Targu Mures has enormous unexplored potential.

In April 2011 the Romanian Government and IBM announced their intention to begin discussions on the establishment in Targu Mures of a research collaboration center, the Transylvania Center of Excellence in Research. (“Digital Mures”).

<table>
<thead>
<tr>
<th>Company name</th>
<th>Main services offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>E.ON Servicii</td>
<td>SSC for Finance &amp; Accounting and Human Resources</td>
</tr>
</tbody>
</table>

Source: http://www.cciams.ro/topul_firmelor/clasamente_j.html#domtop2
Human resources

- Institutes of Higher Education: 5 public and private institutes.
- Number of students: 12,000
- Employees: 200,000
- Unemployment rate: 6.3%
- Average net wage: EUR 290
- Languages spoken: Romanian, Hungarian, English, French, German.


Infrastructure

- Office space
  Low availability of Class A offices, however supply of office space is adequate and rent levels are low.
- People mobility
  Situated in the center of Romania, at the junction of many national and European roads, Targu-Mures represents a rail, road and air hub. The transportation network assures multiple connections to Road E60 that ties Western Europe to Eastern Europe.
- Telecom Infrastructure
  Full scale telecommunication services are available, ranging from fixed lines to cellular phones and high speed Internet lines. Main telecom operators in the region are Orange, Vodafone and Cosmote for mobile services and Romtelecom for landline telephony. Several companies offer Internet services. Romtelecom, the former national telecom company, has a strong presence covering telecommunication services, mobile (through Cosmote), fixed (via its own lines), and Internet. Mobile telephony and Internet services are relatively inexpensive and of higher quality compared to other CEE countries.

Key drivers for the city to emerge as a favourable SSC/BPO destination

- Targu-Mures is an important university center, and its graduates have an excellent working knowledge of English, Hungarian and German, as well as good grasp of technical knowledge.
- A project sponsored by the City of Targu Mures, “Digital Mures”, is underway, with the aim of setting up a modern infrastructure of private-public services and to foster the construction and development of a technological park specializing in research and medical information. The initiative follows the municipality’s “Digital Mures” strategy, created to help the city to become a regional axis of scientific research and progress.

Upcoming projects

The development of the Transylvania airport- a project worth EUR 41 million is underway.

Quality of life

- Cost of living
  Mures county has average living conditions, with a GDP per capita of EUR 4,135.
  Source: http://www.sfin.ro/articol_23256/unde_e_bine_sa_traiesti_in_romania__harta_nivelului_de_trai.html?action=print

- Ease of commuting
  The city has a transportation network including tram lines and buses. There is no underground public transport.
Arad

<table>
<thead>
<tr>
<th>Location</th>
<th>In the western part of Romania, with the Mures River crossing it from east to west.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>173,000</td>
</tr>
<tr>
<td>Major industries</td>
<td>Rail transportation equipment, Automotive, Food, Footwear and Textiles, Furniture</td>
</tr>
</tbody>
</table>


Human resources

- Institutes of Higher Education: 2
- Number of students: 20,000
- Employees: 105,000
- Unemployment rate: 3.8%
- Average net wage: EUR 324
- Languages spoken: Romanian, English, Hungarian, French, German.


Infrastructure

- Office space

There is an adequate supply of modern office space. Currently, office rental prices range from 6 to 10 EUR/sqm.

- People mobility

The road network in Arad county has national roads (405,378 km), county roads (1078,327 km) and local roads (756,765 km). Arad will be connected to the future Nadlac – Arad – Timisoara – Lugoj – Deva highway.

- Telecom Infrastructure

Mobile telephony and Internet services are relatively inexpensive and of higher quality compared to other CEE countries.

City introduction

Arad is an important economic hub for the Western Romanian region, as the geographical location of the city at the junction of major commercial roads as well as its vicinity to the border has favored its economic development.

The successful privatization of several important factories (Astra Vagoane -railcars- taken over by Trinity Industries Inc., USA, Arbema -brewery, taken over by Brau Union AG, Austria) as well as investment in new industrial factories by attracting foreign and domestic investors has contributed to the economic development of the city.

An important project is the setting up of the Arad Industrial Zone and Logistic Centre. This comprises the Cargo Terminal at Arad International Airport, the Arad International Fair and Arad Free Zone - Curtici. A part of this project; the Arad Industrial Zone and Free Zone Arad-Curtici has already been inaugurated, while the other objectives are in an advanced stage of completion.

Key drivers for the city to emerge as a favourable SSC/BPO destination

- The city has a strategic geographical location as the main gateway to Romania from the rest of the European Union and the most important trans-European road and rail transportation junction in western Romania.
- Tremendous unexplored potential and proximity to already established SSC/BPO areas such as Timisoara and Cluj-Napoca.
- Growing economy and low developing cost.
Oradea

Human resources
- Institutes of Higher Education: 4 public and private institutes.
- Number of students: 19,000
- Employees: 151,000
- Unemployment rate: 4.7%
- Average net wage: EUR 260
- Languages spoken: Romanian, English, Hungarian, French, German.

Infrastructure
- Office space
There is an adequate supply of modern office space. Currently, office rental prices range from 6 to 8 EUR/sqm.
- People mobility
Bihor has 412 km of National roads (E60, DN 19, DN 76 and DN 79). Oradea is served by Oradea International Airport, which has flights from major Romanian cities as well as some cities in northern Italy. Oradea will also be connected to the Transylvania highway. 
Source: The County Council of Bihor
- Telecom Infrastructure
Mobile telephony and Internet services are relatively inexpensive and of higher quality compared to other CEE countries.

City introduction
Oradea, capital of Bihor county, is one of the most important centers of economic, social and cultural development in North West Romania.

<table>
<thead>
<tr>
<th>Location</th>
<th>Oradea is Romania’s tenth city and is located in the west of the country, around 10 km from the Bors frontier crossing.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>270,000</td>
</tr>
<tr>
<td>Major industries</td>
<td>Pharmaceuticals, petrochemicals, textiles.</td>
</tr>
</tbody>
</table>


Key drivers for the city to emerge as a favourable SSC/BPO destination
- It is a large regional economic center.
- The city is a traditional university center. Future IT&C professionals are catered for by two of its largest institutions: The Automatics and Computer & Informatics faculties.
- Lower workforce costs than in Bucharest and a high rate of qualified personnel.
4. Key facts on the Republic of Moldova

**Country Snapshot**

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country area</td>
<td>33,843 sq.Km</td>
</tr>
<tr>
<td>Population</td>
<td>4.32 million</td>
</tr>
<tr>
<td>Official language</td>
<td>Moldovan</td>
</tr>
<tr>
<td>Capital</td>
<td>Chisinau</td>
</tr>
<tr>
<td>Currency</td>
<td>Moldovan Leu (MDL)</td>
</tr>
<tr>
<td>Average MDL/EUR (2010)</td>
<td>16.40</td>
</tr>
<tr>
<td>Average MDL/USD (2010)</td>
<td>12.37</td>
</tr>
<tr>
<td>Inflation rate (2010)</td>
<td>7.4%</td>
</tr>
<tr>
<td>Unemployment rate (2010)</td>
<td>7.4%</td>
</tr>
<tr>
<td>GDP per capita (2010)</td>
<td>USD 2,500</td>
</tr>
<tr>
<td>Time zone</td>
<td>GMT + 2 (GMT + 3 in summer)</td>
</tr>
<tr>
<td>Climate</td>
<td>Temperate-continental climate, with four distinct seasons</td>
</tr>
</tbody>
</table>
Political structure

Moldova is a unitary parliamentary representative democratic republic. The country’s central legislative body is the unicameral Moldovan Parliament, whose members are elected by popular vote on party lists every four years. The head of state is the President, who is elected by a closed Parliament vote. The President appoints a prime minister who functions as the head of government, and who in turn assembles a cabinet, both subject to parliamentary approval.

Business and investment climate

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP (EUR m)</td>
<td>3,768</td>
<td>3,810</td>
<td>3,941</td>
</tr>
<tr>
<td>Total public sector debt (%GDP)</td>
<td>18.5</td>
<td>28.9</td>
<td>31.9</td>
</tr>
<tr>
<td>Government deficit (EUR m)</td>
<td>(741.4)</td>
<td>(941.9)</td>
<td>(1,150.6)</td>
</tr>
<tr>
<td>Trade balance (EUR m)</td>
<td>(2,333.7)</td>
<td>(1,457.6)</td>
<td>(1,632.5)</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>4</td>
<td>6.4</td>
<td>7.4</td>
</tr>
<tr>
<td>Average Exchange Rate MLD/ EUR</td>
<td>15.29</td>
<td>15.52</td>
<td>16.40</td>
</tr>
<tr>
<td>Average Exchange Rate MLD/ USD</td>
<td>10.39</td>
<td>11.11</td>
<td>12.37</td>
</tr>
</tbody>
</table>


Moldova has no major mineral deposits and must import almost all of its energy supplies. It is dependent on Russian energy and trade, and Russia’s decision to ban Moldovan wine and agricultural products, coupled with its decision to double the price Moldova paid for Russian natural gas, contributed to a severe deterioration of the economy. The onset of the global recession and poor economic conditions in Moldova caused GDP to fall 6.5% in 2009. The coalition government is trying to address the economic situation and has embarked on a series of strict economic reforms following a $574m agreement with the IMF in January 2010. This is designed to help reduce the budget deficit. This is also supported by €1.9bn in grants and loans over the next four years proposed at an international donor co-ordination meeting in March 2010.

However, a modest recovery in the world economy boosted GDP growth to 6.9% in 2010. The Moldovan economy continued to show signs of recovery in the first half of 2011, registering GDP growth of 7.5%, compared to the same period last year, while the forecast for the whole year is 5.5%.

<table>
<thead>
<tr>
<th>Key indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (estimated)</th>
<th>2012 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth (%)</td>
<td>7.2</td>
<td>(6.5)</td>
<td>6.9</td>
<td>5.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Inflation rate (%)</td>
<td>12.8</td>
<td>(0.10)</td>
<td>7.4</td>
<td>7.7</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Moldova is a member of the United Nations, the World Trade Organisation (WTO), the Commonwealth of Independent States (CIS), a CIS sub-group entitled GUAM (for Georgia, Ukraine, Azerbaijan and Moldova), the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF), as well as the Organisation for Security and Cooperation in Europe (OSCE). It is a party to the Central European Free Trade Agreement (CEFTA) and NATO’s Partnership for Peace.

Russia, the US, France and Spain are the largest investors in Moldova.

**Human capital**

Moldova has been severely affected by the world economic crisis, with foreign investment and exports down. The crisis is causing large numbers of immigrant workers to return (particularly from Russia and other CIS countries) and this is dramatically affecting the Moldovan economy, which is one of the most remittance-dependent in the world. The average gross salary in June 2011 was EUR 222.

Two-thirds of Moldovans are of Romanian descent. The languages are virtually identical and the two countries share a common cultural heritage. The ethnic composition of the country is as follows: Moldovan/Romanian (65%), Ukrainian (13.8%), Russian (13%), Gagauz (Christian Turks) (3.5%), Jewish (1.5%), Bulgarian (2%), other (1.2%).

**Fiscal considerations and incentives for investors**

Once Romania joined the European Union, Moldova became a neighbor of the EU, while also being a member of Commonwealth of Independent States (CSI). This has increased the country’s attractiveness as a trade partner and investment destination for foreign partners for the following reasons:

- Moldova is a member of the World Trade Organization, and in its capacity as a CSI member and signatory of the Central European Free Trade Agreement (CEFTA), benefits from Free Trade Agreements with all the countries which are members of the CSI and CEFTA.

- From 21 January 2008, Moldova entered the Autonomous Trade Preferences Agreement granted by the EU, which allows free access to European markets for Moldovan goods. This has made the European Union Moldova’s main trading partner, with more than 50% of Moldovan exports made to EU destinations.
Value Added Tax

The standard VAT rate is 20%. Reduced tax rates apply as follows:

- 8% for bread and bakery products, milk dairy and agricultural products, and selected pharmaceuticals
- 6% for natural and liquefied gas
- Zero for exports of goods (services), international freight and passenger transportation, electric power, thermal energy and hot water supplied for the population, goods and services supplied from Free Economic Zones outside Republic of Moldova and in the Free Economic Zones either from Moldova or outside it.

Tax incentives

Until the end of 2011, corporate income tax was 0%. Starting 2012, corporate income tax was increased to 12%, being also cancelled the fiscal facilities in place in 2011 for investments stimulation.

Free Economic Zone

There are 9 Free Economic Zones (FEZ) in Moldova granting investors both fiscal and financial incentives. New FEZ residents (after January 1st, 2012) will be granted a reduction of 50% of the corporate income tax for incomes generated by export of goods and services and a reduction of 25% of the corporate income tax for the other incomes. For the residents present before January 1st 2012, the authorities are about to adopt a decision either to maintain the previous fiscal incentive (0% corporate income tax) or to align their fiscal rule to the one applicable for the new residents. VAT for FEZ residents is 0% in the above mentioned conditions and the excisable goods acquired in the Free Economic Zones are excise exempted. The 9 FEZ are: Expo-Business-Chisinau, Giurgiulesti International Free Port, Free International Airport Marculesti, Otaci-Business, Taraclia, Tvardita, Ungheni, Valkanes and Balti.

SSC/BPO setting

The SSC/ BPO and IC&T sector are Moldova’s most dynamic sectors. Moldova provides software development and engineering, business process outsourcing and call center outsourcing to numerous national and international organizations. The multilingual workforce enables the development of applications or supply of support personnel speaking English, French, Russian, Romanian, Ukrainian, and other languages. Also, the labor rates for highly skilled software engineers are among the lowest in the region.

Source: http://www.miepo.md/(Organization for promoting investments into and exports from Moldova)
Chisinau

City introduction

Chisinau is the capital of Moldova. It is the largest city in the country and it is the political, administrative, economic and cultural centre. Chisinau is the most economically developed and industrialized city in Moldova.

Location

Chisinau is situated in the centre of the country, on the Bic river.

Population

719,000.

Major industries

Consumer goods, electrical goods, machinery, textiles.

SSC/BPO setting

Development of SSCs/ BPO is taking place in 4 main sectors – IT, Human Resources, public relations and professional accountant services. The first three develop on an international level, while accountancy services are provided mostly to local companies.

The Moldovan government places a strong focus on the medium term development of the IT&C sector, as it is considered to be the main driver behind Moldova’s economic growth, augmenting labor productivity and enhancing international competitiveness.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Main services offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moldauditing S.R.L.</td>
<td>BPO for Finance &amp; Accounting</td>
</tr>
<tr>
<td>Ecofin-Audit-Service S.R.L.</td>
<td>BPO for Finance &amp; Accounting</td>
</tr>
<tr>
<td>I.M. Iricom Company</td>
<td>BPO for call centre services</td>
</tr>
<tr>
<td>GPG Group S.R.L.</td>
<td>BPO for call centre services</td>
</tr>
<tr>
<td>Pentalog S.R.L.</td>
<td>BPO for IT services</td>
</tr>
<tr>
<td>Endava S.R.L.</td>
<td>BPO for IT services</td>
</tr>
<tr>
<td>Bridge Moldova S.R.L.</td>
<td>BPO for IT services</td>
</tr>
<tr>
<td>Media Soft S.R.L.</td>
<td>BPO for IT services</td>
</tr>
</tbody>
</table>

Human resources

- Institutes of Higher Education: 36 public and private institutes.
- Number of students: 123,000
- Employees: 1,256,000
- Unemployment rate: 6.5%
- Average net wage: EUR 220
- Languages spoken: Moldovan/ Romanian, Russian, English, French, German.

Source: www.statistica.md

Infrastructure

- Office space

At the end of the first half of 2011, the average monthly rate for an office space was 7-9 euro/sqm.

- Telecom Infrastructure

There are 16 providers of landline phone communication services, the major one being Moldtelecom S.A. which dominates the market (approx. 90% share) and offers a wide variety of services. The mobile communications sector is divided between four companies, offering almost complete coverage of the territory of the country (excluding the Trans-Dniester region). There are internet providers in Moldova that offer both broadband and dial-up Internet connection. Internet connection is available also through providers of mobile telephony services. There is a tendency towards a decrease in prices and an increase in the quality of telecommunication services.

- People mobility

Local travel is available by means of public transport within the city area and by railway and regular bus routes within the rest of the country. Taxis and personal cars are also widely used. International travel is also available by rail, buses and airplanes – these fly to all major European airport hubs.

Source: http://www.moldova.org/page/chisinau-infrastructura-locala-144-rom.html

Key drivers for the city to emerge as a favourable SSC/BPO destination

- Low operating costs: both salary and maintenance costs.
- Quality of talent: there is a relatively good education system in Chisinau, supplemented by the easy access of Moldovan nationals to Romanian academic institutions.
- Linguistic and cultural similarities: as a former USSR country, Moldova still has cultural links with most other CIS countries, which facilitates communication; it also has strong linguistic and cultural ties with Romania.

Upcoming projects

Currently the development of the city’s infrastructure is limited due to harsh economic conditions. However the General Plan for the Development of Chisinau includes measures for improvement of road communications and traffic conditions.

The Development of Chisinau is a project whose key objective is to assist Local Public Authorities of the Chisinau Municipality in the process of strengthening its institutional and financial management capacity to support the achievement of long-term development goals and improve service delivery.


Quality of life

- Cost of living

Low cost of living indicator as compared to Romania. Average GDP per capita is 2,500 USD.

Source: www.internationalcostofliving.wordpress.com

- Ease of commuting

Travelling in the city and suburban areas is easily possible through regular bus routes, trolleybus routes, as well as taxis and private cars. The quality of roads in the suburban area is much poorer than in the city itself. Congestion problems are limited to a few streets in the city centre. There is no underground public transportation.
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