



Specific Support to Romania

Start-ups, Scale-ups and Entrepreneurship in Romania

Horizon 2020 Policy Support Facility
Executive Summary



Specific Support to Romania – Starts-ups, Scale-ups and Entrepreneurship in Romania

European Commission
Directorate-General for Research and Innovation
Directorate [Directorate letter] – [Directorate name -see organigramme]
Unit [Directorate letter.Unit number, e.g. A.1] – [Unit name -see organigramme]

Contact (H2020 PSF – Specific Support to Romania)
Román ARJONA, Chief Economist and Head of Unit A4 - Roman.ARJONA-GRACIA@ec.europa.eu
Stéphane VANKALCK, PSF Head of Sector, Unit A4 - Stéphane.VANKALCK@ec.europa.eu
Diana SENCZYSZYN, PSF Team Leader, Unit A4 - Diana.SENCZYSZYN@ec.europa.eu

European Commission
B-1049 Brussels

Printed by [Xxx] in [Country]

Manuscript completed in October 2017.

This document has been prepared for the European Commission however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the internet (<http://europa.eu>).

Luxembourg: Publications Office of the European Union, 2017

Print	ISBN [number]	ISSN [number]	doi:[number]	[Catalogue number]
PDF	ISBN [number]	ISSN [number]	doi:[number]	[Catalogue number]

© European Union, 2017.

Reuse is authorised provided the source is acknowledged. The reuse policy of European Commission documents is regulated by Decision 2011/833/EU (OJ L 330, 14.12.2011, p. 39).

For any use or reproduction of photos or other material that is not under the EU copyright, permission must be sought directly from the copyright holders.

Cover Image © Eurotop.be 2017

Specific Support to Romania

**Start-ups, Scale-ups and
Entrepreneurship in
Romania**

Prepared by the panel of independent experts:

Paulo Andrez (Portugal, *Chair*)

Daria Tataj (Poland, *Rapporteur*)

Jean-Michel Dalle (France, *Expert*)

Jari Romanainen (Finland, *Expert*)

The PSF Specific Support to Romania

Horizon 2020 Policy Support Facility (PSF)

To support countries in reforming their research and innovation (R&I) systems, the European Commission (EC) Directorate-General Research and Innovation (DG RTD) set up a Policy Support Facility (PSF) under Horizon 2020, aimed at "improving the design, implementation and evaluation of R&I policies". The PSF provides best practice, leading expertise and guidance to Member States and Associated Countries (on a voluntary basis) through a broad range of services to address their specific needs.

The Romanian government's request for specific support

The Romanian authorities expressed their interest for support under the Horizon 2020 PSF in a letter dated 23 December 2015 from Mr Adrian Curaj, then Minister of National Education and Scientific Research to Mr Roberto Viola, Director-General of EC Directorate-General Communications Networks, Content and Technology (DG CONNECT), and to Mr Robert Jan Smits, Director-General of DG RTD.

In line with this request, the aim of the PSF support is to provide external and independent advice and operational recommendations to the Romanian government on possible reform to stimulate innovative entrepreneurship and to create an environment conducive to the growth of technological start-ups. The objectives of the PSF support are:

- To assess the Romanian innovative entrepreneurship, start-up and scale-up ecosystem;
- To identify and recommend measures, including legislative ones, and specific instruments to further develop and strengthen the innovative entrepreneurship ecosystem in order to improve its efficiency and foster the growth of Romanian start-ups.

Specific support for Romania under the Horizon 2020 PSF

Specific support under Horizon 2020 is a problem-based in-depth assessment of a country's specific R&I policy issues, designed as a practical and operational advisory function.

The main expected outcome is a report, including a set of key policy messages highlighted upfront, supported by concrete operational recommendations, based on evidence gathering and analysis. It should be feasible to implement the recommendations (actionable) and to measure them in the national context, backed by evidence, best practice, and analyses of similar approaches and reforms introduced in other countries. For this purpose, the policy support process was undertaken by a PSF panel of experts, comprising four independent experts from Finland, France, Poland and Portugal.

The work of the PSF expert panel has been overseen by Ana Cristina Moise, Statistical Assistant, Country Desk for Romania at DG RTD, Unit Analysis and monitoring of national research and innovation policies, and Felicia Liliana Cutas, Policy Officer at DG CONNECT, Unit Startups and Innovation.

The implementation of the specific support has been facilitated by the PSF team of experts in Technopolis Group, Agis Evrigenis and Laura Roman.

PSF panel's working method

The PSF expert panel along with EC representatives visited Romania twice. The first country visit took place between 3-6 October 2016. Several Romanian authorities involved in R&I policies as well as a wide range of institutions and relevant stakeholders in the entrepreneurial ecosystem were invited to participate for discussions. The PSF panel developed the structure, main messages and draft recommendations of the PSF report and presented the preliminary findings to Romanian stakeholders during a second field visit in Bucharest between 1-3 February 2017. Based on the various documents received and analysed, as well as in-depth discussions with experts and the comments received during the field visit meetings, the PSF panel prepared this report on the PSF Specific Support to Romania. The report and the recommendations will be presented to the Romanian R&I and entrepreneurial community in 2017.

Disclaimer

The data collection and writing of the report were performed by the panel between July 2016 and May 2017. Any subsequent changes in the policy landscape and evolution of the Romanian entrepreneurial ecosystem have not been taken into account.

The PSF panel of experts

Paulo Andrez, Chair (Portugal)

Innovation expert helping governments to design and implement entrepreneurship policies. He chaired the PSF expert panel in Slovakia which was related to incubation, acceleration, business angels and venture capital policies. Founder and board member of DNA Cascais Incubator Centre; President Emeritus of the European Trade Association for Business Angels (EBAN) and founder member of the Portuguese Business Angel Federation (FNABA). He is also a business angel investor in several companies and a serial entrepreneur.

Daria Tataj, Rapporteur (Poland)

Innovation expert helping companies and governments design growth strategies; founder and CEO of Tataj Innovation, a consultancy company, and a member of High-level Expert Group (RISE) to Carlos Moedas, EU Commissioner for Research and Innovation. Previously, she was a member of the founding

Governing Board and Executive Committee of the European Institute of Innovation and Technology (EIT).

Jean-Michel Dalle, Expert (France)

Director of Agoranov, France's leading science-based incubator, since 2003. He was formerly Managing Director of Oséo, now BPI France, France's public innovation bank, in charge of innovation (2008-2009). Previously (1995-2002), he created and headed a private subsidiary of Ecole Normale Supérieure de Cachan dedicated to technology transfer.

Jari Romanainen, Expert (Finland)

Executive policy advisor for the Finnish Funding Agency for Innovation (Tekes) and for the Ministry of Employment and Economy in Finland, and a senior consultant at Technopolis Group Baltics. Over the last 20 years Jari has been responsible for designing, implementing and evaluating science, technology and innovation policies and related policy measures in Finland.

Acknowledgements

The authors would like to thank the Romanian Agency for Financing Higher Education, Research and Innovation (UEFISCDI) which supported this study by facilitating the organisation of country visits and sharing their valuable insights: Adrian Curaj, Marius Mitroi, Elena Simion and Raluca Saftescu.

We would also like to thank the Romanian stakeholders who have shared their views with the panel of experts. Over 50 stakeholders have participated in the interviews and consultations with the panel during the two country visits, sending valuable feedback. These include stakeholders from all areas of the Romanian entrepreneurial ecosystem, such as policymakers, entrepreneurs, university professors and representatives of research institutes and technology transfer offices, as well as representatives of banks, incubators and accelerators, clusters, chambers of commerce and business associations. A list of the stakeholders who have participated in the consultations with the panel during the country visits is attached in Appendix IX.

Finally, we would like to thank the European Commission staff and the Technopolis Group experts who followed the development of the study, provided their input and advice, and shared their experience of similar studies and endeavours.

1 EXECUTIVE SUMMARY

This report has been prepared at the request of the Romanian government within the framework of the Policy Support Facility (PSF), a funding scheme for policy advice launched by the European Commission under Horizon 2020. PSF is managed by the EC's Directorate-General for Research and Innovation and provides governments in the Member States and Associated Countries with a targeted analysis and policy guidelines tailored to their specific needs. This support is not normative and aims to offer advice, expertise and to share relevant good practices to improve the design, implementation, monitoring, evaluation and readjustment of national research and innovation policies and systems under the current framework of Horizon 2020 and in the longer term.

Following the specific request from the Romanian Ministry of Education and Scientific Research in a letter dated 23 December 2015 to DG RTD and DG CONNECT, this report offers advice and policy recommendations on how to address the following challenges:

- Assess the Romanian innovative entrepreneurship, start-up and scale-up ecosystem;
- Identify and recommend measures, including legislative ones, and specific instruments to further develop and strengthen the innovative entrepreneurship ecosystem, in order to improve its efficiency and foster the growth of Romanian start-ups.

The Romanian entrepreneurial ecosystem is in the budding stage. While the country has a lot of potential, the dynamics of change towards a more innovative economy and digital society are poor. Our expert assessment of the current state of the entrepreneurial ecosystem, which is presented in detail in this report, shows that the biggest barriers hindering its development are the lack of trust, predictability and transparency, as well as access to finance and the limited capacity of higher education institutions to play an active role as a stakeholder in the entrepreneurial ecosystem. In addition, inadequate communication among ecosystem stakeholders and poor coordination among government policymakers are slowing down the ecosystem's evolution process. Undoubtedly, there are islands of excellence, and access to a well-educated talent pool is one of Romania's greatest assets. However, brain drain, insufficient funding opportunities, and the low entrepreneurial culture at universities require radical policy actions if the current state of affairs is to change faster.

This report is structured into eight chapters followed by ten annexes which touch upon key areas for improvement in order to accelerate or initiate change within the entrepreneurial ecosystem. Giving different levels of detailed directions, they refer to the following areas:

- Chapter 1 includes this summary and presents a list of recommendations;
- Chapter 2 maps the ecosystem, identifies key gaps in its institutional setting and exposes linkages – or lack of sufficiently strong connections and

exchanges – among them. It also proposes actions on how to facilitate the internationalisation of Romanian start-ups and the country's start-up ecosystem;

- Chapter 3 focuses on the business environment and lists potential improvements to facilitate doing business, including in the legal, administrative, tax and institutional areas. It also proposes a rationale for establishing a new funding agency dedicated to innovation and entrepreneurship;
- Chapter 4 suggests how to enhance the start and growth of new companies taking into account the specific conditions in Romania, starting with improving entrepreneurship education and access to talent, non-financial support to entrepreneurs and public funding;
- Chapter 5 strategises on the role of universities, research institutions, incubators and accelerators in transforming the entrepreneurial ecosystem and the higher education institutions;
- Chapter 6 offers guidelines on how to develop diverse forms of finance relevant to starting and scaling up innovative companies, ranging from seed funding, loans for SMEs, business angels and venture capital investors, as well as measures to boost the Bucharest Stock Exchange activities as the final loop in the access to finance;
- Chapter 7 focuses on the monitoring process and presents arguments on how and why the government should adopt an open-data approach to measure and monitor performance at the ecosystem level;
- Chapter 8 concludes the report by pointing to Romania's potential to become an important innovation hub in Central and Eastern Europe and encouraging the government to empower bottom-up forces with top-down policies;
- Annex I presents a table prioritising the importance of the recommendations and offering a 12-month timeline for implementation;
- Annexes II-VIII give detailed guidelines for actions towards mobilising business angels investment activity in Romania.

The report includes specific **recommendations for** measures and instruments to strengthen the Romanian entrepreneurship ecosystem and accelerate growth of its innovative start-ups.

While these recommendations – listed below – constitute a coherent policy mix and as such they are all considered important, we would like to present the key policy messages to which – in our opinion – the Romanian government should pay special attention. The **core 'take-aways'** from our analytical exercise, based on European and global perspectives and synthesised in this report, are:

1. Access to talent: empower established and future Romanian entrepreneurs by instilling more predictability and trust in government policies, the legal framework and business conditions.

2. Access to markets: help companies go global through dedicated funding schemes, non-financial support programmes and by fostering links with the Romanian diaspora.

3. Access to funding: mobilise business angels and their networks, attract venture capital investors and help Romanian start-ups become scale-ups by strengthening the AeRO market¹ at the Bucharest Stock Exchange.

4. Catalyse change: establish a Romanian Entrepreneurship Agency dedicated to and responsible for funding innovation and entrepreneurship and empowered to induce entrepreneurial culture at the ecosystem level.

5. Open government data: develop an IT system that can automatically retrieve data from ecosystem stakeholders and make this data open to the public in a comprehensible way in order to foster transparency, accountability and competition across the ecosystem.

The panel of experts recognised that in practice it is not possible to implement all recommendations at the same time. Therefore, we have **prioritised them in the timeline which is presented in Annex I**. We have divided the implementation phase into trimesters over years 2018 and 2019 and have categorised the recommendations into three categories:

- Priority 1 – these recommendations must be implemented as a matter of key importance and urgency;
- Priority 2 – these are recommendations which should be implemented either as a follow-up to the first set of recommendations, or as items of secondary importance;
- Priority 3 – these are expert suggestions of policies and actions which will speed up desired change but should only be taken up by the government if there is sufficient manpower and other resources.

While this report gives clear directions for new policies and instruments, its value depends solely on how successfully the Romanian government implements the experts' advice. The PSF panel will undertake a short country visit five months after the dissemination of this report to assess the Romanian government's progress on implementing the recommendations. This evaluation should lead to a follow-up report presenting possible adjustments to the policy mix depending on how successful and how fast the implementation process is.

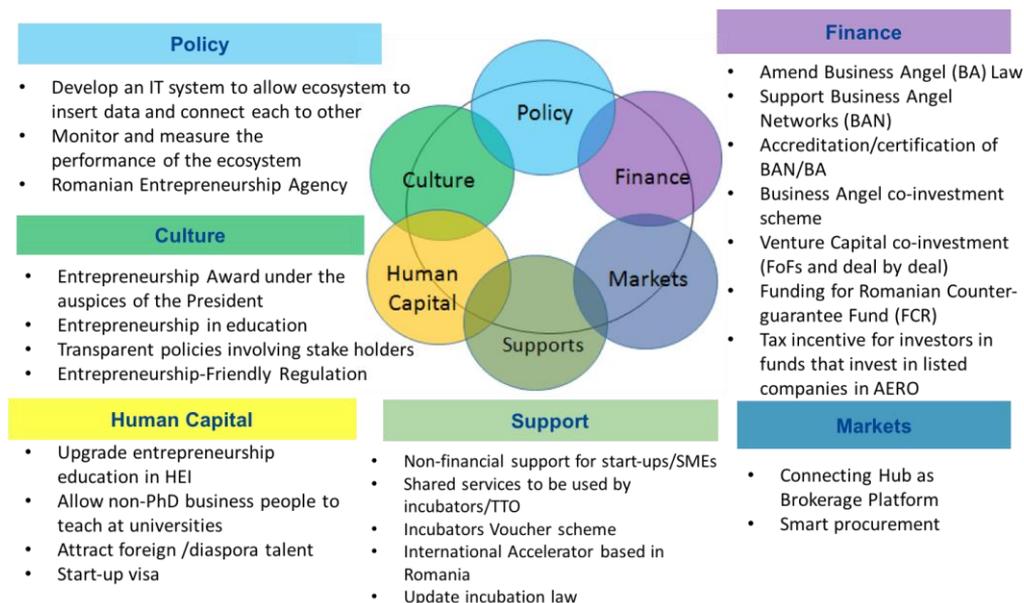
¹ See AeRO market, Romanian Stock Exchange website <http://www.bvb.ro/ForCompanies/AeroForShares/About>

This report has been prepared by a PSF expert panel and facilitated by the Technopolis Group consultancy. It includes four senior policy advisors from Portugal, France, Finland and Poland who engaged in this exercise in their personal capacity. They worked on the report from July 2016 to May 2017. The methodology applied here is based on the review of data, information, existing policies and policy instruments, as well as two country visits and interaction with key stakeholders from government, business, academia, public sector and civil society.

The report has been framed by several documents, including: a background report prepared by Technopolis Group on 'The Romanian Entrepreneurial Ecosystem' (2017), the mapping study 'The Romanian Entrepreneurship Ecosystem. An Exploratory Study' (UEFISCDI, 2015), the Start-up Manifesto, the European Early Stage Investors Manifesto, the 2016 Start-up Nations Scoreboard, the World Bank's doing business report on Romania, the European Semester Report on Romania, and other legislation and policy documents which were translated into English.

In the following chapters we present an assessment of the current situation followed by recommendations and the rationale for the policies and instruments we propose to accelerate the development of Romania's entrepreneurial ecosystem. A snapshot of the recommendations is presented below, supported by a full list in the following section.

Figure 1: Snapshot of the PSF Panel recommendations for the entrepreneurship ecosystem in Romania



Source : PSF Panel

List of recommendations

This is a list of recommendations presented in the order of the chapters in which they appear.

1. Role of public agencies and entities

List of Recommendations	
Recommendation 2.1	Establish a governance mechanism for a new Romanian Innovation and Entrepreneurship Council based on private-sector best practices. The Council should comprise respected individuals from research, education and business elected in their personal capacity to serve as an impartial, non-political voice of the entrepreneurial ecosystem.

2. Integration and promotion of the Romanian entrepreneurial ecosystem

List of Recommendations	
Recommendation 2.2.1	Establish a Connecting Hub as a facilitating platform for integrating and promoting the Romanian entrepreneurial ecosystem, its start-ups and scale-ups.
Recommendation 2.2.2	Develop a web portal in which relevant information for start-ups and on start-ups is made transparent.
Recommendation 2.2.3	Establish an Entrepreneurship Award under the auspices of Romania's president to promote successful ventures which have originated and operate out of the Romanian ecosystem and to celebrate entrepreneurships and recognise leading entrepreneurs.

3. Open-data approach

List of Recommendations	
Recommendation 2.3.2	Make aggregated monitoring data openly available to all ecosystem actors.
Recommendation 2.3.3	Appoint an international expert team to review the ecosystem on a regular basis and present its recommendations to government.

4. Fighting bureaucracy, red tape and corruption

List of Recommendations	
Recommendation 3.1	Create a 'one-stop-shop' as a digital service centre for entrepreneurs offering integrated e-Government services.

5. Smart procurement

List of Recommendations	
Recommendation 3.2	The National Authority for Public Procurement should undertake 'a sandbox approach' to experiment with pre-commercial procurement and procurement of innovation engaging start-ups and scale-ups.

6. Legal framework for start-ups and scale-ups

List of Recommendations	
Recommendation 3.3	Develop an 'Entrepreneurship-friendly regulation agenda' with 'entrepreneurship principle' as a guiding standard for cross-ministerial consultation and collaboration at the ecosystem level.

7. Tax incentives for start-ups and scale-ups

List of Recommendations	
Recommendation 3.4	Continue to monitor and adjust the tax and labour law systems to encourage equity investments, dividend reinvestments, and stock option schemes to stimulate the entrepreneurial ecosystem. Extend tax exemptions to incentivise local investment in start-ups and attract foreign capital. Streamline tax and labour law procedures to fit the specific needs of innovative SMEs.

8. Catalysing change: Romanian Entrepreneurship Agency

List of Recommendations	
Recommendation 3.5	Establish a Romanian Entrepreneurship Agency (REA) as a funding agency dedicated to innovation and entrepreneurship.

9. Entrepreneurship education in Romania

List of Recommendations	
Recommendation 4.1.1	Make earmarked funding available for primary and secondary schools for organising entrepreneurial projects and activities, including entrepreneurial clubs, business plan competitions and societies.
Recommendation 4.1.2	Invite schools, entrepreneurs, students and teachers (through their appropriate associations or representatives) to join an open discussion on how to change the overall educational approach to better support entrepreneurship.

10. Access to talent

List of Recommendations	
Recommendation 4.2.1	Establish a specific promotion programme to attract foreign and expatriate (diaspora) entrepreneurial talent. Mapping diaspora talent will be key to implementing this project successfully.
Recommendation 4.2.2	Establish a start-up visa to attract foreign entrepreneurs to launch their new businesses in Romania.

11. Non-financial support schemes in Romania

List of Recommendations	
Recommendation 4.4	Launch a programme offering non-financial support for start-ups and SMEs seeking growth in international markets.

12. Financial schemes for entrepreneurs in Romania

List of Recommendations	
Recommendation 4.6.1	Introduce comprehensive integrated funding schemes for start-ups (and selected SMEs).
Recommendation 4.6.2	Establish common procedures for managing funding programmes, including IT systems and electronic management of applications and monitoring of projects and programmes across all agencies.

13. Demand-driven policy measures and other initiatives

List of Recommendations	
Recommendation 4.7	Design and launch a scheme to organise challenge competitions (that is a open competitions to gather novel ideas) to address selected societal challenges, which combine national needs with high international market potential.

14. Transforming universities, incubators and accelerators in Romania

List of Recommendations	
Recommendation 5.2.1	Revise the Incubator Law to benefit from international experience and to be compatible with international standards. Promote the international accreditation of leading Romanian incubators and accelerators.
Recommendation 5.2.2	Select and support further development and expansion of the most promising incubation and acceleration services in Romania to consolidate and create critical mass.
Recommendation 5.2.3	Launch a national acceleration programme for start-ups.
Recommendation 5.2.4	Give Romanian companies accepted in international acceleration programmes a grant of EUR 15 000 to subsidise their travel and subsistence expenses.
Recommendation 5.2.5	Develop a specific support scheme to involve academics in entrepreneurial activities.

Recommendation 5.2.6	Set up an Intellectual Property Law for Romanian universities to regulate the transfer of IP, define criteria for the evaluation of university entrepreneurship activities, establish a common technology transfer office (TTO) structure for all universities and provide international training and coaching for TTO personnel.
----------------------	---

15. Banking sector funding

List of Recommendations	
Recommendation 6.2.1	Fund FRC (Romanian Counter-guarantee Fund) with enough money to enable the National Counter-Guarantee Fund for SMEs (FNGCIMM) to issue guarantees to banks to fund SMEs.

16. Creation and support of business angel networks in Romania

List of Recommendations	
Recommendation 6.3.1	Speed up the development of a business angel culture by supporting the creation of business angel networks, help set up a national federation of business angels networks and sponsor a road show to popularise the idea.

17. Business angels co-investment scheme

List of Recommendations	
Recommendation 6.3.2a	Create a business angels co-investment scheme for Romania.
Recommendation 6.3.2b	Create a certification of business angels for a co-investment fund.

18. Implementation of tax incentives for early-stage investors and the Business Angel Law

List of Recommendations	
Recommendation 6.3.3	Amend the Business Angel Law but implement it only if other measures do not perform.

19. Venture capital

List of Recommendations	
Recommendation 6.4	Create an innovative policy regarding venture capital funds.

20. Romania's stock market

List of Recommendations	
Recommendation 6.5.1	In 2018, launch a national programme 'Innovative SMEs are in the AeRO market'.
Recommendation 6.5.2	Bucharest Stock Exchange should be more ambitious in developing AeRO.
Recommendation 6.5.3	Create a new set of incentives for investors who invest in the 'Innovative AeRO' market.
Recommendation 6.5.4	Remove artificial barriers to institutional and regulated funds that prevent them from investing in early-stage companies.
Recommendation 6.5.5	Introduce fiscal incentive that would allow qualifying the cost of listing on AeRO as a deductible expense

21. Monitoring the performance of the entrepreneurial ecosystem

List of Recommendations	
Recommendation 7.1	<p>The government (or an independent public organisation) should develop an IT system that can automatically receive data from the ecosystem stakeholders.</p> <p>Every three years, produce a study on the Romanian entrepreneurial ecosystem, based on real data collected from the ecosystem.</p>