

INCLUSIVE ENTREPRENEURSHIP IN ROMANIA IN THE CONTEXT OF EUROPEAN UNION: POLICY ANALYSIS FOR 2007-2013

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Abstract: *The present paper provides an inclusive entrepreneurship policy analysis in Romania, in 2007-2013, in the context of European Union (EU). It asks the research question: The existing Romanian's policies and programmes in 2007-2013 respond to the need for inclusive entrepreneurship policy support? The paper is part of a research on inclusive entrepreneurship and inclusive entrepreneurship policy in Romania, using OCED/EC inclusive entrepreneurship framework and OECD research methodology. The present paper specific goal is to explore entrepreneurship policies, programmes and schemes in Romania, in 2007-2013, for disadvantaged groups on labor market, especially: youth, women and rural people. The article includes 2 inspiring study cases - European Social Fund-supported actions, in the field of rural youth entrepreneurship and women entrepreneurship and makes recommendations for the development of integrated policies and programmes in Romania, focusing on the nature and appropriateness, strengths and weaknesses of existing policies and programmes. The article concludes that the strengths of inclusive entrepreneurship existing policies and programmes in Romania are related with EU structural and agricultural funds, particularly, European Social Fund, and for the next Multiannual Financial Framework (2014-2020), inclusive entrepreneurship policy must to target youth entrepreneurship education, youth business creation, women business creation and rural people self-employment and to and to focus on access to finance.*

Keywords: *inclusive entrepreneurship policy, self-employment, European Social Fund supported actions, rural youth entrepreneurship, women entrepreneurship.*

JEL classification: E 24, J24, O38

1. Introduction

In the literature, there is a distinction between entrepreneurship policy and SMEs policy. *Entrepreneurship policy* looks at the start of new businesses (pre-start, start-up and the period immediately after the start-up as phases of the entrepreneurial process) and tends to be oriented more at the individual level (addresses the motivational issue, opportunities and capabilities), its main objective being that of stimulating and encouraging a greater number of the population to consider entrepreneurship as a viable option for integration and development on the labour market, including concerns for promoting new jobs and youth support were identified at the level of this policy (Lundström and Stevenson, 2005, 2007; Storey, 2003). *SMEs policy* is oriented on the support and development of existing SMEs and at the company level, focusing at the analysis of the main disadvantages of small enterprises on the market, caused by their size and insufficient resources, as well as at raising competitiveness (Lundström and Stevenson, 2005, 2007).

Inclusive entrepreneurship policy concept, developed by OECD through LEED Programme and by COPIE project is that entrepreneurship policy directed towards disadvantaged and under-represented groups as entrepreneurs and self-employed people: women, youth,

seniors, people with disabilities, people with low education, rural people, ethnic minorities, migrant populations etc. (OECD/EC, 2013; OECD, 2009; COPIE, 2008, 2011). The OECD framework makes a distinction between *self-employment* and *entrepreneurship*. The self-employed are not necessarily entrepreneurs, in the sense of “*business owners who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets*” (OECD/EC, 2013: 20), self-employed people are working on their own, no matter if only employing themselves, or themselves and others. In this respect, self-employment “*is more a form of employment than a form of business ownership (...), and some types of self-employment, e.g. construction jobs, are not particularly entrepreneurial*” (OECD/EC, 2013: 19). In OECD approach, inclusive entrepreneurship policies aim to provide equal opportunities for people who are disadvantaged on labour market or under-represented in entrepreneurship and to support both business creation and self-employment (OECD/EC, 2013: 18-19).

An inclusive entrepreneurship policy requires a *multi-dimensional approach*. The basic principles that should be considered in shaping entrepreneurial policies: additionally, correct targeting, not-too-complicated programmes for the participants, and, also, not too expensive in implementation (Parker, 2009: 408) must be accompanied by consultancy – the future entrepreneurs need different types of support; regulatory framework – certain schemes have to be created tailored especially to the new types of entrepreneurs, the administrative steps toward starting a business and the tax system have to be simplified, with special attention being paid to disadvantaged groups; *entrepreneurship culture* – raises the question of the degree of entrepreneurship awareness for the entire population, entrepreneurship education and the diversity of entrepreneurial profiles, including the promotion of role models (Jung, 2012); *entrepreneurship education* - has an important role in providing people with the enthusiasm of creating a job, especially in the case of young people – it is well-known that people who received entrepreneurship education at school will be more efficient in their careers, as freelancers or employees (Filip, 2012).

The most sensitive issue for inclusive entrepreneurship policies is the *carefully setting of target groups*. For instance, women have a smaller inclination to entrepreneurship than men and meet opportunities and barriers different from those encountered by men, the activity sectors preferred usually by entrepreneur women are: services, tourism, commerce, and there exist fields “dominated” by men, for example, the building sector; also, young people encounter the greatest difficulties in accessing financing and specific obstacles: lack of savings, lack of work experience, lack of entrepreneurship education and training, lack of role models and business networks (Casson et al, 2006; Parker, 2009; Filip, 2012, OECD, 2012).

2. Policy analysis

EU concern for the entrepreneurship and SMEs has grown in importance in the last decade, the main stages in defining a general framework for action to promoting entrepreneurship and to strengthen SMEs’ competitiveness, growth and development being framed by the following policy documents: *Lisbon Agenda* (2000, revised in 2005), *Small Business Act for Europe* (2008, revised in 2011), *Europe 2020 Strategy for smart, sustainable and inclusive growth* (2010), *Entrepreneurship 2020 Action Plan* (2013). Entrepreneurship and self-employment figure as a political priority in relation with employment and social inclusion in the following Europe 2020 Strategy - Flagship initiatives: *The Agenda for New Skills and Jobs*, *Youth on the Move*, *The European Platform against Poverty and Social Exclusion*. Inclusive entrepreneurship has been a political priority in the EU since the launch of the *Entrepreneurship 2020 Action Plan* aims “to reignite the entrepreneurial spirit in Europe” (EC, 2012). From inclusive entrepreneurship point of view, most important progress of the *Entrepreneurship 2020 Action Plan* is related to disadvantaged or under-represented groups on labour market:

women, seniors, migrants, the unemployed and young people etc., that “takes their place” in the new entrepreneurship policy. The instruments include specific actions for reaching out to inclusive entrepreneurship target groups within the entrepreneurial population.

In 2007-2013, EU provides financial support for inclusive entrepreneurship through its cohesion policy and structural funds (European Social Fund and European Regional Development Fund). Also, many other EU policies and programmes impacting inclusive entrepreneurship: common agricultural policy (European Agricultural Fund for Rural Development, European Fisheries Fund), competition policy, industrial policy, research policy, life-long learning policy etc. (Competitiveness and Innovation Framework Programme, 7th EU framework programme for research & technological development, European programmes for life-long learning, Erasmus for young entrepreneurs etc.). Looking back, for the 2007-2013 programming period, the European Social Fund (ESF) supported actions have been the most significant in the field of inclusive entrepreneurship. For the next Multiannual Financial Framework (2014-2020), inclusive entrepreneurship will be supported by special dedicated axis into the Programme for Employment and Social Innovation.

While the EU is concerned about promoting inclusive entrepreneurship in relation with employment and social inclusion, Romania has not adopted yet a specific strategy for implementing SBA. Even though, the SBA principles have been included in the „*Romanian Government strategy for developing the SMEs sector 2009-2013*” (EC, 2013), which sets general objectives comparable to those set by the SBA and specific objectives, such as: increasing the number of SMEs by 10%, the average number of SMEs sector employees by 10%, the SMEs export by 10% and the labour productivity by 5% etc. (Government of Romania, 2011). Within the framework of this strategy, the measures for developing the Romanian SMEs sector are, as follows: improving the SME access to finance; developing the entrepreneurship education system; facilitating the access to technology; SME innovative capacity support; SME competitiveness increase support and SME participation in external markets; implementing European policies dedicated to the SBA sector, Strategy “Europe 2020”; co-operative sector development support; simplifying and improving the SME and co-operatives legislation framework. Also, in order for the strategy to provide the most efficient answer to the needs of the SME sector, the following strategic priorities have been set: improving SME access to finance; SME innovative spirit development support and increasing the competitiveness of SMEs; simplifying and improving the SME and co-operatives legislation framework; entrepreneurship education system development support; improving SME participation in the internal and external markets (Government of Romania, 2011).

In the period 2007 – 2013, in Romania, overall, inclusive entrepreneurship promotion tools have been supported primarily by European funds (structural funds and funds for agriculture), particularly ESF, and by the national budget, as shown in Table no. 1 and 2.

Table no. 1. **Programmes for inclusive entrepreneurship in Romania in 2007-2013 funded by the European Union**

Priority Axis related to inclusive entrepreneurship	Target groups	Form of financing	Type of policy/ Policy actions or tools
<i>European Social Fund – Sectorial Operational Programme “Human resource development” - Ministry of Labour, Family and Social Protection</i>			
2: Linking life-long learning and labour market, 3: Increasing adaptability of	Women, young people, unemployed, persons,	Non-reimbursable grant: ESF: 94%; Central National	Improving entrepreneurship skills mainly, improve institutions, partially/ Entrepreneurial training, vocational training, mix training programmes, grants for the

workers and enterprises; 4: Modernising of the Public Employment Service 5: Promoting active employment measures; 6: Promoting social inclusion.	SME managers, employees, persons from rural areas	Budget 6%	trainees, peer counselling, coaching and mentoring, business start-up and management advisory, consultancy services etc.; entrepreneurial services inside Public Employment Service; inclusive entrepreneurship Information campaign, awareness initiatives, networking etc.
European Regional Development Fund - Sectorial Operational Programme "Increasing Economic Competitiveness" - Ministry of Economy, Commerce and Business Environment			
1: An innovative and eco-efficient productive system 2: Research, technological development and innovation for competitiveness 3: Information and communication technology for public and private sectors 4: Increasing energy efficiency and security of supply, in the context of combating climate change	SMEs	Direct non-reimbursable grant: ERDF 85%; Central State Budget: 15%	Acces to finance, mainly, improve institutions, partially / Investment support, SMEs internationalization support, access to new markets support, Support for business agglomeration and clustering, support for SMEs consultancy services, support for SMEs innovation, Support for SMEs to achieve broadband networks; Supporting SME investments in order to improve energy efficiency and renewable energy resources
European Regional Development Fund – Regional Operational Programme 2007-2013 - Ministry of Regional Development and Public Administration			
4: Strengthening the regional and local business environment	SMEs	Direct non-reimbursable grant: ERDF: 85% Central State Budget, local budgets, private funding: 15%	Acces to finance/ Investment support for business structures and microenterprises, Investment support
European Agricultural Fund for Rural Development - National Programme for Rural Development, 2007 – 2013 Ministry of Agriculture and Rural Development			
1: Improving the competitiveness of agriculture and forestry 3: Quality of life in rural areas and diversification of the rural economy	SMEs, persons living in rural areas, young people	Direct non-reimbursable grant: EAFDR 95%; Central State Budget: 5%	Acces to finance, mainly, Improving entrepreneurship skills and improve institutions, partially / Investment and Innovation support, Vocational training, microenterprises creation

			support, business creation in tourism, consultancy services etc.
European programmes for life-long learning - European Commission			
Erasmus programme for young entrepreneurs	Young entrepreneurs	Direct non-reimbursable grant	Improving entrepreneurship skills On-job-training

Source: compiled by the authors

Table no. 2. **Programmes for inclusive entrepreneurship in Romania in 2007-2013 funded by the National Budget**

Programmes dedicated to inclusive entrepreneurship	Target group	Form of financing	Entrepreneurship policy instruments being used
National Budget Funds - Ministry of Economy, Commerce and Business Environment			
The programme for developing entrepreneurial skills in young people and facilitating access to finance – START (from 2005)	Young people	Non-reimbursable financial allocations	Acces to finance/ Start-up support
The programme for stimulating young people microenterprise start-ups and development (started in 2011) - YOUNG NEWCOMERS	Young people	Non-reimbursable financial allocations	Acces to finance/ Start-up support
The multiannual national programme in the period 2002-2012 for starting and developing technological and business incubators	SMEs	De minimis aid - Non-reimbursable financial allocations	Acces to finance/ Investment support
The multiannual national programme in the period 2005- 2008 for developing entrepreneurship culture among women SME managers	Women managers	Non-reimbursable financial allocations	Improving entrepreneurship skills/ Vocational training
The National Credit Guarantee Fund for Small and Medium Enterprises			
The programme for SMEs loan guarantee	SMEs	Loans guaranteed	Acces to finance/ Targeted loan guarantee schemes

Source: compiled by the authors.

In Romania, for the 2007-2013 programming period, the ESF - supported actions have been the most significant in the field of inclusive entrepreneurship. For the next Multiannual Financial Framework (2014-2020), inclusive entrepreneurship will be supported in the general framework of new Operational Programme Human Capital; youth entrepreneurship enjoys a special attention by two special dedicated axes. Also, „*The Government Strategy for developing the SMEs sector and developing businesses 2014-2020*”, a strategic project proposed by the Ministry of Economy, through the Department for SMEs, Business Environment and Tourism, has been elaborated, and it is to be implemented and financed via structural funds in 2014-2020 (EC, 2013).

3. Case Studies

Rural Youth: An inclusive labour market in rural areas

Description of programme: The project “An inclusive labour market in rural areas” is a strategic project co-financed by the European Social Fund, and it was implemented in Romania in the period between September 2010 and September 2013. The project was coordinated by the Ministry of Labour, Family, Social Protection and Elderly, together with partners BPI Management Consulting Romania and Instituto de Formación Integral Spain. The project's goal was to contribute to the sustainable development of the rural area investing especially in the young. Potential participants must be: people from rural areas aged between 16 and 35 years, especially the unemployed, or people looking for a job. The project covered every development region of Romania, except for the Bucharest-Ilfov Region, focusing on a pilot county in each region: Alba (Centre Region), Arad (West Region), Cluj (North West Region), Dolj (South West Region), Iași (North East Region), Prahova (North Region) and Tulcea (South East Region). The project was based on an integrated approach, the main components of which were: *identifying the training needs of the rural youth*, mix training programmes (entrepreneurship and vocational training), employment services and start-up support, campaigns to inform citizens and public authorities.

Context: The project set out from the premise, which was confirmed by studies conducted during the project that the biggest challenge for the Romanian village is to escape the vicious circle of poverty-underdevelopment-social exclusion. This vicious circle has serious consequences for the young, most of who leave the rural area and migrate abroad in search of employment. The young who stay become a multiple disadvantaged group on the labour market due to their age and social status.

Problem addressed: The labour market integration of rural youth, especially as self-employees or entrepreneurs, through an integrated approach in which schools, local authorities, businesses and the young work together for the future of the latter, and, thus, for saving the Romanian village.

Impact: 377 people from rural areas in the seven pilot counties, aged between 16 and 35 years, including the unemployed, completed entrepreneurial-skills courses, 50 of which were encouraged with the help of the prizes of the project to start their own businesses; 168 young people from the seven pilot counties, aged between 16 and 35 years, including the unemployed, have completed vocational qualification/requalification courses and received professional accompaniment and labour market mediation services, 50 of whom were hired. The national research “Poverty, social exclusion and employment opportunities for young people in rural areas (2011-2012)”, “The Map of Training Needs” and “The young entrepreneur's guide. The first steps toward a successful business” were elaborated within the framework of the project. These documents make it possible to use and replicate the project in other areas and for other target-groups. The seven job fairs that were organised in the seven pilot counties can be replicated yearly.

Considerations for success: The mix entrepreneurial and vocational program carefully tailored to local conditions and stimulating study-visits for know-how and good practices transfer from more developed EU Member States could be keys to success for rural people, especially the young and the unemployed.

Source: <http://www.eu-rural.ro>

Women: Women entrepreneurship

Description of programme: The project “Antreprenoriat la feminin” (*Women entrepreneurship*) is a strategic project co-financed by the European Social Fund, too, and it is coordinated by S.C. EUROPEAN PROJECT CONSULTING S.R.L. (EPC), in partnership with: ESSEC Business School Paris, Bucharest Chamber of Commerce and Industry (Camera de Comerț și Industrie a Municipiului București – CCIB) and the Association for Women Entrepreneurship Development (Asociația pentru Dezvoltarea

Antreprenoriatului Feminin – ADAF) carried out between the years 2011-2013, in Bucharest-Ilfov, South-Muntenia and North East regions. The project aimed at developing women's entrepreneurial skills and ensuring their equal access to the labour market through the alternative offered by entrepreneurship. The target group consisted of women entrepreneurs, potential women entrepreneurs - employed or inactive on the labour market; young women - high school students and college students. The project used as instruments the following: information campaigns aimed at encouraging women entrepreneurship, training of trainers in the field of women entrepreneurship and an entrepreneurship training programme specifically designed to fit the needs of women, and which concluded with a competition for business financing.

Context: The project addressed "gender gap" with respect to entrepreneurship opportunities for women from regions with higher women unemployment rate from Romania and, also, the lack of entrepreneurship training models adapted to women's needs.

Problem addressed: increasing the number of women entrepreneurs (women entrepreneurship) and the number of self-employed women who work for their own businesses (self-employment) by generating a practical model of entrepreneurship training for women on an interregional level, a model that could be replicated in other regions or industries.

Impact: The value of the project was 17.278.006 lei (approx. 4 million euro). The project contributed to the development of entrepreneurship and management skills of 1020 women (256 women entrepreneurs, 508 women who want to start their own businesses, 256 young women – high school students and college students), from South-Muntenia, North East and Bucharest-Ilfov regions, out of which 998 women have passed the test and were awarded entrepreneurial skills certificates. The following have been carried out under the brand "*Antreprenoriatul la feminin*": 4 information campaigns, a research study, a guide, a website and a programme for developing entrepreneurial skills. The project allowed for the creation of an inter-regional entrepreneurship network, the creation of a practical model of entrepreneurship training that can be replicated in other regions or for other target groups, too, the encouragement of women entrepreneurship and also the changing of attitudes when it comes to women entrepreneurs.

Considerations for success: The creation of a training programme specifically designed to fit the needs of women, which includes role models and the creation of an entrepreneurship network connected to the European network through an on-line platform, that allowed for the transfer of know-how and best practices in the field of women entrepreneurship on an interregional and transnational level, which make up the key-points that ensure the success of the project even after its completion.

Source: <http://www.antreprenoriatifeminin.ro>, <http://www.eupc.ro/ro/mid/Antreprenoriatul-la-feminin.html>

Conclusions

Looking at existing policies and programmes in 2007-2013, we can conclude that Romania is facing, unfortunately, a chronic "myopia" of entrepreneurship to the government that affects inclusive entrepreneurship, too. The strengths of inclusive entrepreneurship existing policies and programmes in 2007-2013 are related with EU structural and agricultural funds, particularly ESF- supported actions, but, also, there are national programmes targeting youth and women entrepreneurship. The case studies in the field of rural youth and women entrepreneurship presented suggests that, in the field of entrepreneurship skills, the mix approach entrepreneurship and self-employment and related mix entrepreneurial and vocational programs designed to fit the needs of target group and carefully tailored to local conditions could be keys to success for Romanian inclusive entrepreneurship target groups, multiple disadvantaged in many cases, especially rural youth. There is a big lack of micro-finance tools and of regulatory and normative

institutions in Romania's 2007-2013 inclusive entrepreneurship policy approach. In our opinion, for the next Multiannual Financial Framework (2014-2020), inclusive entrepreneurship policy must target in Romania, especially, youth entrepreneurship education, youth business creation, women business creation and rural people self-employment and must focus on access to finance, especially, to micro-finance and support for business agglomeration and clustering as specific tools.

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