



# Inclusive Entrepreneurship Policies: Country Assessment Notes

Romania, 2018



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## FOREWORD

Inclusive entrepreneurship policies aim to offer all people an equal opportunity to create a sustainable business, whatever their social group. This is an important requirement for achieving the goal of smart, sustainable and inclusive growth set out in the Europe 2020 strategy. It is also a means to respond to new economic challenges, to create jobs and to fight social and financial exclusion. Among the key targets of inclusive entrepreneurship policies and programmes are women, youth, older people, the unemployed, migrants and people with disabilities, who all continue to face challenges in the labour market and are under-represented or disadvantaged in entrepreneurship activities. ‘The Missing Entrepreneurs’ series of publications of the Organisation for Economic Co-operation and Development (OECD) and the European Union discuss how public policies and programmes can support inclusive entrepreneurship. This includes refining regulatory and welfare institutions, facilitating access to finance, building entrepreneurship skills through training, coaching and mentoring, strengthening entrepreneurial culture and networks for target groups, and putting strategies and actions together for inclusive entrepreneurship in a co-ordinated and targeted way. Governments are increasingly recognising the challenge of inclusive entrepreneurship, but there is still much to do to spread good practice.

Romanian women (6.7%), youth (9.6%) and older people (5.2%) were more likely to be involved in business creation and the management of new businesses than the European Union average (5.0% for women, 7.3% for youth, 5.7% for older people) over the period 2013-17. However, many started these new businesses due to a lack of other opportunities in employment, particularly older people. Policy makers have recently introduced tailored entrepreneurship support measures for women and youth, and have increased efforts to improve access to finance. However, there is still scope to strengthen inclusive entrepreneurship support in Romania, notably by increasing entrepreneurship coaching and mentoring opportunities, and providing more support to the development of entrepreneurship networks.

This note is the third country assessment note prepared by the OECD in collaboration with the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission on the state of inclusive entrepreneurship policies and programmes in each European Union Member State. Each note provides an overview and assessment of policies and programmes that support people from under-represented and disadvantaged groups in business creation and self-employment and suggests policy actions to address gaps in the support system and to improve the quality of available support offers. The notes cover national-level policies and programmes and, where relevant, sub-national initiatives and actions by the non-governmental sector. The 2018 notes include an additional section on female entrepreneurship support, which provides an overview of the entrepreneurship activity levels, obstacles faced and policy responses.

The notes are part of a wider programme of work by the OECD and the European Commission that includes ‘The Missing Entrepreneurs’ publications, the Better Entrepreneurship Policy Tool ([www.betterentrepreneurship.eu](http://www.betterentrepreneurship.eu)), a series of Policy Briefs on specific target groups, policies and issues, and country reviews of youth entrepreneurship and women entrepreneurship. For more information please refer to: [www.oecd.org/employment/leed/inclusive-entrepreneurship.htm](http://www.oecd.org/employment/leed/inclusive-entrepreneurship.htm).

## ACKNOWLEDGEMENTS

This note is part of a series of notes on country-level inclusive entrepreneurship policies and programmes prepared by the Organisation for Economic Co-operation and Development (OECD) for the European Commission. These notes were prepared as part of the programme of work of the OECD Local Economic and Employment Development (LEED) Programme of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) led by Lamia Kamal-Chaoui, Director. They provide an overview of current and planned policy actions and identify some actions that could be implemented to address gaps in the current support offering, or improve current offerings.

This note was prepared by Dr. Catalin Ghinararu of the National Scientific Research Institute in the field of Labour and Social Protection. David Halabisky and Cynthia Lavison of the Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) of the OECD undertook additional drafting and editing of the note under the direction of Dr. Jonathan Potter, also of the CFE. A draft version of this note was discussed with a steering group at a workshop in Bucharest on 12 July 2018. The members of the steering group were: Ioana Cîrstea, Marilena Din, Florian Ionel Lixandru, Tania Irimia, Cristina Mace and Corina Marin (Ministry of National Education); Dalia-Maria Mircea- Dărămuş (National Centre for Technical and Vocational Education and Training Development); Florin-Ioan Roşu (Ministry for Business Environment, Commerce and Entrepreneurship); Razvan Munteanu (National Agency for Employment); Victor Dumitrache (Junior Achievement Romania); Cristian Nicolae Parvan (The Romanian Businessmen Association); Aura Haidimoschi (Chamber of Commerce and Industry of Bucharest); Radu Godeanu (Romanian General Union of Industries); Carmen Paunescu (The Bucharest University of Economic Studies) ; Alexandru Marin, Raluca Raduta (POLITEHNICA University of Bucharest); Carmen Muşat, Roxana Radu, Felicia Săndulescu, Mihaela Ştefănescu (National Centre for Technical and Vocational Education and Training Development) ; Suzana Ilie ("Ion Ghica" Economic College, Targovişte); Tania Grigore, Ministry of Labor and Social Justice; Nela Plugarescu, National Agency for Employment; Eugen Scarlat, Ministry of Research and Innovation; Ion Popa, Romanian Agency for Quality Assurance in Higher Education; Florin Jianu (National Council of Private Small and Medium Enterprises in Romania). Much of the data contained in this note were prepared under the direction of Dr. Jonathan Levie of the Global Entrepreneurship Monitor. This note benefited from feedback and suggestions provided by Guy Lejeune of the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission.

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## KEY MESSAGES

- Entrepreneurship policy in Romania is guided by an overall SME and entrepreneurship strategy for 2014-20, which includes entrepreneurship support for population groups that are under-represented or disadvantaged in entrepreneurship, notably women, youth, people living in rural areas, the Roma and to a lesser extent, the elderly. One of the main business creation supports offered is business start-up financing, which comes from national and European Union budgets. Programmes are typically managed by state-level agencies.
- Women, youth and older people are very active in business creation. Over the period 2013-17, 6.7% of women, 9.6% of youth and 5.2% of older people were actively working to start a business or managing a business that is less than 42 months old. These proportions were all greater than the European Union (EU) average for each group. However, a high proportion of these entrepreneurs reported that they started a business due to a lack of opportunities in the labour market. Moreover, only a very small proportion have employees other than themselves and/or a member of their family. This is particularly true when it comes to women entrepreneurs: only 5% are employers.
- The following suggestions could improve inclusive entrepreneurship policies and programmes: (i) develop action plans for entrepreneurship support for key target groups (i.e. women, youth, older people, the unemployed and migrants); (ii) create a single information portal that provides appropriate information on support to business creation and self-employment for each of the key social target groups; (iii) continue the development of “special” funds and micro-credit for inclusive entrepreneurship target groups, ensuring that complementary training and business advice are also offered; (iv) develop and deliver business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups through dedicated initiatives; and (v) adopt best practices methods for developing entrepreneurship skills, particularly for seniors and youth.

## **1. INCLUSIVE ENTREPRENEURSHIP OBJECTIVES AND TARGETS**

Support for entrepreneurship development is a priority for the Romanian government as described in its 2014-2020 Strategy on supporting SMEs. Several broad SME and entrepreneurship targets have been established in the Romanian Governmental Strategy for Development of SMEs and Business Environment (RG, 2014). They include objectives to have more than 670 000 active SMEs by 2020 (relative to 474 000 in 2013), increase the density of active SMEs per 1 000 inhabitants from 24 in 2013 to 36 in 2020, and reach more than 3.2 million employees in SMEs (compared to 2.6 million in 2013).

The overall policy objectives related to inclusive entrepreneurship are to promote a sustainable workforce and to support labour mobility, including through self-employment, entrepreneurship and the creation of innovative enterprises. The promotion of social inclusion and combating poverty and discrimination are also policy objectives. However, no quantitative entrepreneurship targets have been defined for the key target groups of inclusive entrepreneurship policies, e.g. women, youth, immigrant, the unemployed, and seniors.

Overall, Romania is progressing well towards its Europe 2020 targets related to inclusiveness. According to the European Commission (EC), Romania is in line to reach its objectives related to reducing the population at risk of poverty. The employment rate and the rate of early school leavers are however still critical issues and performance is below the targets set (EC, 2018). Another important issue identified by the EC is income inequality, which is well above the average for the EU and is combined with pervasive inequality of opportunities particularly for the large rural population (Ghinararu for the EC, 2017).

## 2. KEY INCLUSIVE ENTREPRENEURSHIP INDICATORS

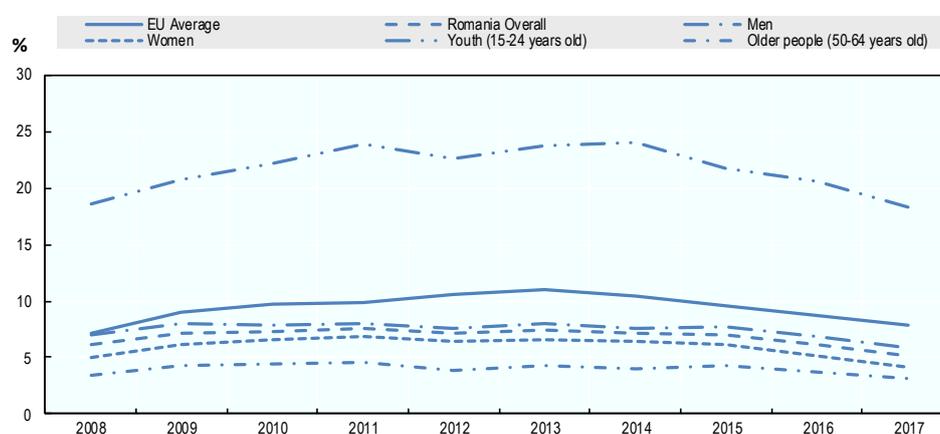
### 2.1. Labour market context

At 5.1%, the unemployment rate was at its lowest in the past decade in 2017 (Figure 1). This decrease occurred in the context of an employment rate growth of 0.7% between 2016 and 2017, but also of a continuous decline of the working-age population due to ageing and net outward migration and an important share of total employment in subsistence agriculture (24%, RNIS data 2017). Unemployment continues to be slightly below the “natural rate”<sup>1</sup> for 2016 and 2017. The unemployment rate for women (4.2%) was below this of men in 2017 (5.8%). Youth unemployment remains high, but has been on a downward trend since its peak at 24% in 2014, reaching 18.3% in 2017.

Youth (15-24 years old) and older people (55-64 years old) represent respectively 22.3% and 42.8% of the population in Romania. Although not worsening, their employment situation is a concern for policy makers. The percentage of young people not in employment, education or training (NEETs) is well above the EU average, underscoring difficulties in ensuring adequate transition from the education system to the labour market. The NEET rate was 17.4% in 2016 (relative to 15% in the EU), approximately 380 000 youth.<sup>2</sup> The long-term unemployment rate stood at 2.1% in 2017, but it was over 10 percentage points (p.p.) higher for youth (13% in 2016).

National statistics suggest education may affect employment outcomes in Romania. The unemployment rate among people with medium or low educational achievements was approximately 4.5 pp higher than among individuals with high educational achievements (7.6% vs. 3.1%)<sup>3</sup>.

Figure 1. Unemployment rate, 2008-17



Source: Eurostat (2018), Labour Force Survey.

<sup>1</sup> See National Reform Programme 2017, Government of Romania, at <https://ec.europa.eu/info/sites/info/files/2017-european-semester-national-reform-programme-romania-en.pdf>, p.6;

<sup>2</sup> EUROSTAT (2016) and Romanian Statistical Yearbook data (2016), latter figure for the total population between 15 and 24 years of age which is of 2.23 million;

<sup>3</sup> See Press communique of the National Institute for Statistics no98/18.04.2018 (Employment and unemployment in 2016) at: [www.insse.ro](http://www.insse.ro);

## 2.2. Self-employment and entrepreneurship rates

The self-employment rate in Romania was 16.4% in 2017, above the EU average (13.7%). The self-employment rate data (Figure 2a) reveals both a gender gap and an age gap. The self-employment rate of women (10.1%) and young people (12.7%) was lower than the overall rate. By contrast, the self-employment rate of older people (23.3%) was 1.4 times higher than the national average in 2017; men also had a relatively high share of self-employed workers (21.1%). Overall, Romanian of all groups were much more likely to be self-employed than their EU counterparts. In 2017, Romania had the highest share of self-employment among youth in the EU.

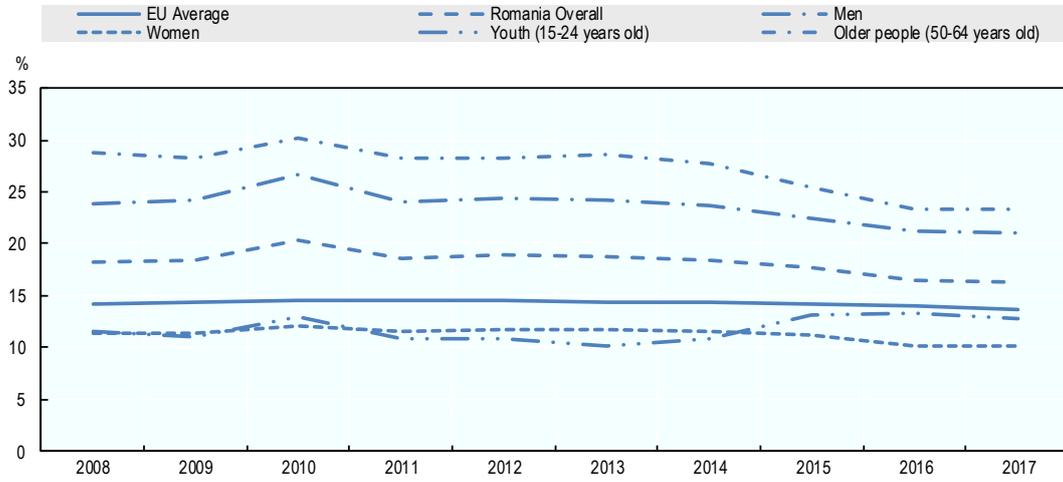
Another way to measure entrepreneurship activities is through household surveys that ask about labour market and entrepreneurship activities such as the Global Entrepreneurship Monitor (GEM). One of the GEM's main indicators is the Total early-stage Entrepreneurial Activities (TEA) rate, which estimates the proportion of the population that is involved in starting or managing a business that is less than 42 months old. The TEA rate in Romania was above the EU average for the period 2013-17 (9.2% vs. 7.3%) (Figure 2b). The TEA rate that was substantially higher among men than among women (11.6% vs. 6.7%) and youth were more active than older people (9.6% vs. 5.2%) in starting or operating a new business. With the exception of older people, all groups were more involved in entrepreneurial activities than the EU average over this period.

Over the period 2013-17, nearly three-in-ten businesses in Romania were created because the entrepreneurs did not have any other opportunities in the labour market (29.0%) (Figure 2c). This proportion was above the EU average (20.3%). Older people were the most likely to be active in entrepreneurship due to a lack of job opportunities (30.7%), while youth were the least likely to report this, with one-in-five starting a business because they could not find employment. In contrast to what is observed in the vast majority of EU countries, women were slightly less likely than men to be involved in necessity entrepreneurship (28.3% vs. 29.4%). However, the share of entrepreneurs pushed by necessity was higher than the EU average in all observed demographic groups.

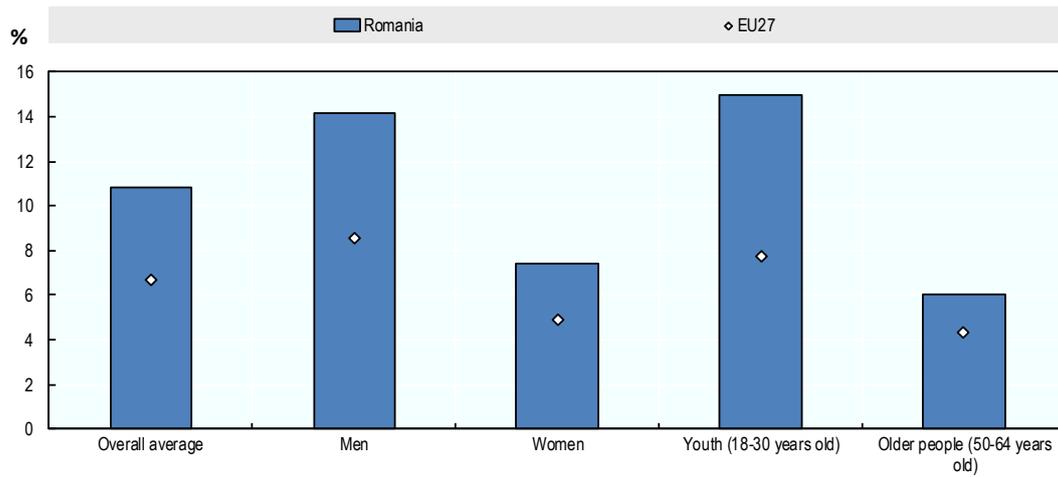
Consistent with the high TEA rate, the self-reported expectations to start a business are high in Romania (Figure 2d). Over 2013-17, 29.8% of people expected to create a business in the next three years, which is 2.4 times the EU average over the period (12.6%). Youth were particularly likely to expect to start a business (44.0%) and so were men (35.8%). Women (23.8%) and older people (16.8%) were relatively less likely to have entrepreneurial aspirations, but all demographic groups were over twice as likely as their EU counterparts to expect to create a business in the near future.

**Figure 2. Entrepreneurship rates by target group**

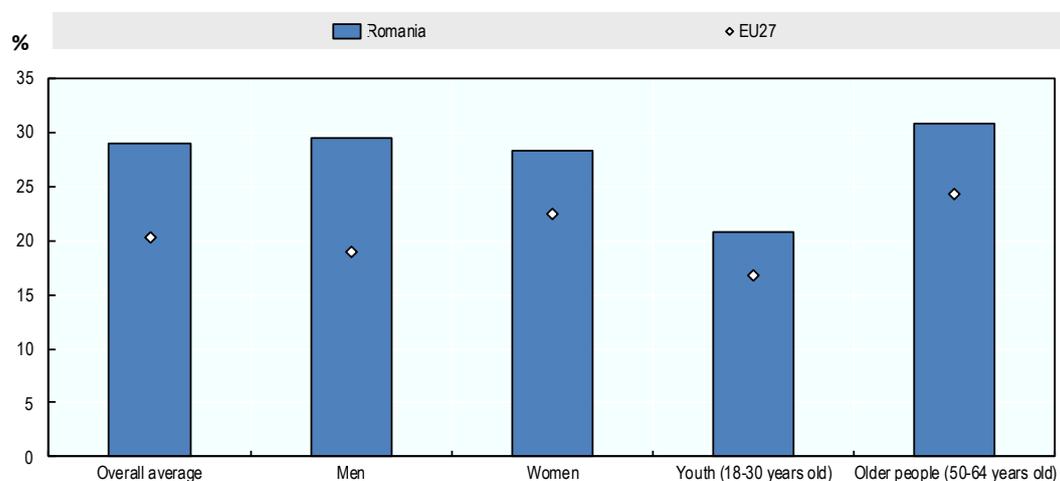
**a. Self-employment rate, 2008-17**



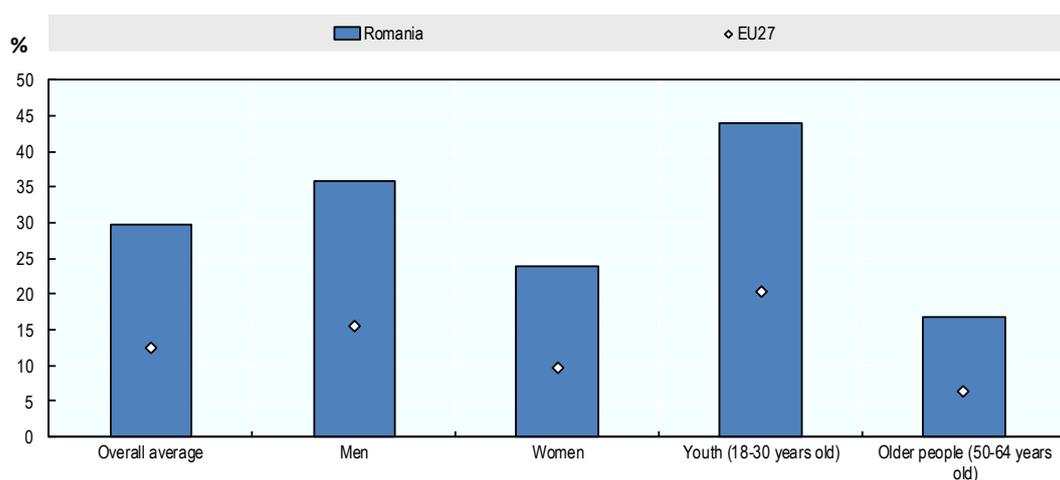
**b. TEA-Rate, 2013-17**



c. Proportion of TEA that is necessity entrepreneurship, 2013-17



d. Proportion who expect to start a business in the next 3 years, 2013-17



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed. The TEA rate is the Total early-stage Entrepreneurial Activity rate, which is defined as the proportion of the population actively involved in pre-start-up activities and those who have started a new business within the last 42 months. The proportion of TEA that is necessity entrepreneurship is the proportion of entrepreneurs involved in setting-up a new business or operating a business that is less than 42 months old, who were motivated to start their business because they had no better options for work. Data for panels b, c, and d were pooled for the period 2013-17, producing an unweighted average. The EU27 average in panels b, c, and d covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: Panel a contains data from Eurostat (2018), Labour Force Survey; Panels b, c, and d contain data from the 2013 to 2017 Global Entrepreneurship Monitor household surveys that were tabulated for the OECD (2018).

### 2.3. A profile of the self-employed

64.7% of self-employed workers in Romania operate in the agricultural sector (Figure 3a). Other common sectors are construction (13.6%) and Wholesale and retail trade (6.7%). The importance of the agricultural sector is observed across all groups, ranging from 49.5% among the youth to 68.8% among women. Most of the self-employment in Romania is concentrated in subsistence and semi-subsistence farming.<sup>4</sup> Agriculture accounts for 24% of the total employment, which is the largest such share in the EU. This largely consists of self-employed and contributing family workers, with the vast majority in the latter being women. When looking at non-agriculture related self-employment, activities are concentrated between the construction sector (about 40% of workers) and Wholesale and retail trade (20%). Accordingly, a large share of “gross self-employment” is taking place in the non-registered/non-observed economy, known as the “household production for its own final consumption sector”, where at least two-thirds of goods and services consumed by a household are produced by the household itself.<sup>5</sup> This form of self-employment<sup>6</sup> is the most common form of atypical employment in Romania. These workers are exempt from mandatory contributions in all of the public run social security/protection schemes (pensions, health insurance, work accidents and illnesses, unemployment insurance, etc.) which also means that they are not covered.<sup>7</sup> It is also home to the largest concentration of in-work poverty in the country (Ghinararu, 2014). Inequality of opportunities remains high and preoccupying for this particular group of the population (EC, 2018).

This dominant feature of self-employment explains many of the characteristics of self-employment in Romania. A large share of the workforce has chosen to undertake the activity in an entrepreneurial type regime, either incorporating as small businesses or acting as authorised licensed individual professionals (“*persoana fizica autorizata*”), which is the simplest form of entrepreneurial organisation.<sup>8</sup> It is most suitable for individual professionals and could be considered a high-end form of atypical work (Ghinararu, 2016; Ghinararu et al., 2017). According to figures of the Register of Commerce, more than 500 000 Romanians work in such forms of employment in turn providing employment for another 600 000 (see Piperea for CAPITAL, 2018, Apr.24). Youth are generally more open to these flexible, atypical work arrangements than older generation, who favour the traditional model of salaried employment (Ghinararu et al., 2017). Youth also tend to be more open to entrepreneurship (Davidescu and Ghinararu, 2014).

Most self-employed workers in Romania are educated at the upper secondary level (51.8%), a larger share than average across the EU (Figure 3b). The share of self-employed workers with basic education is more than twice the EU average (41.8% vs. 20.1%) while few self-employed workers had completed tertiary

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<sup>4</sup> Romania, April 2014 - In-work poverty in Romania - causes and possible solutions , by Catalin Ghinararu, also at: <http://ec.europa.eu/social/main.jsp?catId=1087&langId=en;>

<sup>5</sup> The household acquires the status of a unit of production in addition to the traditional unit of consumption status assigned to it by the national accounts methodology See also: Romania, March 2010 - Employment in Agriculture in Romania – state of play (subsistence agriculture) and its perspectives (e.g.: green farming), by Catalin Ghinararu for the European Employment Policy Observatory, at: <http://ec.europa.eu/social/main.jsp?catId=1087&langId=en;>

<sup>6</sup> “Romania, March 2013 - In-depth assessment of the employment situation in Romania in view of achieving the national employment target”, by Catalin Ghinararu, at: <http://ec.europa.eu/social/main.jsp?catId=1087&langId=en;>

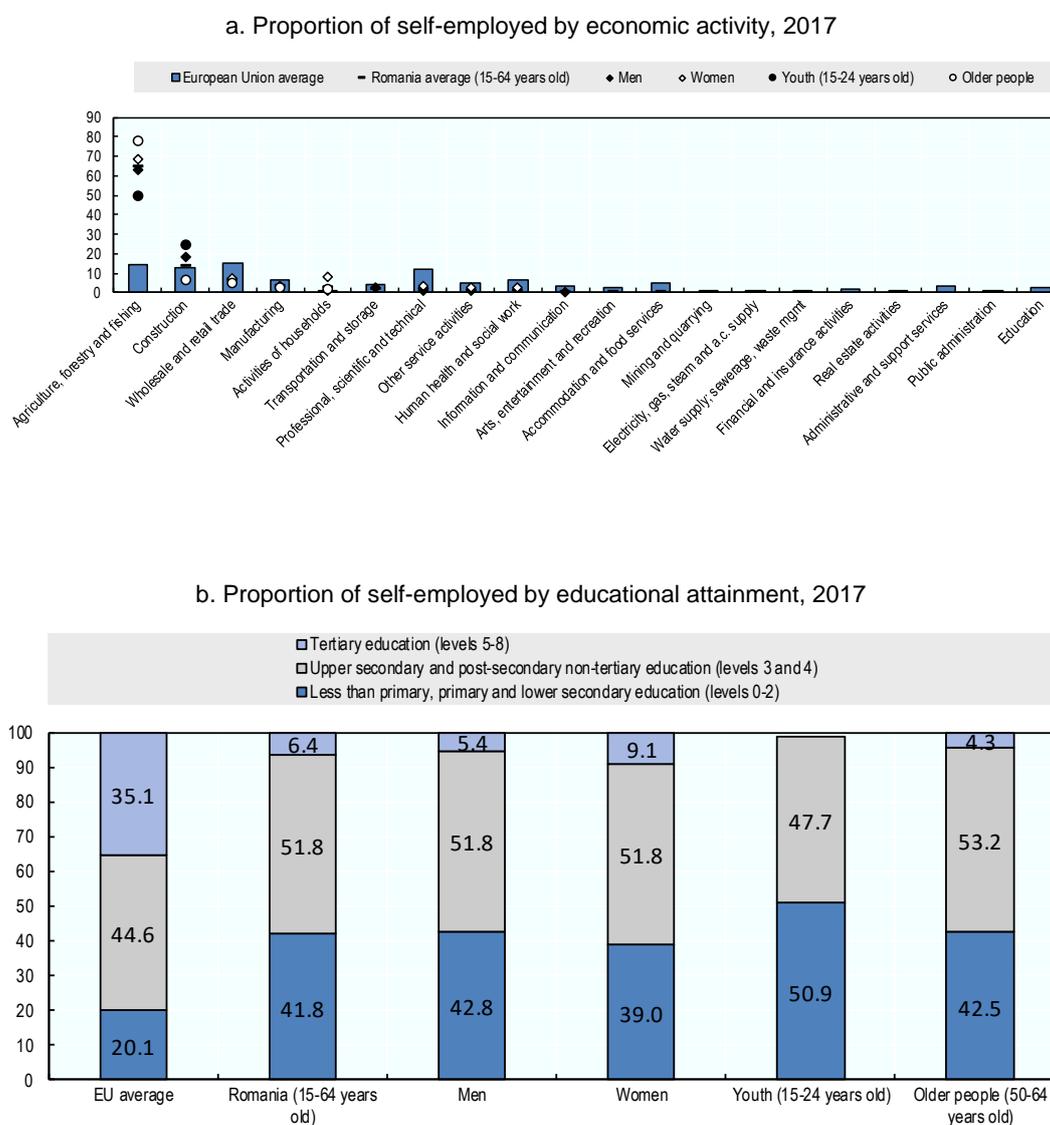
<sup>7</sup> “Pension Reform in Central and Eastern Europe; the crisis, austerity and beyond”, edited by K. Hiroshie, ILO-CEET-Budapest 2011, country-chapter on Romania by Dr. Catalin Ghinararu (single author);

<sup>8</sup> See also „Social Pillar – Quantifying atypical employment in the EU Member States, ROMANIA”, apr.2016, for the European Employment Policies Observatory, written by Catalin Ghinararu;

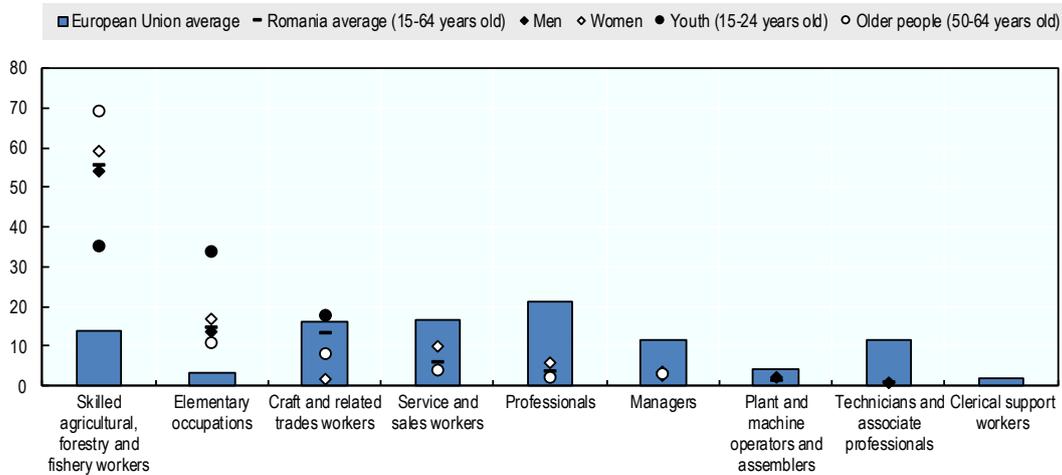
degree (6.4%, less than a fifth of the EU average – 35.1% – and the lowest share in the EU). This distribution was similar across groups, but self-employed women were more likely than other groups to have completed tertiary education (9.1%) while over half of self-employed youth had only completed basic education (50.9%).

The occupational distribution of the self-employed reflects this unusual sectoral make-up: over half (55.6%) of them work as Skilled agricultural workers (Figure 3c). Elementary occupations and Craft and related trades workers follow, but with comparatively more modest shares (14.8% and 13.6% respectively). These three occupations are the most common across all groups but women. The prevalence of Skilled agricultural workers is the most pronounced among older independent workers (69.9%) and the least among the youth (35.5%). Few women work as Craft and related trades workers but 10.3% are Service and sales workers.

**Figure 3. Characteristics of self-employed workers by target group**



c. Proportion of self-employed by occupation, 2017



Note: The self-employment rate is defined as the proportion of those in employment who are self-employed.

Source: Eurostat (2018), Labour Force Survey.

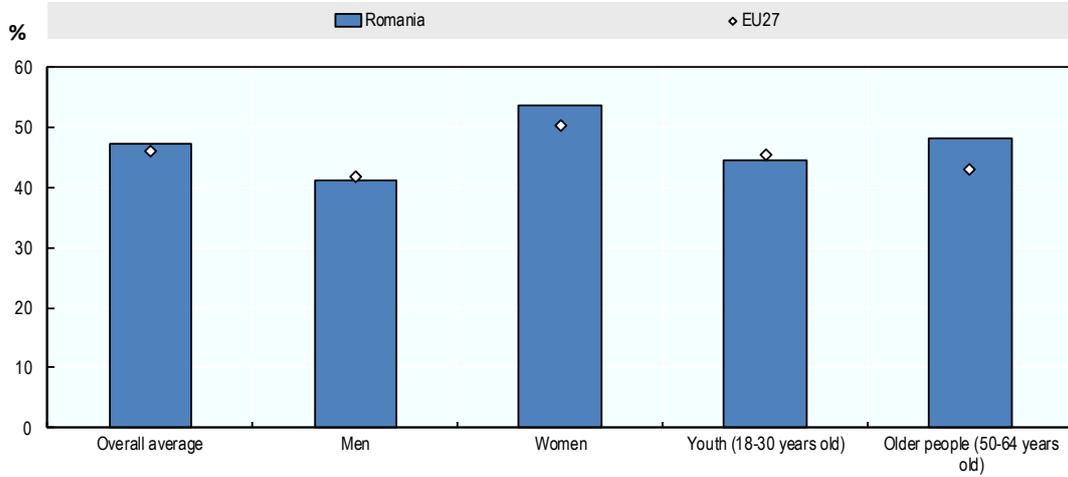
## 2.4. Barriers to business creation

Potential entrepreneurs were as likely as the EU average to report a fear of failure as a barrier to business creation for the period 2013-17 (47.3% vs. 46.2%) (Figure 4a). Women were more likely to report fear of failure than men (53.8% to 41.2%) and slightly more than the EU average (50.5%). Youth were slightly less likely than the EU average to cite this barrier over this period (44.5% vs. 45.5%), while older people were more concerned than their EU counterpart (48.1% vs. 43.2%).

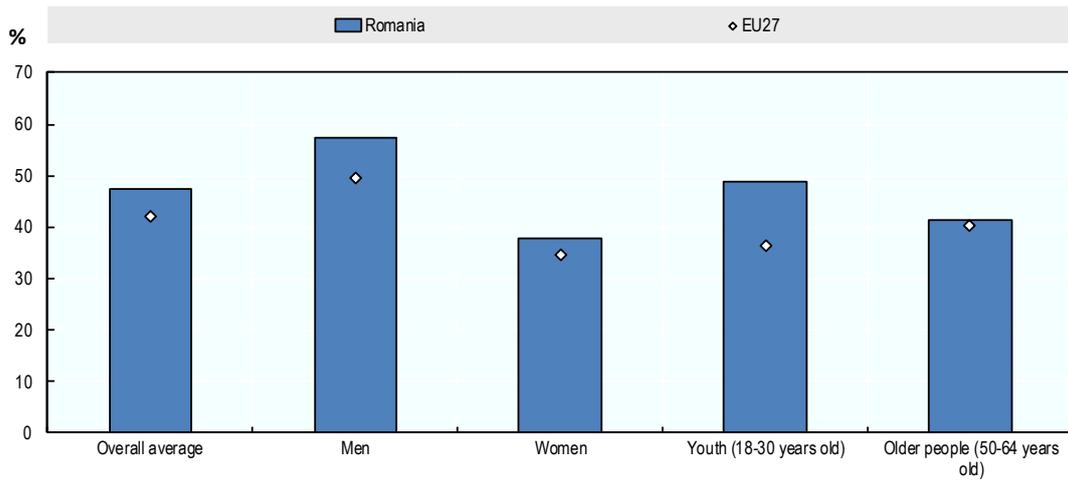
Another important barrier to entrepreneurship for many people from under-represented and disadvantaged groups is a perceived lack of entrepreneurship skills (Figure 4b). Over the 2013-17 period, adults in Romania were slightly more likely to declare that they had the skills to start a business than the EU average (47.5% vs. 41.9%). Women were the least likely group to believe they had sufficient entrepreneurship skills (37.6%), while youth were the most confident (48.9%). Romanian of all groups were more confident in their capacities than the EU average. The gap was the largest for youth (12.6 percentage points) and the smallest for older people (1 percentage point).

**Figure 4. Barriers to entrepreneurship by target group**

a. Proportion who report that a fear of failure prevents them from starting a business, 2013-17



b. Proportion who perceive that they have the skills to start a business, 2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2013 to 2017.

Research on the business start-up process tend to suggest that young people face a series of specific problems related to their age, especially, lack of capital and under-developed skills in business management. The relevant literature on youth entrepreneurship is not very large in Romania. Recent research finds that the area where youth entrepreneurs tended to encounter the most difficulties was access to business support and infrastructure, and their biggest fears in starting a business were financial risk, access to finance, and corruption (Ceptureanu, 2015, Ghinararu, 2017). Parents and family had a key influence on youth's decision to start a business. Educational institutions were also cited as positively influencing youth entrepreneurship

(Nicolescu and Ceptureanu, 2009, Ghinararu, 2017). Similar results were found by a study on atypical employment performed by the National Labour Research Institute in 2017 and financed by the Ministry of Research and Innovation (MRI).

The main reported barriers to business creation for people living in rural areas are poverty, difficulties in obtaining sufficient capital, corruption, lack of economic diversity, unsupportive entrepreneurship culture, lack of other entrepreneurs and networks, and the absence of clusters and groups of producers (Olah and Flora, 2015). It is to be noted that the structure of farming is changing (Ghinararu, 2006; 2010; Davidescu and Ghinararu, 2014; Ghinararu, Ghenta, Matei, Badoi, Ciobanu, Dragoiu, Mladen, 2017). A process of concentration is ongoing with large farms taking over small ones either through direct purchase or through leases and rental agreements. Most of Romania's agricultural output is now derived from the large exploitations with small farms having just a marginal contribution. A large part of circulatory migration abroad whereby migrants come and go at regular intervals occurs among those recorded as self-employed farmers or contributing family workers in the Labour Force Survey. A lot of them take up precarious jobs or jobs in the informal sector in the country of destination.

Other groups may be facing specific obstacles. The urban-rural disparity is growing and youth and women living in rural areas, particularly Roma youth and women face multiple disadvantages in entrepreneurship due to their social status and age/gender status. Romania is the EU Member State with the highest Roma community.<sup>9</sup>

Moreover, evidence suggests that the business environment may be deteriorating in Romania, with the World Bank's doing business indicator dropping (EC, 2018). According to data provided by the Register of Commerce, during the first quarter of 2018, 19.3% more firms have entered the insolvency procedure (CAPITAL, 2018) than during the same period in 2017. These difficulties may further affect opportunities for disadvantaged groups.

## 2.5. Entrepreneurship performance

Entrepreneurs in Romania were less likely than the EU average to offer new products and services to their customers over the 2013-17 period (23.2% vs. 27.6%) (Figure 5a). Unlike what is observed at the EU level, female entrepreneurs were more likely than male entrepreneurs to offer new products and services over this period (24.9% vs. 22.3). Nonetheless, both women and men were below the EU average. Older entrepreneurs were the most likely demographic group to offer new products and services (29.2%), followed by youth (26.0%). Research conducted for the EC using 2016 CEDEFOP data shows that in Romania, the bulk of business activities do not relate to innovation but rather the servicing of existing products and the creation of new versions of existing products, even in the IT sector (Ghinararu, 2016). It is consistent to what is observed in the Romanian economy as a whole: the R&D intensity remains low at 0.48% of GDP in 2017 (EC, 2018).

However, Romanian entrepreneurs of all groups were more likely to have customers in other countries than the EU average (Figure 5b). Between 2013 and 2017, 69.7% of entrepreneurs reported selling abroad, which was above the EU average of 57.4%. Youth entrepreneurs were the most likely group to report exports (77.4%), but male entrepreneurs (70.6%), women entrepreneurs (68.1%) and older entrepreneurs (63.0%) were not far behind.

Overall, new Romanian entrepreneurs were almost twice as likely as the EU average to expect to create at least 19 jobs in the first five years of their business, despite being less likely to offer new products and

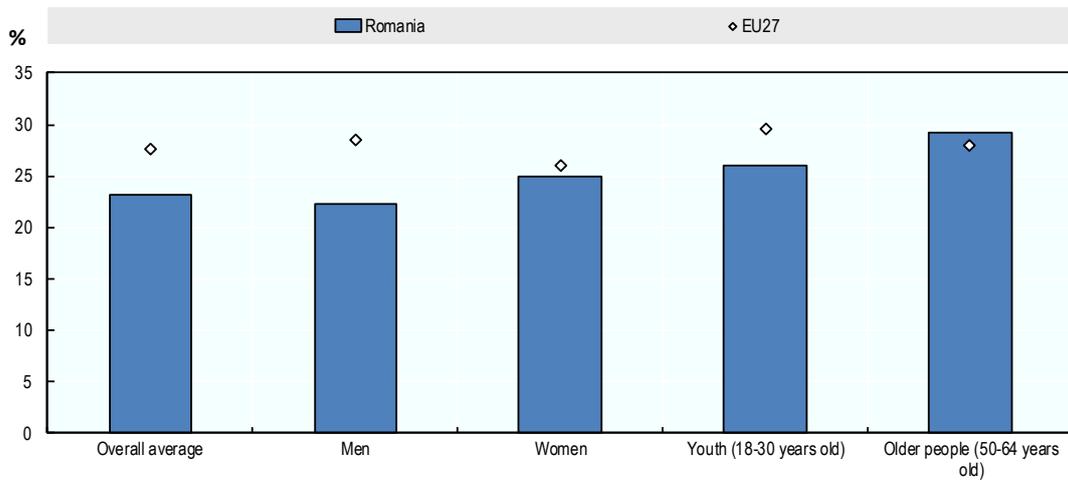
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<sup>9</sup> EC (2015) *Council Recommendation, Recommendation for the 2015 National Reform Programme of Romania and delivering a Council opinion on the 2015 Convergence Programme of Romania*, [Online], Available: [http://ec.europa.eu/europe2020/pdf/csr2015/csr2015\\_romania\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_romania_en.pdf), [07.04.2016].

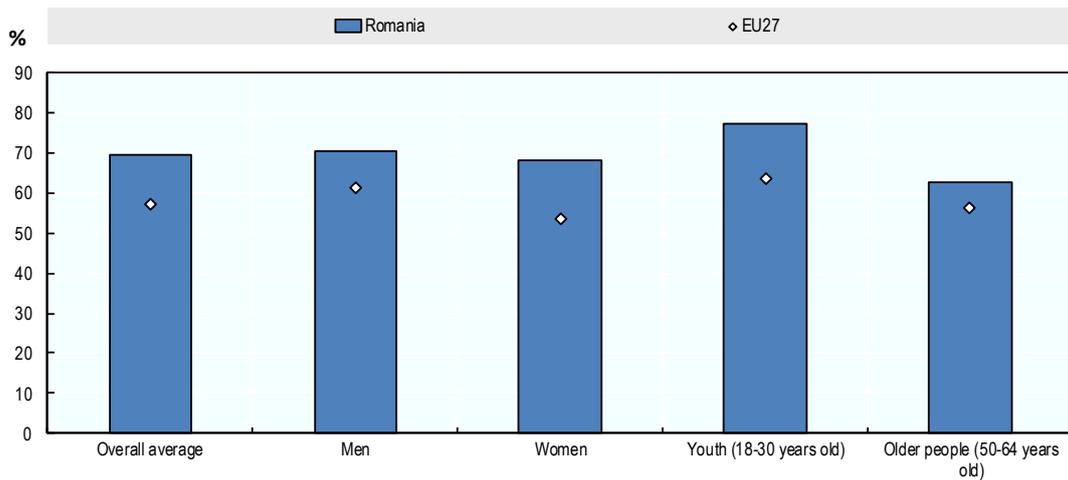
services (Figure 5c). Young entrepreneurs were the most likely to expect to create at least 19 jobs (20.0%), above the 10.8% EU average. Older people were the second most optimistic about their growth prospects (19.6%), twice the EU average for this age group. Women were the least confident about their potential as job creators, however, they were still 16.3% to expect to create a substantial number of jobs (2.7 times the EU average for this group).

**Figure 5. Self-employment and entrepreneurship activities by target group**

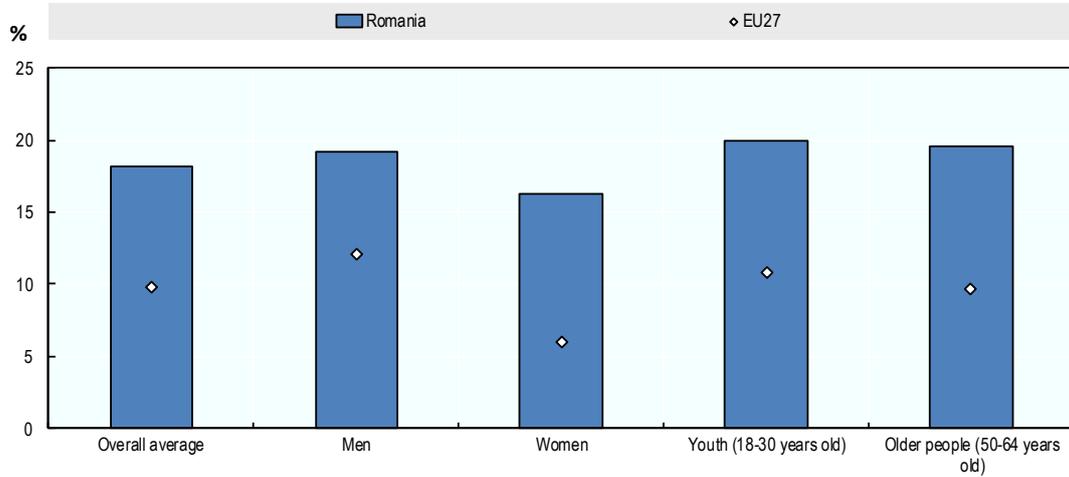
a. Proportion of new entrepreneurs whose products or services are new to all or some customers, 2013-17



b. Proportion who sell to customers in another country, 2013-17



c. Proportion of early-stage entrepreneurs who expect to create more than 19 jobs in 5 years, 2013-17



Note: Data were pooled for the period 2013-17. Responses were weighted to reflect the population in each year, but no weighting was used when pooling the time series data, i.e. all years have the same weight regardless of the sample size in each year. The EU27 average covers all EU Member States except Malta because it is not covered by the GEM survey.

Source: GEM (2018), special tabulations of the Global Entrepreneurship Monitor's household surveys from the 2013 to 2017.

### 3. ASSESSMENT OF CURRENT AND PLANNED INCLUSIVE ENTREPRENEURSHIP POLICIES AND PROGRAMMES

#### 3.1. Policy framework

Policy priorities on SME and entrepreneurship policy are outlined in the Romanian Strategy for the development of SMEs and improving the business environment in Romania – Horizon 2020 from 2014-20. The strategy aims to strengthen the institutional and regulatory framework to enable a sustainable development of the SME sector in a transparent and stable business environment. The Romanian Governmental Strategy for Development of SMEs and Business Environment (RGSDSMEBE) 2020 includes 32 policy measures addressing all policy areas under the Small Business Act (SBA) focusing on access to finance, responsive administration and entrepreneurship. Priority areas include:

1. Support and promotion of entrepreneurship;
2. SMEs access to adequate funding;
3. Innovative SMEs;
4. Access to markets and internationalisation of SMEs; and
5. Reactivity of public administration to the needs of SMEs.

The Strategy is, however, a generic SME and entrepreneurship strategy. There are no clearly defined objectives related to the target groups of inclusive entrepreneurship, but some of them are mentioned in the Strategy: women, youth, legal immigrants, the unemployed, people leaving the social welfare system, people with disabilities, and people living in rural areas. Seniors are not mentioned. The policy measures include the following:

- Start-ups support, focusing on sectors with creative potential in rural areas;
- Support the development of entrepreneurship education at all levels and stimulate social entrepreneurship;
- Entrepreneurial support programmes (i.e. coaching/mentoring, assistance/counselling, role models, etc.), including tailored for vulnerable or disadvantaged social groups (i.e. women entrepreneurs, young people, legal immigrants, unemployed, people leaving the welfare system, people with disabilities, etc.);
- Increasing the access to micro-finance for SMEs operated by people from vulnerable and disadvantaged groups (e.g. women, youth, people with disabilities, etc.).

The Strategy is implemented by a number of key stakeholders. The Department for SMEs, Business Environment and Tourism (DSMEBET) is primarily responsible for the strategy at national level and plays a key role in monitoring the implementation of the strategy.<sup>10</sup> The assessment of the strategy implementation progress includes the following stages: a) a first review after two years of implementation, followed by

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<sup>10</sup> RG (2014). *Governmental Decision No. 859/2014 concerning the approval of the Governmental strategy for the development of small and medium enterprises and improving the business environment in Romania - Horizon 2020*, [on-line], Available: [http://www.dreptonline.ro/legislatie/hg\\_859\\_2014\\_strategia\\_dezvoltarea\\_sectorului\\_intreprinderilor\\_mici\\_mijlocii\\_i\\_mbunatatirea\\_mediului\\_afaceri\\_Romania\\_Orizont\\_2020.php](http://www.dreptonline.ro/legislatie/hg_859_2014_strategia_dezvoltarea_sectorului_intreprinderilor_mici_mijlocii_i_mbunatatirea_mediului_afaceri_Romania_Orizont_2020.php), [March 3, 2016].

concrete measures for improving outcomes; b) a second revision after the next two years; c) an ex-post evaluation at the end.<sup>11</sup> No public information is yet available on the completion of the first review stage.

The Agency for Implementation of Projects and Programmes for SMEs (AIPPSME) was founded in 2009 through the reorganisation of territorial offices for SMEs as a public institution under the Ministry of Business Environment, Commerce and Entrepreneurship (MBECE). The AIPPSME supports the technical and financial implementation of projects and programmes supporting the creation of new businesses. Other ministries are of importance in designing inclusive entrepreneurship policies: The Ministry for Regional Development, Public Administration and European Funds (MRDPAEF) is responsible for programmes under the European Social Fund (ESF) and the Ministry of Agriculture and Rural Development (MARD) for agriculture funds.<sup>12</sup> Several agencies subordinated to the Ministry of Labour and Social Justice (MLSJ) are of particular importance for specific target group: the National Agency for Equal Opportunities between Women and Men (NAEOWM), the Employers of young entrepreneurs in Romania (EYER), the National Agency for Employment (NAE), and the National Authority for People with Disabilities (NAPD).<sup>13</sup>

Monitoring is foreseen in most policies and programmes. All programmes financed from the national budget include a monitoring section in their procedures. Regularly monitored are budget expenditures, the number of participants, expected results and indicators and their matching with the established targets at national level. There is no evidence about participant satisfaction monitoring.<sup>14</sup> Programmes financed from EU funds for 2007-13 are ongoing evaluation, which focuses primarily on the results of the programmes and the impact of the projects at completion. There are no released funding programmes on inclusive entrepreneurship for 2014-20 yet.

### 3.2. Government regulations

Several recent changes in regulation are likely to be relevant for entrepreneurs from under-represented groups. The government has overhauled the country's Fiscal Code<sup>15</sup> with changes effective on 1 January 2018. The bulk of the social charges<sup>16</sup> have been transferred to the employees which have seen their salary package in gross terms swell by around 34% as a result, but drop in net terms in some cases. The flat rate income tax has been reduced from 16% to 10% and a new system of taxation is being put in place with anticipated quarterly payments for the individual entrepreneurs being replaced by one single payment based on their real incomes. Employers were recently required to pay social charges at the level of full-time minimum wage workers for all employees including for those paid below that threshold due to working part-time (see also EC, 2018). Half a million small entrepreneurs have seen a tax increase as a result of this

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<sup>11</sup> RG (2014). *Governmental Decision No. 859/2014 concerning the approval of the Governmental strategy for the development of small and medium enterprises and improving the business environment in Romania - Horizon 2020*, [on-line], Available:

[http://www.dreptonline.ro/legislatie/hg\\_859\\_2014\\_strategia\\_dezvoltarea\\_sectorului\\_intreprinderilor\\_mici\\_mijlocii\\_i\\_mbunatatirea\\_mediului\\_afaceri\\_Romania\\_Orizont\\_2020.php](http://www.dreptonline.ro/legislatie/hg_859_2014_strategia_dezvoltarea_sectorului_intreprinderilor_mici_mijlocii_i_mbunatatirea_mediului_afaceri_Romania_Orizont_2020.php), [March 3, 2016];

<sup>12</sup>MEF, [on-line], Available: <http://www.fonduri-ue.ro/>; MLFSPEP, [on-line], Available: <http://www.mmuncii.ro/j33/index.php/ro/>; MARD, [on-line], Available: <http://www.madr.ro/>;

<sup>13</sup> MLFSPEP, [on-line], Available: <http://www.mmuncii.ro/j33/index.php/ro/>;

<sup>14</sup> RG DSMEBET, [on-line], Available: <http://www.aippimm.ro/categorie/programe/proiecte-proceduri-implementare-2016/>, [20.03.2016];

<sup>15</sup> In accordance with Government Emergency Ordinance 79/2017 (all ordinances and emergency ordinances are turning into acts of law following their eventual adoption by the Romanian Parliament and subsequent promulgation by the President of Romania)

<sup>16</sup> Contributions for both public and private pension system, the health system, the unemployment system and the risk and work accident system

measure. No assessments of impacts have been performed yet, but employers could be expected to reduce net salaries to reduce their unit labour costs.

Administrative procedures and requirements have been simplified for all businesses and self-employed people and general information on how to comply with administrative requirements is provided to all entrepreneurs through the MBECE. Several agencies also provide information to specific target groups: NAEOWM provides information for women, EYER for youth, NAE for the unemployed, and NAPD for people with disabilities. As of 2016, through an amendment to the Unemployment Insurance Act, the NAE has started offering profiling services, especially for the long-term unemployed and the NEETs. Through a programme financed by the sector operational programme Human Resources Development 2007-13 (POS DRU) the NAE jointly with the National Labour Research Institute (INCSMPS) have developed an instrument for the anticipation of the demand and supply for skills which makes extensive use of opinions voiced by the entrepreneurs through an electronic platform (i.e. quantitative forecasts may be adjusted to account for the opinions voiced by entrepreneurs). The NAE is also operating an integrated database for the NEETs. The system will be used for the forecasting of the demand for skills and the orientation of vocational training programmes (see EC, country report 2018, p. 26).

Romania is in line with the EU average regarding the SBA principle “Responsive administration”. Romania has particularly improved on tax payments and tax regulations thanks to the modernisation of its tax collection system in recent years. However, more could be done to facilitate SMEs’ interaction with public authorities by using electronic systems and creating a single point of contact.

The Romanian social protection system treats entrepreneurs similarly to employees as far as coverage by mandatory social security schemes. While self-employed persons are only eligible for unemployment insurance via voluntary contributions, they are fully covered by all social security schemes available to employees, such as health insurance, the pension scheme, parental allowances and the illness and work injuries and accidents scheme. One exception is that the self-employed working in agriculture (including contributing family workers) are exempt from contributory obligation (and are thus not covered) but may opt in via voluntary payment of contributions which is possible in all major social protection systems governed by the main acts on social insurance.<sup>17</sup>

Financial incentives such as reduced social security contributions are available for business creation by unemployed people. In accordance with the Unemployment insurance act, Art. 86, investment loans are available for starting up a business for corporate units, family associations and Authorised Natural Persons (ANPs) creating new jobs. The maximum period is three years with an interest rate of half of the reference rate of the National Bank of Romania.<sup>18</sup> These loans are granted based on feasibility studies, conditioned by the number of jobs that would be created. Further, under the same jurisdiction, grants are available for SMEs, cooperative units, family associations and ANPs if they create jobs for unemployed people and keep them in business for at least four years.<sup>19</sup>

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<sup>17</sup> The unemployment insurance act – Law no.76/2002 with subsequent amendments, the unitary pensions’ law – law no.263/2010 with subsequent amendments and the health insurance act – law no.95/2006 with subsequent amendments. All of these acts have been amended in accordance with the changes to the Fiscal Code (as enacted via the emergency ordinance no.79/2018) as of Jan. 1st 2018;

<sup>18</sup> Law no. 76/2002 on the unemployment insurance system and employment stimulation with subsequent amendments, [on-line], Available: <http://www.anofm.ro/legea-nr-762002>. It is to be noted however that this facility is seldom used and even more seldom actually budgeted. Its origins are to be traced in the 1990s when credit was scarce. As things developed and changed and although the provision remains in the law it is more than seldom accessed as there are plenty of other offers on the market;

<sup>19</sup> Idem.

### 3.3. Financing entrepreneurship

Romania has several mainstream programmes aiming to support MSMEs and entrepreneurs. Since the beginning of 2017, new tax incentives have been put in place to support enterprise development, including: the extension of the reinvestment profit for an indefinite period; modification of the micro-business taxation system; change of the VAT regime for farmers (which allows them to benefit from a lump-sum compensation for the purchase charge) and exemption from income tax of individuals which performs seasonal work.

Loan guarantees programmes are available to all small firms. In order to increase SMEs' access to loans and guarantees from 2014-20 allocations from the European Regional Development Fund (ERDF) (EUR 100 million), the uncapped guarantee instrument developed under the Operational Programme SME Initiative (SMEIOP) will be implemented and support 2 500 SMEs. In 2016, with allocations from the State budget, the implementation of the national programmes supporting 610 SMEs continued. The total value of the guarantees granted was LEI 75.2 million (approximately EUR16.2 million) for all the contracted loans totalling LEI 222.7 million (approximately EUR 47.8). In Q2/2017, MPF promoted the legal framework for the implementation of the SME Invest Programme to support SMEs by loans guarantees. In order to increase the enterprises' (especially SMEs) access to finance, a structural instruments information centre and seven regional network points were established at the level of the RDAs.

Direct funding is also provided. The legal framework for the Sovereign Development and Investment Fund (SDIF) was approved at the end of 2018 (EC, 2018; Pelin, 2018). The Fund aims to develop and finance cost-effective and sustainable investment projects in competitive sectors, through direct or joint venture with institutional or private investors. Other funding targeted at competitive new firms include the Start-up Nation programme introduced in 2017. The state budget allocates around RON 1.7 billion (approximately EUR 360 000) for small businesses provided that they hire personnel and retain them for at least a period of two years. Businesses can receive grants up to RON 200 000 (approximately EUR 43 000). As of 2017, 8 700 initiatives had been financed under this scheme (EC, 2018). For 2018, the second consecutive year of the programme around 10 000 newly established companies are eligible for a financial assistance package equivalent to EUR 44 000.<sup>20</sup>

The Regional Operational Programme (ROP) 2014-20 aims at increasing competitiveness of SMEs in selected sectors with a total budget of LEI 1 056.5 million (EUR 226.7 million). It will support investment projects of micro-enterprises in urban areas (1 944 projects in the 2016 call totalling LEI 1 660.9 million – EUR 356.6 million). At the same time, ROP will support approximately 100 SMEs for the creation and extension of advanced production capacities and services development, corresponding to an allocation of LEI 872 million (EU 187.2 million).

Another important source of financing for entrepreneurs is the National Micro-Industrialization programme. Funds are available for SMEs that have operated for at least two years prior to their application for funding and which may obtain for various investments including production facilities, machines, equipment etc., grants up to RON 450 000 (approximately EUR 100 000) with a co-financing of in between 10 and 25% according to the score obtained by their project proposals (the programme acts therefore as a competitive mechanism whereby applicants submit projects which get financing after evaluation). The total budget available for this year (2018) is of RON 74.4 million (approximately EUR 16 million) for around 165 firms. A new programme also supports enterprises working in commerce and services in acquiring equipment (including bar code readers, office equipment, IT, machines and tools) and investing in building and production facilities. The programme offers grants of RON 250 000 (approximately EUR 54 000) to entrepreneurs coming from all regions.<sup>21</sup> The total budget allocation for 2018 was of RON 45.9 million

<sup>20</sup> <https://reiden.ro/works/start-up-nation-romania/>

<sup>21</sup> <https://reiden.ro/works/servicii-si-comert/>

(approximately EUR 9.9 million) for an estimated 200 beneficiaries. Similarly, the National programme for the support of Artisans and Craftsmanship is mainly concerned with the organisation of the National Artisan and Craftsmanship National Fair and has a total allocation for 2018 of RON 890 000 (approximately EUR 200 000).

The ESF, through the Sector Operational Programme Human Capital (SOP HC) is currently developing the Start-Up Nation Plus programme<sup>22</sup>. Under this scheme around EUR 477 million in non-reimbursable funds are made available to both existing and new entrepreneurs for the creation and development of business initiatives in all sectors but agriculture. The programmes are run regionally for all regions but the Bucharest-Ilfov region by various programme operators (business associations and companies, universities, non-governmental organisations, etc.). Each programme operator<sup>23</sup> is responsible for a development region and will run a business training programme for around 500 individuals (exception NEETs) out of which it will select 60 with the best of business plans to receive the business grants. The grants (around EUR 40 000) will be disbursed to the selected recipients in two instalments, with 75% disbursed at the inception of the business scheme and the rest after one year in business provided that some results are achieved. The selected business will have to generate at least two new jobs apart from the one of the initiator or developer of the business. Each of the regional schemes aims to generate 120 new jobs. Large sums are also dedicated for the development of dedicated training and consultancy providers for businesses, which is one of the characteristics of all entrepreneurship support programmes financed through the SOP HC 2014-20.

The Romanian microfinance sector has been growing since the adoption of the Microfinance Companies Law (Law no. 93/2009)<sup>24</sup> and become the fifth most active microfinance sector in the EU. Pilot programmes funded from the national and EU budget are the Romanian Microcredit Facility (RMC), JEREMIE, JASMINE and Progress Microfinance. A regional initiative has found that most of Romanian microcredit sector has reached “operational and financial sustainability” and presents good growth potential<sup>25</sup>. Some microfinance institutions provide other support such as training or coaching and mentoring. ROMCOM for example provides in partnership with a local university two types of business training services: open workshops for business people, and customised training solutions within internal seminars.<sup>26</sup>

Overall, there is quite a wide array of financial support for business creation available in Romania, but most of the support does not target specific groups. Dedicated programmes are available for youth entrepreneurs, young graduates, the unemployed, and women. There is a policy gap with regard to senior citizens. Migrants are not explicitly targeted by start-up financing programmes either, in part due to the relatively small scale of migration in the country. Beneficiaries of asylum and/or refugee status are entitled to the same provisions as the Romanian citizens under the Unemployment Insurance Act (Ghinararu, 2016). The Romanian microfinance sector, although quite well-developed in general, is constrained by the lack of

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<sup>22</sup> Under Priority Axis no. 3 – “Jobs for All./*Locuri de Munca pentru Toti*”, Investment priority no.8, dedicated to the creation of jobs through the support of non-agriculture business initiatives

<sup>23</sup> For example the Institute for the Design of Automation System – IPA which is currently operating three such schemes for the regions of South – MUNTENIA, South East and Centre (Transylvania), [www.ipa.ro](http://www.ipa.ro)

<sup>24</sup> Law no. 93/2009 regarding non-banking financial institutions, published in the Official Gazette, Part I no. 259 of 21 April 2009, [online], Available: [http://www.dreptonline.ro/legislatie/lege\\_institutii\\_financiare\\_nebancare\\_93\\_2009.php](http://www.dreptonline.ro/legislatie/lege_institutii_financiare_nebancare_93_2009.php)

<sup>25</sup> Szabó, A. (ed.) (2014). *Final workshop report on “Microfinance for SMEs in the Black Sea Economic Cooperation Region”* organized by organization of the Black Sea Economic Cooperation (BSEC) and Konrad-Adenauer-Stiftung (KAS) 12 - 15 November 2014 Bucharest, Romania, [online], Available: [http://www.kas.de/wf/doc/kas\\_41327-1522-2-30.pdf?150513160755](http://www.kas.de/wf/doc/kas_41327-1522-2-30.pdf?150513160755), [May 10, 2016].

<sup>26</sup> ROMCOM website: <http://en.romcom.ro/>, [May 10, 2016].

lending funds, complicated procedures and a lack of access for the target groups of inclusive entrepreneurship. Financing and assistance are becoming more readily available for inhabitants of the rural area, in itself a disadvantaged group on the market.

More targeted programmes could thus be established and the ones already in place could be scaled up using both national and EU co-funding available to Romania in the frame of the 2014-20 financial programming period. A centralised information portal could ensure easy access for the different target groups and make sure that the system is not too fragmented. The results of ex-post and sustainability monitoring of EU-funded projects could be better used to inform further action. Identification and implementation of new forms of funding for social impact started with EU support should continue.

### 3.4. Entrepreneurship skills

To support the development of entrepreneurship skills, the national government launched new calls for proposals in 2017 to support youth, the Roma, as well as the unemployed (non-competitive allocation to be accessed only by the National Agency for Employment<sup>27</sup>). The MBECE also has an allocation of RON 1 million (approximately EUR 220 000) to support the best business plans as submitted in a competitive frame by women entrepreneurs.

In 2018, the UMCTAD-EMPRETEC programme for Romania also managed by the MBECE had an allocation of RON 504 000 to organise seminars, webinars, conferences and other support actions for entrepreneurs. A particularly relevant new national initiative is “*Romania HUB*”. The programme initiated by the GDEPSMEPI<sup>28</sup>, supports the creation of a common platform for developing entrepreneurship. It aims to encourage collaboration and partnerships among about 30 stakeholders such as governmental organisations, NGOs, educational institutions and private entities. The programme includes a series of workshops<sup>29</sup>; a national tour to promote successful entrepreneurs and a support programme for creating web platforms to promote education and training opportunities for young people (especially entrepreneurship and entrepreneurial education).<sup>30</sup> In addition, it supports partnerships between private sector and schools to conduct practical training sessions for teachers to improve their entrepreneurship skills.<sup>31</sup>

Business consultancy and advisory services for entrepreneurs are integrated in programmes and projects related to entrepreneurial training. In the case of ESF supported actions, generic business consultancy and advisory services are available and a proportion of participants are guaranteed to be from the following target group: women, youth, unemployed, people from rural areas. Otherwise, generic business consultancy and advisory services (i.e. for the whole population) are available to everyone.

Gaps in the entrepreneurship training and education offering remain in Romania. There are no dedicated and tailored entrepreneurship training programmes for seniors, people with disabilities and immigrants. No

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<sup>27</sup> However in accordance with the provisions of the Applicant’s Guide the NAE may select for implementation various partners. Partners have nevertheless to present for selection a fully-fledged implementation plan of the project, including both technical as well as financial details.

<sup>28</sup> Former Department for SMEs, Business Environment and Tourism

<sup>29</sup> “Closer to the young”, “Start Up Day”, “Networking Day”, “Webinars - Group Counselling”, “My first entrepreneurship course”, “I want to be an entrepreneur”, “state closer to SMEs”, “Promoting research results and products that can be transferred in business technology”

<sup>30</sup> RG (2014). *Romanian Governmental Strategy for Development of SMEs and Business Environment –Horizon 2020*, Ministry of Economy, Trade and Business Environment, [on-line], Available: [http://www.minind.ro/imm/StrIMM\\_Intr\\_23022011.pdf](http://www.minind.ro/imm/StrIMM_Intr_23022011.pdf), [August 18, 2014].

<sup>31</sup> DSMEMET, [on-line], Available: <http://www.aippimm.ro/categorie/programe/programul-romania-hub/>

dedicated and tailored coaching or mentoring programmes use coaches and mentors from the inclusive entrepreneurship target group except women and business consultancy and advisory services are mostly generic. The quality of current support could be improved addressing these aspects. Widening access to basic entrepreneurship training to a much larger number of beneficiaries from inclusive entrepreneurship target groups would be beneficial in supporting their entrepreneurial mind-sets.

### **3.5. Entrepreneurial culture and social capital**

Entrepreneurship is widely promoted as a potential career pathway in media through many ESF supported actions. Women, youth and rural entrepreneurs are widely showcased as success stories and role models. There are numerous examples of messages of inclusion promoted in media, especially related to women entrepreneurship. The delayed launch of calls under the new EU funding periods poses a challenge to the continuity of these measures.

Inclusive entrepreneurship and different models of entrepreneurship is recently more widely promoted in media in Romania. The national TV station (TVR 10) and private national TV stations<sup>32</sup> host shows highlighting successful entrepreneurial ventures and innovations by Romanian SMEs. The MRI runs the label Designed in Romania (*Conceput in Romania*) which aims at promoting products and services stemming from R&D activities financed via the different schemes of the ministry and including for entrepreneurs. While more could be done to promote entrepreneurial education in schools (e.g. through the introduction of a dedicated subject), current practices seem sufficient to encourage a small share of student to embrace entrepreneurship. All schools have to provide access to counselling and guidance services, including entrepreneurship information directly or through the county school inspectorates. The introduction of a new optional curricula subject on entrepreneurship has been announced by the Ministry of National Education for the school year 2018-19.

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<sup>32</sup> Such as PRO TV, ANTENA 1, ANTENA 3, Radio Romania 1, Europa FM

#### 4. OVERVIEW OF WOMEN'S ENTREPRENEURSHIP

In 2015, women made up 49.5% (6.6 million) of the working age population in Romania. 3.9 million of them were economically active making up 43% of workers. The activity rate for women stood at 56.7%, 18.6 p.p. below that of men. The gender gap was even wider in terms of the effective participation of women: their employment rate was 53.2%, 20 p.p. below this of men. This raises concerns as a large part of the country's labour potential goes untapped.

About 38% of Romanian entrepreneurs were women in 2015 (Paul, 2016). There were 245 260 companies with women as associated or majority shareholders, of which 173 576 where women were the sole partner. The percentage of women in self-employment provides an imperfect estimate of the share of women involved in various entrepreneurial activities. It stood at 10.1% in 2017, less than half the rate for men (21.1%). A significant number of women work as contributing family workers (i.e. virtually non-remunerated workers); they made up 14.9% of total female employment in 2015. The overwhelming majority of self-employed women work in the agricultural sector (68.8%). Those working in other sectors are primarily found activities of households as employers<sup>33</sup> (28.9%) and wholesale and retail trade (28.5%). Professional, scientific and technical activities come third with 12.4% of non-agricultural self-employed women. The share of employer entrepreneurs may be an interesting proxy for women entrepreneurs operating with growth ambitions and as opportunity entrepreneurs.<sup>34</sup> Romania has about 24 000 women employers, more than 70% of which are between the ages of 35 and 54 years old.

Some studies highlight the lack of role models, lack of experience, education and work experience, lack of relevant networks as important barriers to women entrepreneurship in Romania (Paul, 2016). A major research project conducted on women's entrepreneurship in rural and urban areas in Western Romania in 2009-10 identified several challenges, notably economic dependence on spouses and poverty, especially in rural areas. In both urban and rural areas, insufficient funds to start a business were frequently cited as a barrier. Approximately 90% of respondents considered that they no or a small amount of financial resources. Skills was also frequently cited as a barrier – 50% considered that they had no or a small amount. In this context, 66% of the women in the rural area and 71% in the urban area cited that they benefited from important support from family and more than 55% intended to involve their families in their business, both as an essential human resource and as an extension of the family partnership (Dodescu, 2011). Respondents also preferred to start up their business in fields where the necessary start-up capital was lower – trade, tourism, services, etc. (Dodescu et al., 2012). The obstacles perceived by women who intended to start a business were the same in urban and rural area, but their magnitude was greater rural areas (Dodescu et al., 2012) Recent research (Ghinararu, Sandulescu, Matei, Ghenta, Ciobanu - 2017) do not identify major obstacles for women in entrepreneurship nor in the labour market more broadly in Romania. Most of the obstacles identified stemmed less from active discriminatory practices by employers than from the sectoral economic factors.

As discussed in section 2, women in entrepreneurship in Romania have relatively low educational attainments, with 39% of women in entrepreneurship having completed basic education and only 9.1%

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<sup>33</sup> Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use

<sup>34</sup> Thus out of the total of women in self-employment which make a total of 12% of total female employment (2015) or in absolute numbers 448 960 persons only 24 000 or 5.3% have one or more employees apart of themselves while the rest may only count as self-employed or in other terms they may have their own enterprise but either they work alone or they only employ a member of their family as a contributing, non-remunerated worker.

having completed tertiary education, which is consistent with the sectoral distribution of self-employed women. However the picture is likely to be different when female entrepreneurs are understood as an heterogeneous group including in particular employer entrepreneurs which make for only 5% of the total and other self-employed workers which make for the remaining 95%. The former likely have higher educational attainment.

Women's entrepreneurship in Romania remains a dual picture with a large share of self-employed workers concentrated in low value added albeit labour-intensive activities and a small share of employer entrepreneurs, with highly educated women creating jobs.

## 5. POLICY RECOMMENDATIONS

Romania has made progress in strengthening inclusive entrepreneurship support. However many challenges remain in both the short and long term. The following suggestions are aimed at providing a supportive frame for the further development of inclusive entrepreneurship policies and programmes in Romania:

1. *Develop action plans for entrepreneurship support for key target groups and improve the ease of doing business in general* (i.e. women, youth, older people, the unemployed and migrants). The objectives of the SME Strategy should be further translated into defined objectives for the different target groups and an action plan would help prioritise key actions and ensure that programmes are implemented into a cohesive support system. The action plan could also be used to strengthen linkages between ministries, agencies and non-governmental organisations. Impact assessment of the various programmes are also essential to better harness the potential of what has been currently achieved as a building block for future attainments. Steps taken to reduce the administrative burden on SMEs and individual entrepreneurs should be continued so as to increase the attractiveness of entrepreneurship as an alternative to employment for Romanians particularly for the young.
2. *Create a single information space on entrepreneurship support covering each of the key target groups for inclusive entrepreneurship.* While several programmes and initiatives exist for the different target groups, information is scattered and no dedicated portal provide an overview of all support measures for the individual groups addressed by inclusive entrepreneurship. This would facilitate access for entrepreneurs particularly for the most vulnerable groups.
3. *Make “special” funds and micro-credit schemes for inclusive entrepreneurship operational and link them with training and business advice opportunities.* Support is already available for women and youth, albeit on a limited scale. Dedicated schemes are being developed for the different target groups including micro-grants and micro-credit for people in rural areas; seed-capital funds to support the creation of micro-enterprises by young people; and venture capital funds to finance start-ups and innovative projects in cutting-edge industries. Entrepreneurial skills training should be associated with financial support in order to increase the success rate of entrepreneurs. More could be done with existing funding for people in rural areas which are a group of particular importance for inclusive entrepreneurship in Romania. Successful examples include the Star-Up Nation and the Start-Up National Plus programmes which have to be continued and expanded following encouraging results.
4. *Develop and deliver business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups through dedicated initiatives.* The Youth Guarantee initiative is a useful example of how groups at a disadvantage may be targeted and dealt with, within a comprehensive framework using a combination of both national and EU funding. The Youth Guarantee centres established via this scheme provide integrated consultancy and advisory services and could be used as a model for initiatives targeting other groups at a disadvantage on the labour market.
5. *Continue the promotion of EU best practices on senior-youth entrepreneurship skills initiatives.* The development of senior-youth entrepreneurship networks in Romania similar to those in EU should be encouraged in order to support both groups in entrepreneurship and help the transmission of entrepreneurship expertise to be passed on from older to younger generations. A good example is the application of the traineeship act (law no.334/2014) which provides for mentoring coupled

with financial facilities for those enterprises that hire young graduates for the first six months after finalising their university studies. This design could be extended successfully to entrepreneurship and entrepreneurial mentoring.

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## ANNEX: METHODOLOGY

Each note was prepared by a national expert in co-operation with the OECD Secretariat. Information was collected through desk research and interviews (i.e. telephone, face-to-face, email) with key stakeholders and government representatives. The information was then verified by government partners, programme managers and other inclusive entrepreneurship stakeholder groups through email exchanges and one-day seminars in selected countries.

The notes are based on an assessment framework that was developed by the OECD Secretariat. The assessment framework provided a common analytical framework and report structure for the 28 notes that are in this series.

The framework contains five pillars:

### 1. Policy framework

- Is there an entrepreneurship strategy or action plan that explicitly covers the promotion and support of entrepreneurship for people in under-represented and disadvantaged groups?
- Is there a mechanism for co-ordinating inclusive entrepreneurship policy actions across relevant national ministries, and with regional and local governments and civil society organisations?
- Is there a systematic monitoring and evaluation process for the policies, programmes and schemes that promote and support entrepreneurship for people in under-represented and disadvantaged groups?

### 2. Government regulations

- To what extent are entrepreneurs from under-represented and disadvantaged groups treated equally with employees by social security schemes?
- Do measures exist that temporarily cover the loss of state income supports (e.g. unemployment benefits, disability allowances) for entrepreneurs amongst under-represented and disadvantaged groups when they start a business?
- Do measures exist to support under-represented and disadvantaged entrepreneurs in dealing with administrative procedures for entrepreneurship amongst under-represented and disadvantaged groups (e.g. information provision, support with administrative requirements)?
- Are there any entrepreneurship policy initiatives or schemes to address group-specific institutional challenges related to dependents (e.g. childcare, eldercare)?

### 3. Financing entrepreneurship

- Are there grants for business creation offered to support entrepreneurs from under-represented and disadvantaged groups?
- Is microcredit for business creation available to support entrepreneurs from under-represented and disadvantaged groups?
- Are there loan guarantee schemes for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- Are there self-financing groups for business creation to support entrepreneurs from under-represented and disadvantaged groups?
- Are there public policy schemes that encourage and support business angel networks to support entrepreneurs from under-represented and disadvantaged groups?
- Are there schemes that encourage and support crowdfunding and peer-to-peer lending to support entrepreneurs from under-represented and disadvantaged groups?

- Is financial literacy training offered to support entrepreneurs from under-represented and disadvantaged groups?

#### **4. Entrepreneurship skills**

- Are there entrepreneurship training initiatives for entrepreneurs from under-represented and disadvantaged groups?
- Do high potential entrepreneurs from under-represented and disadvantaged groups have access to one-to-one or group coaching and mentoring?
- Are there public initiatives that provide information on available support programmes or on business start-up procedures for entrepreneurs from under-represented and disadvantaged groups?
- Are there business consultancy and advisory services for entrepreneurs from under-represented and disadvantaged groups?
- Are there business incubators for entrepreneurs from under-represented and disadvantaged groups?

#### **5. Entrepreneurial culture and social capital**

- Is entrepreneurship actively promoted as an employment opportunity amongst under-represented and disadvantaged groups through the education system, media, role models, etc.?
- Are there public policy actions that attempt to build specific business networks for entrepreneurs amongst under-represented and disadvantaged groups?

This note was prepared by the LEED (Local Economic and Employment Development) Programme of the OECD (Organisation for Economic Co-operation and Development) with the financial support of the European Commission, Directorate-General for Employment, Social Affairs and Inclusion.

