



Horizon 2020 Policy Support Facility

Start-ups, Scale-ups and Entrepreneurship in Romania

Recommendations of the PSF Panel

31st January, 2018

PSF Specific Support to Romania Panel of experts

Paulo Andrez (Portugal, Chair)

Daria Tataj (Poland, Rapporteur)

Jean-Michel Dalle (France, Expert)

Jari Romanainen (Finland, Expert)

technopolis [group]

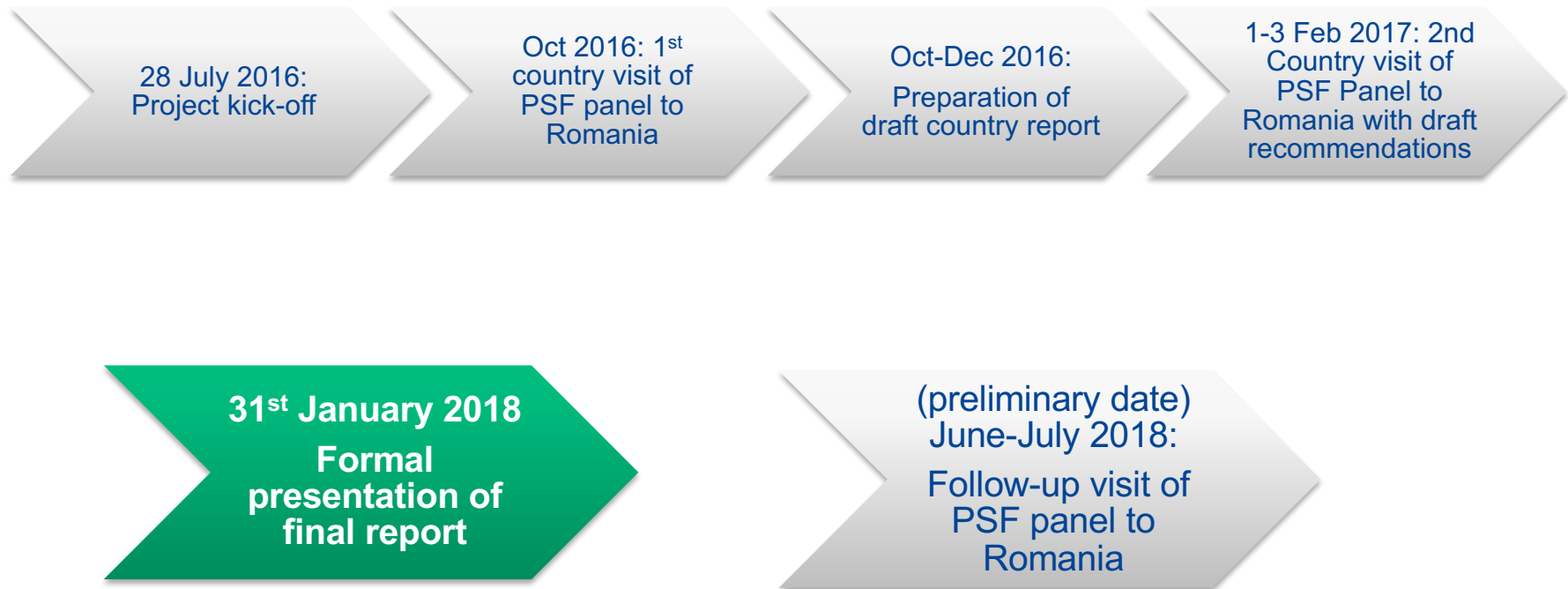
MANCHESTER
1824
The University of Manchester



Contents

- Timeline of the PSF Support to Romania
- Snapshot of recommendations for the Romanian Entrepreneurship Ecosystem
- Cross-cutting principles
- Improving linkages within ecosystem
- Improving the business environment
- Enhancing the start and growth of new companies
- Transforming incubators and accelerators in Romania
- Improving access to finance in Romania

Timeline of the PSF support to Romania



Recommendations snapshot

Policy

- Develop an IT system to allow ecosystem to insert data and connect each to other
- Monitor and measure the performance of the ecosystem
- Romanian Entrepreneurship Agency

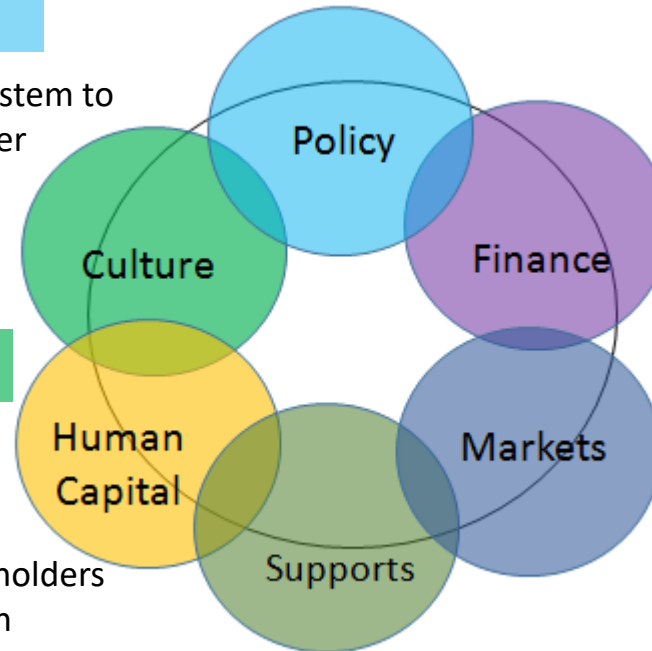
Culture

- Entrepreneurship Award under the auspices of the President
- Entrepreneurship in education
- Transparent policies involving stake holders
- Entrepreneurship-friendly Regulation

Human Capital

- Upgrade entrepreneurship education in HEI
- Allow non-PhD business people to teach at universities
- Attract foreign /diaspora talent
- Start-up visa

Horizon2020 Policy Support Facility



Support

- Non-financial support for start-ups/SMEs
- Shared services to be used by incubators/TTO
- Incubators Voucher scheme
- International Accelerator based in Romania
- Update incubation law

Finance

- Revise Business Angel (BA) Law
- Support Business Angel Networks (BAN)
- Accreditation/certification of BAN/BA
- Business Angel co-investment scheme
- Venture Capital co-investment (FoFs and deal by deal)
- Funding for Romanian Counter-guarantee Fund (FCR)
- Tax incentive for investors in funds that invest in listed companies in AERO

Markets

- Connecting Hub as Brokerage Platform
- Smart procurement

Romania has great potential to have a strong entrepreneurial ecosystem. Strengths.

- Very good technical universities
- Great talent pool available
- Cost of living is very competitive
- Romanian people is hard working
- Some talented and motivated people in the public sector
- Several great private stakeholders are emerging in the ecosystem
- Some successes have happened
- Inside EU
- There is money available from EU structural funds
- Strong diaspora spread around the world
- Great geographical position
- Romanian stock market (BVB) fully engaged in entrepreneurship policies

...but has some challenges. Weaknesses

- Brain drain
- Lack (historical) of trust between public and private sector
- Lack of entrepreneurial culture
- Lack of investment culture in companies. Risk averse.
- Lack of stakeholders international connections
- Lack of cooperation among stakeholders
- Many state driven policies versus market driven policies
- Excessive bureaucracy
- Several instruments are not well designed/implemented
- Lack of real monitoring of policies/instruments
- Lack of coordination among ministries. Fragmentation of instruments.

1. Cross-cutting principles

Cross-cutting principles

1) Establishing and strengthening the entrepreneurial community

- This principle is reflected in almost all of our recommendations (visibility, networking, brokerage, attitudes, etc.)

2) Enhancing transparency and Open Data

- This would address one of the key barriers of the entrepreneurial ecosystem - lack of trust between public and private actors

3) Internationalisation

- International linkages and networks are an essential feature of any successful entrepreneurial ecosystem and Romania is no exception.

2. Improving linkages within the Romanian entrepreneurship and innovation ecosystem

2.1 Role of the National Council for Science, Technology and Innovation

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

2.2 Integration and promotion of the Romanian entrepreneurial ecosystem

Establish an **Entrepreneurship Award** under the auspices of the President of Romania to promote successful Romanian ventures, to celebrate entrepreneurship and recognize leading entrepreneurs.

Develop a central internationally branded **web portal with relevant information for start-ups and on start-ups.**

Establish a Connecting Hub as a facilitating brokerage platform for integration and promotion of the Romanian entrepreneurial ecosystem, its start-ups and scale-ups.

2.2 Suggested features of the Connecting Hub



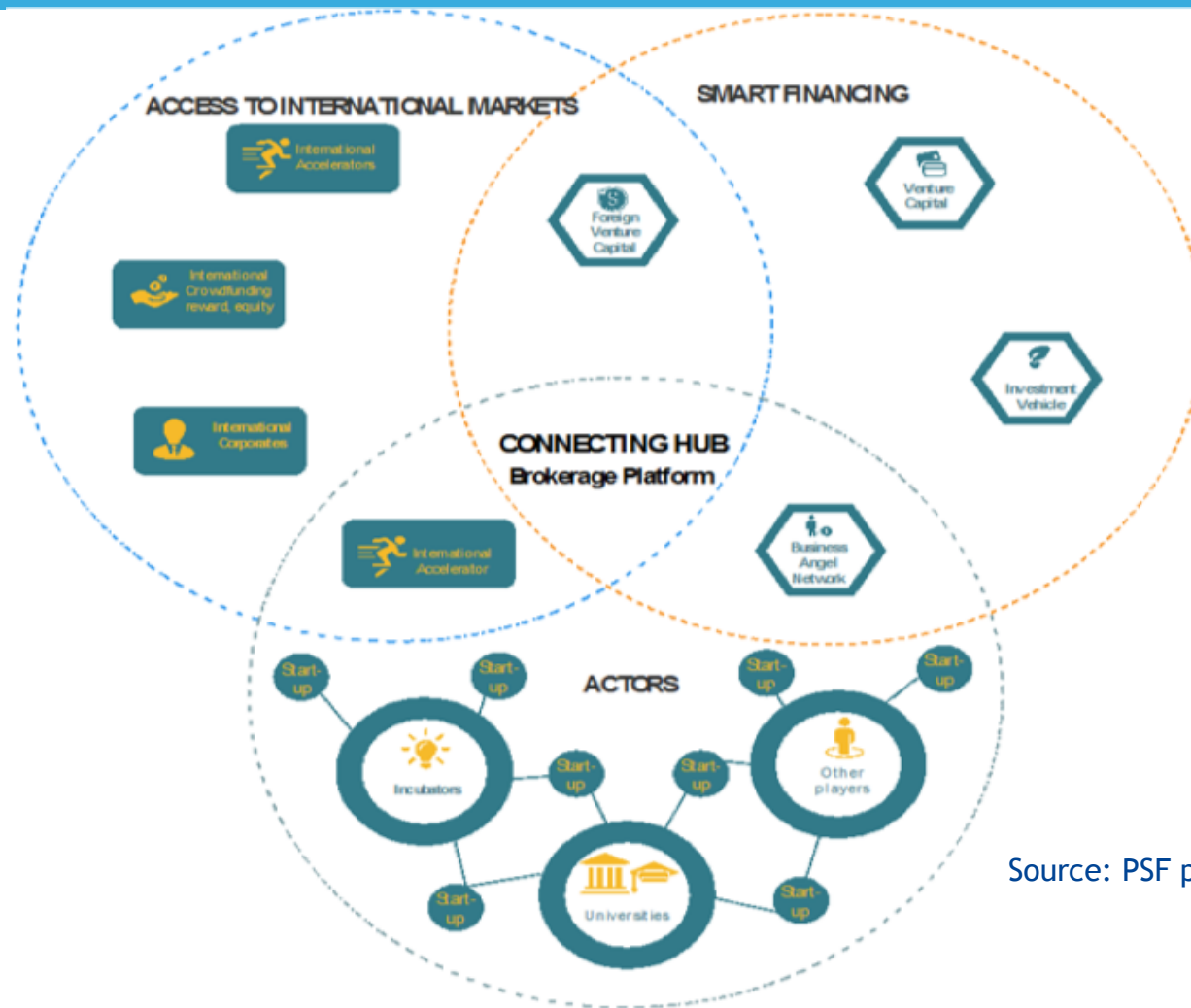
A Shared brokerage platform focusing on facilitating, stimulating and engaging stakeholders in networking to develop entrepreneurial ecosystems at local level

It can operate as a network of regional and local hubs to link up the innovation communities across the country and help reach out to domestic and international partners

To be set-up jointly by: a broker to help start-ups to access international accelerators, the incubators association, including the 'entrepreneurs in residence' network, and the national business angel federation.

Corporates can also be involved into a corporate Launchpad and support start-ups pitching their ideas, offer mentoring etc.

2.2 Connecting Hub as a Brokerage platform



Source: PSF panel of experts

2.3. Linking and measuring the performance of the ecosystem

Develop an IT system that can link to all actors of the ecosystem and receive automatically data from the stakeholders.

Make the aggregated monitoring data openly available to all ecosystem actors.

Develop every 3 years an in-depth study of the Romanian entrepreneurial ecosystem, based on real data collected from the ecosystem.

Appoint an international expert team to review the ecosystem on a regular basis and give recommendations to government.

3. Improving the business environment

3.1,3.2 and 3.3 Fighting bureaucracy, red-tape and corruption

Create a 'one-stop-shop' as a digital service centre for entrepreneurs offering integrated e-Government services.

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

Develop an 'Entrepreneurship-Friendly Regulation Agenda' with 'Entrepreneurship Principle' as a guiding standard for cross ministerial consultation and collaboration at the ecosystem level.

3.4 Tax incentives

Continue to monitor and adjust the tax and labour law systems to encourage equity investments, dividend reinvestments, and stock option schemes to stimulate entrepreneurial ecosystem.

Extend tax exemptions to SMEs to incentivize local investment in start-ups and to attract foreign capital.

Streamline tax and labour law procedures to fit specific needs of innovative SMEs.

Tax incentive for investors in companies listed in AERO market

3.5 The Romanian Entrepreneurship Agency - Catalysing innovation and entrepreneurship



Exercise a **strategic function to catalyse entrepreneurial ecosystem in Romania** by supporting networking, promotion and internationalization of Romanian start-ups and scale-ups, exchange knowledge and best practices;

Give financial support for entrepreneurship and innovation and provide co-investment for venture capital and business angel funding schemes;

Seed new types of partnerships between research, education and businesses, also in collaboration with other funding agencies, as for example UEFISCDI.

Contribute to execution of the smart specialization strategy by leveraging ERDF funds; Funding of this agency will be mainly done through management fees of funds and programmes under management.

3.5 Key Success factors for the Romanian Entrepreneurship Agency

Designing REA

Set-up an inter-ministerial task force to prepare a strategic concept and a legislative framework.

Involve stakeholders of the entrepreneurial ecosystem in the design of the REA.

Ensure a medium to long-term financial perspective

Learn from the experience of existing entities

Key governance features

Independent governance including entrepreneurial ecosystem stakeholders

Based on transparency, accountability and fairness

Ensure possibility to facilitate and seed joint programming and public-private partnerships

Ensure professional management

REA should be managed by a Chief Executive Officer with sufficient understanding of both public and private sectors, who has a leadership capacity to induce culture of innovation in a public administration.

3 Enhancing the start and growth of new companies

4.1 Entrepreneurship education and access to talent

Make earmarked funding available for primary and secondary schools for organizing entrepreneurial projects and activities, including entrepreneurial clubs, business plan competitions and societies. Regional school business plan competitions can have a national final where the best projects, schools and teachers will be awarded.

Invite schools, entrepreneurs, students and teachers (through their appropriate associations or representatives) into **an open discussion** how to change the overall educational approach to better support entrepreneurship.

Establish a specific promotion programme for attracting foreign and ex-patriate (diaspora) entrepreneurial talent. Mapping diaspora talent will be key to implement this project successfully.

Establish a Start-up Visa to attract foreign entrepreneurs to launch their new businesses in Romania.

4.2 Public support to entrepreneurs and demand-driven innovation

Launch a programme offering **non-financial support for start-ups and SMEs seeking growth in international markets.**

Introduce comprehensive integrated funding schemes for start-ups (and selected SMEs).

Establish **common procedures for managing funding programmes**, including **IT systems** and electronic management of applications and monitoring of projects and programmes across all agencies.

Design and launch a **scheme for organizing challenge competitions to address selected societal challenges**, which combine national needs with high international market potential, and engage entrepreneurs, start-ups and innovative SMEs.

Organise skills assessment and trainings to ministry, agency and other public sector employees that interact with entrepreneurs on a regular basis.

5. Uplifting the role of incubators, accelerators and universities in Romanian entrepreneurial ecosystem

5.1 Revising the business incubators law Nr 102/2016

Problems to be addressed

- The level of details in the stipulations introduced by the law is not matched by comparable international examples.
- On several respects, the law does not appear to be in line with international standards and might even create counter-incentives
- Among other things, academic incubators internationally have moved to provide coaching and office space to start-ups also before they are legally incorporated
 - Creating incentives to incorporate earlier to be accepted in an incubator might be detrimental
- It is unclear if the law will stimulate stakeholders to found promising new business incubators or accelerators

5.2 Supporting the most promising ecosystem players in Romania



Launch a competition to select up to seven key entrepreneurial ecosystem players based on international peer-review examinations

Eligible entities: accelerators and incubators, TTOs, SME / entrepreneurship associations

Provide them with financial support during 3 years to help them develop their activities

Change funding scheme from direct public grants to market oriented voucher schemes

5.3 Launching a international acceleration program for start-ups



Launch an open call to select the operator for the acceleration programme based on an open call, which should be internationally renowned working in collaboration with local partners.

Number of start-ups selected should be very limited (10-20 per batch) and the program very selective in order to make sure that this acceleration program starts acting as a quality signal with respect to investors.

Accelerators should be funded based on loans from the government. Companies accepted to the acceleration programme would receive a lump sum from the accelerator in exchange of small equity.

Mixing both Romanian and international start-ups in the same program would be beneficial for both, in terms of image and in terms of potential collaborations.

5.4 Transforming universities' role in entrepreneurial ecosystems

Develop a specific incentive for the involvement of academics into entrepreneurial activities, notably with respect to innovation in teaching

Make the Intellectual Property Law for Romanian Universities implementable and respected by universities

Establish joint or shared TTO structures for all universities and research institutions, in order to reduce tech transfer costs, and provide international training and coaching to TTO personnel

Define a specific incentive for universities to invest in entrepreneurship activities. Papers versus companies created.

6. Improve access to finance in Romania

6.1 Facilitate access to finance in Romania

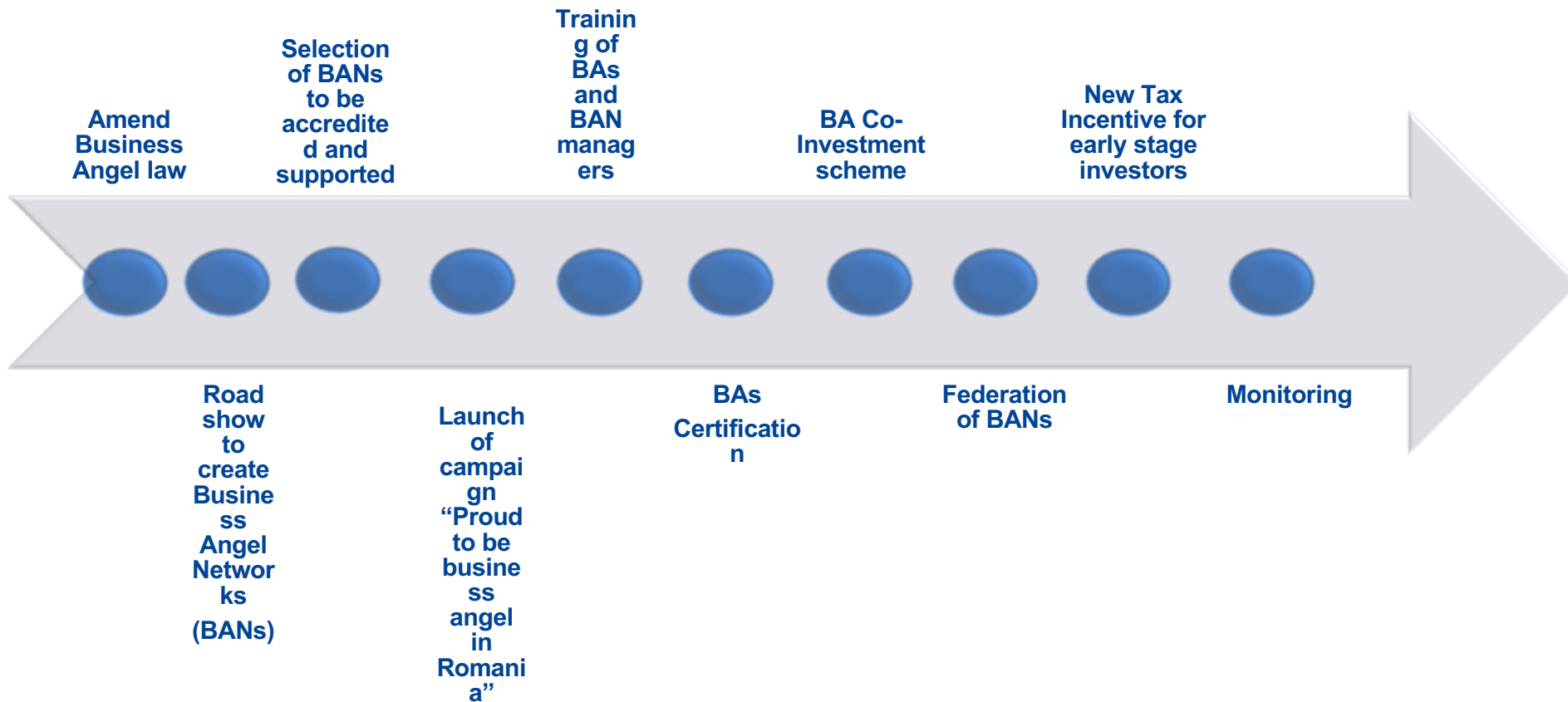
Change financial regulations that don't allow mandatory pension funds and other institutional investors to invest in early stage companies or VC funds. Putting a cap (1%-2% of funds) may solve the issue without creating any major risk in those funds

Fund FRC (Romanian Counter-guarantee Fund) with enough money so that the National Guarantee Fund for SMEs (FNGCIMM) can issue guarantees to banks to fund SMEs..

Governance of Guarantee Fund must be in compliance with international standards (AECM). Rules and practices related to guarantees and counter-guarantees should be clear, understandable and transparent, and most importantly should definitely not be changed one sidedly. The trust of the banking sector in FRG should be ensured

Launch new programmes (using FRC counter guarantee) to target new segments of entrepreneurs (e.g. microcredit loans, unemployed people that want to create a viable business, entrepreneurs outside of Bucharest).

6.2 Supporting Business Angels



6.2 The Business Angels Law

The current "Business Angel" Law should use the term Business Angel correctly, and provide the right incentives to business angels and business angels networks. This is why it should be withdrawn and reformulated as follows.

The term Business Angel should only be used for the purpose of Co-Investment Funds and related with business angel networks

The tax incentive should be given when the investment is done, so that it is effective. It cannot be dependent on other associates of the company, because it brings uncertainty to the investor.

The Law should be focused on equity investment, not on loans.

Withdraw the current business angel law. Prepare a tax break for early stage investors to be launched in 2 or 3 years after a business angel community is established.

The tax break should not be implemented before a community of business angels is established in Romania.

6.3 Supporting Business Angels Networks

Speed up the development of a business angel culture by supporting the **creation of business angel networks**

Help set up a national federation of business angels networks and **sponsor a road show to popularise the idea.**

Launch of campaign “Proud to be business angel in Romania”

Provide training to Business Angels and Business Angel Network Managers

Create a certification of business angels for a co-investment fund. Establish an independent committee (with reputable Romanian business people and international business angels) to certify business angels.

6.3 Supporting Business Angels Networks (II)

Romanian government should team up with local groups of business angels networks to attract new investors

- Business angel networks need public funding to:
 - Identify business angels in the region and educate them on early-stage investment practice, raise awareness and develop network, act as contact point for entrepreneurs and business angels
 - Take part in the national programme for certification of business angels
 - Disseminate national or international programs targeting business angels
 - Support the creation of business angel syndicates, etc

6.3 Set up a business angels co-investment scheme

Goal: Create an instrument to expand the current community of hands-on business angels that support Romanian start-ups.

How to promote joint investments of business angels:

At least 3 certified business angels are needed to apply for the funds from the co-investment scheme.

Certified foreign business angels should be incentivised to participate.

In case of a successful application, business angels create an investment vehicle (IV) in which certified business angels hold the majority of shares and the decisions.

Once the investment vehicle is set up, 1/3 of the funds should be put into the vehicle by business angels. On exit Angels will receive up to 90% of the upside.

Funds will be invested in companies that were established no longer than 5 years ago.

6.4 Support to Venture Capital Funds

1. Support the creation of VC funds that will invest in Romanian companies in a bit later stage than business angels.

They should invest 750.000-3.000.000 EUR in each company.

Preference on selection should be given to VC firms that have access to international markets and can help innovative Romanian companies to scale.



2. In order to help the VC funds to raise money, government should allow the limited partners, or the founders of these new VC funds to have a personal income tax benefit



3. Government should also create a Fund of Funds and a matching Fund deal by deal with international accredited and specialized VCs on a 1:1 basis.

6.5 Romania's stock market (BVB)

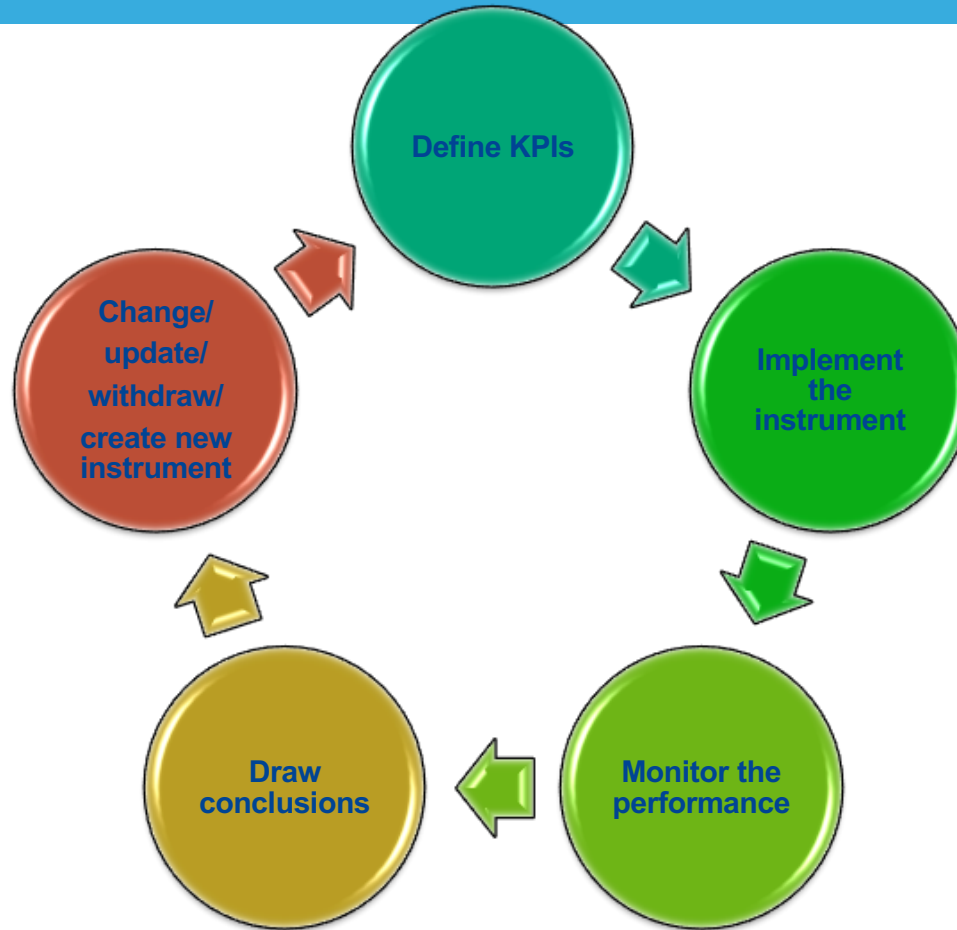
In 2018, launch a national programme 'Innovative SMEs are in the AeRO market'.

Bucharest Stock Exchange should be more ambitious in developing AeRO.

Create a new set of incentives for investors who invest in the 'Innovative AeRO' market.

Remove artificial barriers to institutional and regulated funds that prevent them from investing in early-stage companies.

Finally to any policy/instrument



Romania has great potential to have a strong entrepreneurial ecosystem...

...but it depends on the Romanian government and stakeholders to have the will and power to change the status quo.

We will be back in June/July 2018.

Thank you!

This material has been developed in the scope of the Horizon2020 Policy Support Facility. It reflects the views only of the authors, and the European Commission cannot be held responsible for any use which may be made of the information contained therein.

Specific Support to Romania - Start-ups, Scale-ups and Entrepreneurship in Romania

<https://rio.jrc.ec.europa.eu/en/policy-support-facility/specific-support-romania>