

FACTSHEET #4

The Regional Operational Programme (ROP) 2014-2020 – ROP Support to business incubators

1 Policy context

The **European Structural and Investment Funds (ESIF)** are the main source of funding for investment priorities in Romania in many sectors.

Support for small business development and increased competitiveness of SMEs is funded through the Regional Operational Programme (ROP) but also through various national programmes, including Start-up Nation. Indirect funding of SMEs for business support structures is another segment which is funded through the ROP.

The ROP is a well-known programme in Romania due to the constant funding provided to SMEs starting with the pre-accession programmes that were similar to it. The 2014-2020 funding for business development aims at supporting: local economies with direct funding to support viability and development of microenterprises, productivity increase (direct funding to enterprises for investments in new technology and innovative processes and products), smart specialisation and innovation (direct funding for technology transfer), access to finance (financial instruments), business support structures development (indirect funding for incubators).

The ROP support to business development is integrated into a large range of investments in urban development, education, social and health infrastructure, local development, cultural heritage, transport infrastructures, energetic efficiency. Due to the size and the extension at the national level, the ROP has often played the role of public policy in regional development because it is the main source of funding since the Romanian accession to the EU in 2007.

The ROP 2014-2020, like its predecessor for the 2007-2013, is a central, i.e., national operational programme which aggregates the specific regional needs into a common approach. Customising a national programme on different categories of needs specific to the eight development regions was a real challenge. The implementation is decentralised and relies on the Regional Development Agencies, which have a strong role of policymaker at regional levels. They are responsible for regional development planning and contribute to the different national strategies, regional development plans and to the ROP programming.

The ROP 2014-2020 is one of the large operational programmes not only in Romania but at the level of the EU, with € 6.7 billion European Regional Development Funds (ERDF), out of which almost € 1 billion is allocated to the SMEs support (Priority Axis “Improving SME competitiveness”). The funds are channelled through grants to the business environment via three investment priorities:

- support to microenterprises;
- support to SMEs;
- creation and development of business incubators.

This factsheet is focused only on support for the creation and expansion of advanced production capacities and the development of services, part of the ROP SO 2.1 B “Consolidation of the SMEs position on the market - Business incubators and accelerators”.

2 Support for business incubators

2.1 Overview – the policy in numbers

The ROP is a national programme with regional allocations. The four counties of the stakeholder territory are part of the North-East (NE) and South-East (SE) development regions. The SMEs from Galați compete for the selection of projects organised in the SE region, while Iași, Botoșani and Galați compete in different calls for proposals organised in the NE Region.

The allocation for the “Support for business incubators” scheme in the two regions, NE and SE, is € 7.93 M, 27.38% of the national allocation. The ROP does not have allocations of funding at county level, therefore, the selection of projects is based on competitions at regional level.

Table 1: Support to business incubators ROP 2.1 - implementation data

Romania			Stakeholder territory			
Allocation (ERDF+national)	Contracted (ERDF+national)	No. of contracts	Contracted (ERDF+national)	% in NE-SE	No. of projects	% in NE-SE
82.52 M€	67.40 M€	32	0.486 M€	2.14	1	20

Source: MA ROP, administrative data at 30.04.2020

One of the 32 projects contracted at national level is located in the stakeholder territory, i.e., in Iași, and its public funding value represents 2.14% of the allocation for the two regions and 0.6% of the national allocation.

2.2 Intervention logic

The key problem of the Romanian business sector, which was identified during the design phase of the ROP 2014-2020 is the low viability, productivity, and competitiveness of the SMEs. The problem is reflected in the relevant strategic documents such as the National Competitiveness Strategy, the Strategy for SMEs and the Regional Development Plans and is linked to the limited capacity to access funding for investments in new technology and modern equipment, adopt innovative solutions, products and services.

An additional and connected problem is the limited entrepreneurial culture and the relatively low density of businesses in all regions. At the same time, there is limited access to production facilities and support services.

The priority sectors which were identified in the ROP programming process include: **Tourism and ecotourism, Textiles and leather, Wood and furniture, Creative industries, Automotive and the components industry, Information and communication technology, Health, Energy and environmental management, Bioeconomy (agriculture, forestry, fisheries and aquaculture), Biopharmaceuticals and biotechnology, Constructions, Research and Development.**

A wide range of entities can be recipients of the grants, as individual applicants or as part of a consortium including local business administration, educational institutions, research and development

entities, business associations, employers' associations, trade unions, enterprises, NGOs, or a any form of partnership between these.

The eligible beneficiaries from all the development regions except Bucharest-Ilfov (not eligible as this is the most developed region in Romania) could apply for a grant under the present scheme and request a support ranging between € 200 000 and a maximum of € 7 000 000.

Businesses, especially start-ups with at most 3 years of experience, were the indirect beneficiaries of the support received through the business incubators.

The causal link of the intervention to support business development is summarised below.

Needs of the regional and local actors

- Financial resources to develop the incubators' physical and operational capacities with a view to provide high quality services to SMEs.

Needs of the SMEs

- Access to production and operational facilities at preferential prices;
- Access to business support services on the spot, and on demand;
- Access to finance to support investments in the initial stages of business development;
- Modernisation of technologies and processes, adoption of innovative solutions, to increase competitiveness and survival on the market;
- Strengthening of the capacity to ensure the maintenance of existing jobs or creation of new ones.

Action

- Setting up/upgrading/expanding of business incubators & accelerators;
- development of related services made available to incubated SMEs.

Output Indicators

- The number of enterprises receiving support;
- The number of enterprises receiving grants;
- The number of enterprises receiving non-financial support;
- Private investment matching public support to enterprises (grants).

Expected Results

- Increase of the number of SMEs;
- Increase of the survival rate of SMEs.

Result Indicators

- The survival rate of SMEs after 3 years of operation.

2.3 Results achieved in the region

Table 2: Outputs achievements

No.	Programme Indicators	National Target Value (2023)	Achieved at the national level ¹		Achieved at the stakeholder territory level ²	
			No.	%	No.	%
1	The number of enterprises receiving support	2 037	57	2.8	12	0.59
2	The number of enterprises receiving grants	1 897	32	0.27	1	0.053
3	The number of enterprises receiving non-financial support	140	27	19.29	11	7.86
4	Private investment matching public support to enterprises (grants) in EUR	50 mil	134 mil	268	0.28 mil	0.56

Source: MA ROP, administrative data at 16.03.2020

Access to funding in the stakeholder territory

- The no. of projects/ public funding contracted in the stakeholder territory and in each county

The aggregated data at the national programme level at 31.03.2020 reveals that:

In the North-East region:

- 10 projects were submitted with a total public funds value of € 28.23 M;
- The contracting rate was 50%;
- Only one project from the stakeholder territory was contracted.

In the South-East region:

- 14 projects were submitted with a total public funds value of € 40.13 M.
- The contracted rate was 61%;
- No project from Galați county (the stakeholder territory) was contracted.

The participation of the stakeholder territory in the scheme is very low, and this reflects also in the benefits attracted from it, which are similarly low.

At this stage of the scheme implementation, it is expected that

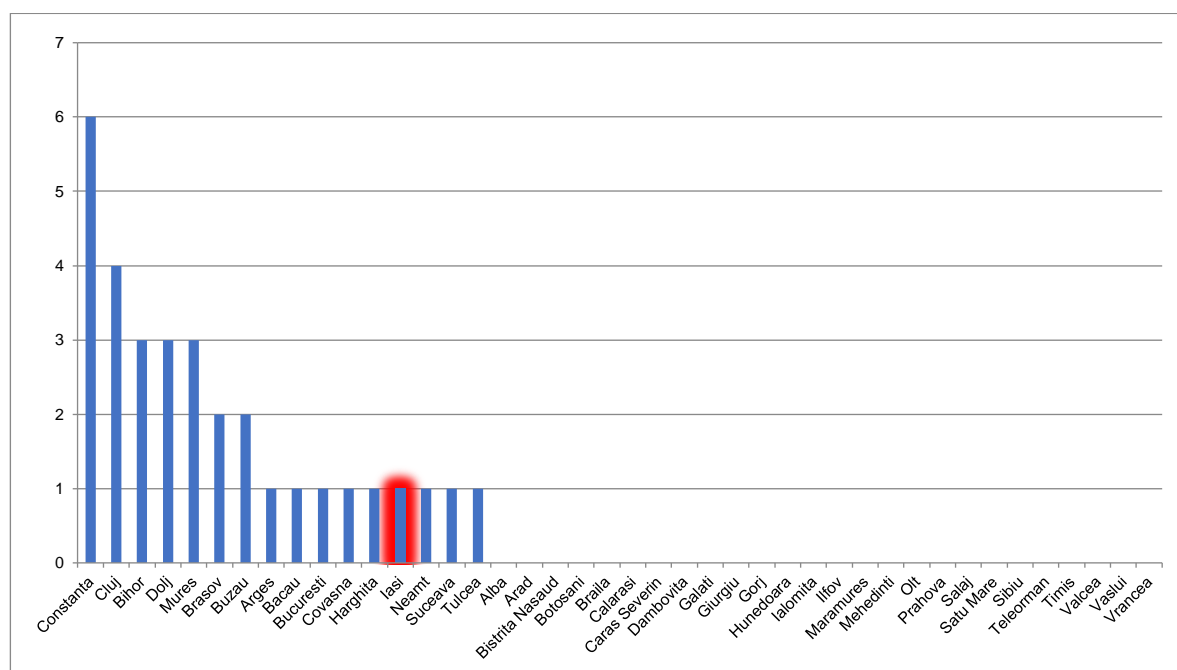
- the stakeholder territory will absorb funds amounting to € 0.486 M;
- the capacity of at least one business incubator will be developed;
- 12 SMEs will be recipients of support, of which 11 will receive non-financial support services and 1 will be a recipient of grants.

On a closer look comparing the stakeholder territory's counties with other counties in terms of the accessibility of funding, it is revealed that Iași is among the few counties in Romania succeeding to attract funds from this funding scheme.

¹ Implementation Annual Report 2018 and Ministry of Public Works, Development and Administration -2020

² Regional Development Agencies and Ministry of Public Works, Development and Administration -2020

Figure 1: Ranking of the stakeholder territory among all the counties of Romania



Source: MA for ROP, administrative data at 30.04.2020

The programme result indicators

At the project level, the funding is expected to contribute to the survival and growth of the supported start-ups. This will be reflected in the survival rate of the incubated companies, 3 years after the completion of the investment (component) and in the occupancy rate of the incubator 2 years after the completion of the project. The project in the stakeholder territory will be technically and financially completed in the next couple of months, therefore the impact of the investment cannot be measured in the present.

The projects under this scheme are currently undergoing implementation and at this stage it is too soon to make an assessment of the outcomes.

3 Case study

3.1 Project Synopsis

The case study is focused on one grant recipient who is located in the stakeholder territory, in the Iași county. This is the only business incubator which is supported through the ROP 2.1.B.

Company	TOTAL PRIM EXPERT LLC
Project title	Creative Industries HUB – Iași
Location	Iași Municipality
Project budget	Lei € 3.67 M out of which Lei € 2.33 M as non-reimbursable expenditures (the value of the state aid) with an intervention intensity of 76%, and Lei € 3.05 M eligible value.
Main results	A new business incubator dedicated to creative industries emerged as the main result of the project. The companies that will undergo incubation are currently being selected. The typology of the companies that will be incubated include the following profiles: IT, design, architecture, creative industries, planning.

3.2 Motivation

TOTAL PRIM EXPERT LLC, the grant recipient, is a company which delivers professional economic and fiscal advisory services, accounting and human resources, auditing services (European funds, financial and statutory auditing), financial and economic analysis. The company has extensive experience in European project development and implementation and a good overview of the entrepreneurial ecosystem in the NE region. The decision to apply for funding to create a business incubator in the region is based on previous work experience with companies in the creative industries sector, companies which need to be nurtured and steadily supported to reach their full potential.

3.3 Application

The incubator addresses mainly companies from the creative industries sectors such as advertising, architecture, arts and antiques, crafts, design, fashion, film, video and photography, software, games and electronic publishing, music, visual and performing arts, publishing, but also television and radio. As mentioned above, the grant recipient has previous experience with European funds as applicant, as implementing organisation, and as grant recipient.

3.4 Implementation and results

The project is currently undergoing implementation and will end on 30.06.2022. At this stage the selection process for the future hub residents is still undergoing. 11 companies will be hosted in the incubator and 30 other companies will benefit of services provided by the incubator as external participants.

The hub residents will benefit of workspaces and offices with areas between 20 and 30 m², fully equipped with furniture, laptops, printers, etc. The space is equipped with a high-speed internet connection, and hub residents have access to a meeting and conference room.

In addition to the infrastructure, resident companies will also benefit from a full range of consulting services (business planning and development, assistance for project and programme implementation, accounting and legal services such as assistance and consulting covering civil law, company and employment laws and regulations, contract drafting, entrepreneurial training services, IT and e-business assistance, mentoring services, direct coaching and managerial counselling, and also consulting for EU funding and capital). Residents receive a generous incubation package that represents support in the terms described above and which is critical in the first year of operation for a company. The package offered to the hub residents is 50% below the market price for the services included in it.

The sustainability of the project faces a couple of risks, mainly because a continued form in which to provide all the services currently included in the “incubation package” is yet to be figured out.

Tax facilities for business structures such as incubators is one way in which indirect support could continue, but this mechanism is yet to be implemented in a predictable and consistent way.