

FACTSHEET #7

The Human Capital Operational Programme (HCOP) 2014-2020 Creation of start-ups

1 Policy context

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

Entrepreneurship, job creation and other employment mechanisms, vocational and management training are domains and lines of activity which are funded from the Human Capital Operational Programme (HCOP) targeting active and aspiring entrepreneurs, including from the field of social economy and business development.

The Human Capital Operational Programme (HCOP) sets out the investment priorities, the specific objectives and actions undertaken by Romania in the field of human resources, thus continuing the investments made through the European Social Fund for the period between 2007 and 2013, and achieving the objectives proposed in the Partnership Agreement 2014-2020 to reduce the disparities in economic and social development between Romania and the EU Member States.

With planned integrated interventions in the areas of employment, social inclusion and education, the programme works as a mechanism to stimulate growth and cohesion. These can be achieved by increasing employment, encouraging entrepreneurship and the setting up of new enterprises, measures which have already been undertaken in the previous program from 2007 to 2013.

Consistency with the National Competitiveness Strategy and the National Employment Strategy 2014-2020 is ensured through the Investment Priority (IP) 8iii, targeting the increase of the critical mass of SMEs and the stimulation of individuals to start a business.

Two grant schemes have been financed through HCOP aiming to create and support the development of viable start-ups from inception (project idea) to effective implementation:

- Diaspora Start-up
- Romania Start-up Plus

The HCOP 2014-2020 is one of the national operational programmes, with € 5.10 billion ESF funds, out of which almost € 1 billion is allocated for job creation (Priority Axis “Jobs for all”, Investment Priority “Independent activities, entrepreneurship and business start-up, including innovative micro and small and medium-sized enterprises”).

This factsheet focuses on two start-up grant schemes financed through the HCOP 2014-2020.

2 Diaspora Start-up and Romania Start-up Plus

2.1 Overview – the policy in numbers

The HCOP is a national programme without regional or county allocation. Thus, all data related to stakeholders are reported only at national level.

The direct beneficiary of the programme is not a start-up but any business entity which will support several individuals through specialized courses in developing a business plan. Eventually only some of these plans are selected to receive funding for the creation of start-ups and selection is made by the business support entity. Under this programme, start-ups are the indirect beneficiaries of these preparatory actions. The direct beneficiary's goal is to create companies at national level. The following analysis concerns the NE and the SE regions.

Table 1: Implementation data Support to Diaspora Start-up and Romania Start-up Plus HCOP

Romania			Stakeholder territory			
Allocation (ESF +national) € 504.43 M	Contracted (ESF +national) € 447.9 M	No. of contracts 177	Contracted (ESF +national) € 133.81 M	% 29.87	No. of projects 56	% 31.64

Source: <https://www.fonduri-ue.ro/pocu-2014#implementare-program>

The allocation is part of the IP 8iii which includes other operations. According to the representatives of the programme, whom we managed to interview, for 2018 there is an over-contracting rate at the level of the two schemes of 40%, which, so far, have maintained an upward trend. Under these schemes 177 projects were contracted at a total value of € 447.9 M. The calls for applications under these schemes generated projects which are being implemented at regional or even trans-regional levels. Our analysis shows that in the two regions (NE and SE), only 56 projects were contracted with a total value representing about 30% of the total value of the projects contracted at national level.

2.2 Intervention logic

At the level of the programme, the high closing rate of the newly started businesses (18% in 2009 and 14.2% in 2010) manifested especially as a result of the economic crisis in 2008 and of the significant variation in business density at regional level. The latter led to the implementation of specific measures to promote business creation and self-employment as a means of stimulating local development and social cohesion. Thus, the SO 3.7 “Increasing employment by supporting non-agricultural enterprises in the urban area” has emerged, aiming to impact and trigger an increase of the critical mass of SMEs and job creation.

In order to achieve this objective, two schemes have been proposed: Diaspora Start-up and Romania Start-up Plus. Under these schemes beneficiaries can receive a “global grant” for implementing the actions dedicated to support granting (among them counselling and consulting services, training, etc.) both in the business establishment phase as well as during the perational phase.

Needs

- Increase the number of SMEs per 1000 inhabitants in Romania, which is half the EU average;
- Decrease the high rate of new businesses closure (18% in 2009 and 14.2% in 2010).

Actions

- Support provided to individuals for starting a new business;
- Support for already established SMEs (with an operating history of up to 1 year, and up to 3 years for financial instruments) to create new jobs.

Diaspora Start-up

The specific activities supported by the call are structured in the form of an “entrepreneurship scheme” which involves the completion of 3 implementation framework levels that are mandatory. The manager of the entrepreneurship scheme proposes the activities considered optimal for achieving the objectives assumed at the project level. Thus, each entity which signs a financing contract, implements the proposed project in three phases:

- Phase I - Entrepreneurial training;
- Phase II - Implementation of the business plans financed from the ESF funds;
- Phase III - Programme for monitoring the operation and development of the financed businesses.

The scheme aims to attract individuals who will be trained in business development and seeks to create an improvement in the entrepreneurial skills of at least 200 people who intend to set up a business. At least 20 business plans proposed by the representatives of the target group will be selected. Those who make it on the final list can receive a grant of maximum € 40 000 per business plan.

Eligible applicants for Diaspora Start-up scheme

In this call for proposals for projects, the applicants are the administrators of the entrepreneurship scheme, and they can be:

- authorized, public and private education providers (continuing education);
- trade unions and employers' organizations;
- members of sectoral committees and sectoral committees with legal personality;
- local public administration authorities (administrative-territorial units);
- professional associations;
- chambers of commerce and industry;
- NGOs;
- universities;
- the Ministry of Economy, Energy and Business Environment and subordinate institutions / agencies / organizations;
- any form of partnerships between the above categories.

Target Groups for Diaspora Start-up

Natural persons (unemployed, inactive, people who have a job and set up a business for the purpose of creating new jobs) who cumulatively fulfill the following conditions:

- intend to set up a non-agricultural business in an urban area;
- have their residence or domicile in rural or urban areas, in less developed regions of Romania, respectively North-East, North-West, West, South-West Oltenia, Center, South-East or South Muntenia;
- they are at least 18 years old;
- they hold Romanian citizenship;

- can provide proof of residence abroad during the last 12 months until the moment of enrollment in the target group.

Romania Start-up Plus

The specific activities supported by this call are structured in the form of an entrepreneurship scheme which involves completing 3 implementation framework levels, which are mandatory. The manager of the entrepreneurship scheme will propose the activities considered optimal for achieving the objectives assumed at the project level. The process is as follows:

- Business plans are selected;
- Support for the implementation of the business plans;
- Sustainability monitoring of the supported businesses.

The scheme aims to attract individuals who will be trained in business development and seeks to create an improvement in the entrepreneurial skills of at least 200 people who intend to set up a business. At least 20 business plans proposed by the representatives of the target group will be selected. Those who make it on the final list can receive a grant of maximum € 40 000 per business plan.

Eligible applicants for Romania Start-up Plus

In this call for project proposals, the applicants are the administrators of the entrepreneurship scheme, i.e., the Ministry of Economy, Energy and Business Environment and subordinate institutions / agencies / organizations.

Target Groups for Romania Start-up Plus

Minimum 600 non-agriculture SMEs from urban areas, with one-year old activity or less, and which cumulatively fulfill the following conditions:

- have their residence in urban areas, in less developed regions of Romania, namely in the North-East, North-West, West, South-West Oltenia, Center, South-East or South Muntenia;
- were selected for funding for the “de minimis aid” according to the methodology presented in the project;
- carry out eligible activities according to the NACE codes included in the “de minimis aid” scheme.

Expected outputs

It is expected for the programme to ensure the required support to set up the start-ups.

Output indicators

- Unemployed & inactive / employed, including self-employed persons as beneficiaries;
- Supported micro and small and medium-sized enterprises.

Expected results (defined at the sector level) as

- increased number of SMEs;
- increased survival rate of SMEs;
- jobs created.

Result indicator

- the number of jobs created or maintained as a result of the support received by the unemployed & inactive / employed 6 months after the end of the support;
- the number of SMEs created and which are operational 6 months after the end of the support;
- the number of jobs created and maintained by the SMEs 6 months after the end of the support.

2.3 Results achieved in the region and in the stakeholder territory

The financing granted through the HCOP supported the establishment of over 8,700 Romanian start-ups in the current programming period (2014-2020).

Table 1: Outputs' achievements

No.	Programme indicators	National Target value (2023)	Acheived in the NE and SE regions		Acheived in the stakehodler teritory	
			No.	%	No.	%
1	SMEs created and operational 6 months after the end of support	2147	2.248	104.7	879	40.95

Source: Ministry of European Funds, august 2019

Access to funding in the stakeholder territory

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

The aggregated data at programme level in august 2019 reveals that:

- 56 projects were contracted for funding in the stakeholders territory;
- a total value € 133.81 M was requested by the 56 applicants and the 879 start-ups created;
- the projects will be implemented at national level (not regional or county levels);
- the projects are submitted by the administrators of the "global grant" scheme.

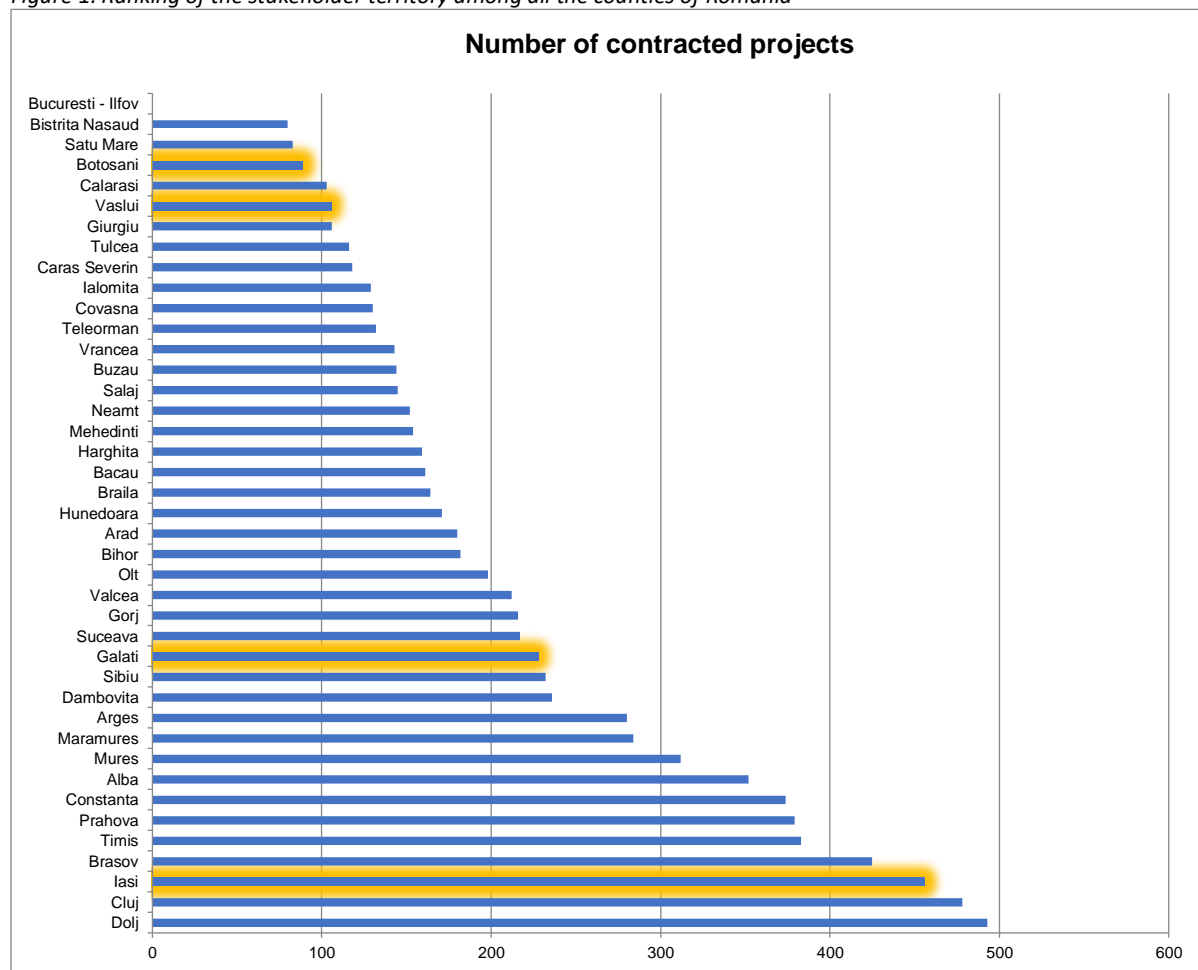
The analysis at the level of the year 2019 reveals that 2248 start-ups were supported in the two regions out of the 8 715 companies that received support at national level, and which represents 25.80%. At the national level, 2 475 jobs were created out of the 17 430 job proposals registered.

In the SE region, most start-ups operate in the field of recreational and entertainment activities, vehicle maintenance and photography. In the NE region, the areas are mostly the same: recreational and fun activities, hairdressing, vehicle maintenance.

At the level of the stakeholder territory 879 start-ups were create through the 56 projects, which represents 10% of the total number of start-ups created at national level.

Comparison with other counties' accessibility of funding

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



Source: Ministry of European Funds, august 2019

Iasi county ranks among the top three in the hierarchy of counties in Romania where most companies were set up. 456 companies in Iasi compared to Dolj (497) and Cluj (478). Among the last five are Botosani with 89 companies created and Vaslui with 106. Galați County is in the first half of the ranking with 228 companies created.

The programme result indicators

The projects under this scheme are currently being implemented and it is too soon to assess the outcomes. However, according to the data presented to the Monitoring Committee for approval of the Annual Implementation Report 2018, the results for 2018 were zero.

3 Case study

A multiple case study was selected for analysis. It covers four projects which are implemented by a group of organisations in the stakeholder territory. All these organisation aim to support start-ups which can be financed from the ESF programmes.

The consortium implemented 4 projects within HCOP - Diaspora Start-up and Romania Start-up Plus schemes, worth € 8.97 M. In all 4 projects, 1 120 individuals participated in training and initiation courses

with a view to draft the business plans. Only 24% (272 business plans) of the submitted applications received funding. The final target of the contracted projects was adjusted to 131 funded start-ups. Of these, 3 have been cancelled.

Table 3: Case study projects - implementation data

Name of project	Total Budget	No. of participation	No. of Business Plans application	No. of financial start-ups	No. of finalized start-ups
Start Up Smart	1 669 833.33	400	80	42	42
Start Up Smart 2.0	2 144 980	350	120	42	42
Diaspora Invest	1 832 937.29	250	50	27	27
Integrated development in Cudalbi, Galați County	3 323 545.83	120	22	20	17
TOTAL	8 971 296.46	1,120	272	131	128

Source: Employers' Association of Young Entrepreneurs

The “Start Up Smart” project represents only 19% of the total value, although it is a rather large project, which supported 400 individuals and 42 business plans. De facto, of these only 20% applied for a grant and only 52% implemented their proposed business plan. The economic activities supported included: the manufacturing of clothing / apparel, of non-metallic mineral products, computer programming, consultancy and related advisory activities, human health, sport activities, and amusement and recreation activities.

The “Start Up Smart 2.0” project represents 24% of the total value of the projects implemented by the partnership. 350 individuals were supported to develop entrepreneurial competences and 34.29% of them applied for a grant. The rate of rejection was high, 65%, and the final selection included only those business plans which could prove achievable and sustainable impact. The economic activities supported included: the manufacturing of food products and apparel, architecture and engineering activities; technical testing and analysis, and other professional, scientific and technical and educational activities.

The “Diaspora Invest” project was submitted by a partnership between the "Smart Development Center" Association, the “Young Entrepreneurs Employers' Association” from the SE region, the “League of the Romanian Students Abroad” was submitted the Diaspora Invest. The project represents 20% of the total value with € 1.83 M. 250 Romanian citizens with foreign residence participated in entrepreneurial training and only 20% of them applied for financing. Out of the 50 business plans submitted, only 24% were accepted and effectively implemented.

The “Integrated development in Cudalbi, Galați County” project is the largest with a total value of € 3.32 M, representing 37% of the total value of the four projects. The implementing entity is a consortium between the "Smart Development Center", the Cudalbi Commune, the Technological High School no. 1 in Cudalbi and the “Young Entrepreneurs Employers' Association” from the SE region. 120 people participated in entrepreneurial training and 22 business plans were elaborated and submitted. Out of these 20 projects were financed and 17 implemented.