

## **THE PERSPECTIVE OF ROMANIAN ENTREPRENEURS ON THE EUROPEAN ADHERENCE AND ON EUROPEAN STRUCTURAL FUNDS – MULTI-YEAR ANALYSIS BETWEEN 2012 AND 2016**

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### **ABSTRACT**

*The adherence of Romania to the European Union in 2007 was and remains a great opportunity for the development of this country, from an economic, social and cultural perspective. On the other hand, the responsibilities of this action involved aligning to the standards of the European Union, the ultimate goal being the diminishing of the economic and social discrepancies between Romania and other member states. The role of entrepreneurs is decisive as they are considered by many experts to be the backbone of any modern economy. Based on these facts, this paper aims at establishing the perspective of Romanian entrepreneurs in terms of the adherence to the European Union on four major terms, a major focus within the research being placed on the availability of financial non-refundable assistance, offered to entrepreneurs from European structural funds. The results of the research highlight the need of a significantly better public management of these funds, as the trust of Romanian entrepreneurs in this type of financing their activities is decreasing in an alarming manner.*

**KEYWORDS:** *European funds, SMEs, program management.*

**JEL CLASSIFICATION:** *F15, F53, F63, L26, O19.*

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### **1. INTRODUCTION**

The research presented within this article aims to highlight the perspective of entrepreneurs from Romania on the process of adherence to the European Union and on the benefits and intentions in regards of the available European structural development funds. The analysis has been carried in dynamic, taking into account a period of five year (from 2012 to 2016).

We believe that the topic of research is of interest due to the high number of discussions in regards of the efficiency and effectiveness of the structural funds that Romanian entrepreneurs can benefit from. The relatively low rate of absorption in the 2007-2013 period, the first that Romania benefitted from, is possibly the best final indicator one can evaluate in order to assess how the whole system of management of EU funds has functioned in that certain period. By the 31<sup>st</sup> of May 2016, Romanian authorities have declared to the European Commission only 69,20% of the total budget that was allocated for Romania between 2007 and 2013, on different programmes (Ministry of European Funds from Romania, 2016). By comparison, according to the website of the European Commission (2016), Poland has registered an absorption rate of over 95%, while Bulgaria has a rate of approximately 91% and Greece has one of the highest European absorption rates (99,5%). This differences have frequently attracted critics from different entities that benefit from this type of funds, from the general media and from multiple voices on European level.

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Out of all of the stakeholders involved in the system of EU funds in Romania, we have decided to analyse the perspectives and intentions of entrepreneurs that activate within small and medium-sized enterprises. Their role in the Romanian economy is decisive and, thus, their feedback on the subject at hand is invaluable for any measures that might be taken by public authorities in order to create a more effective and efficient system of managing the absorption of EU funds in Romania, in general, and in Romanian SMEs, in particular.

## 2. THEORETICAL BACKGROUND OF THE RESEARCH

The conception of the European Union was based on the will and need of neighbouring countries within Europe to overpass the events and the human and material casualties that the Second World War determined, in order to assure a better, common future. The moment that can be considered the start of the European Union took place on the 9<sup>th</sup> of May 1950, when the French ministry of external affairs, Robert Schuman, presented a plan that aimed at creating a European community dedicated to the management of two essential resources: coal and steel. This vision became a reality the following year, when Germany, France, Italy, Belgium, Luxembourg and the Netherlands created, through the Paris treaty, the European Coal and Steel Community.

Another significant moment in the history of the European Union, from the perspective of the current research, was the signing of the Rome treaties in 1957 and their application in the following years. The European Economic Commission was thus created, but, more importantly, the first European fund was created – the European Social Fund (ESF), a fund that aimed and aims at developing the human resources within the member states of the EU, through multiple integrated actions, among which the assistance for entrepreneurship is included.

The latter history of the European Commission saw the signing and application of multiple other treaties – these actions resulted in the creation of a monetary union at European level, the recurring development of the single European market and the enlargement of the Union to a number of 28 member states (valid, as of 2016). There are multiple European institutions that have impact on the means in which European funds are allocated, managed and used within member states, among the most important are the European Commission and the European Court of Auditors.

In terms of the history and evolution of non-refundable financial assistance funds, the first formal act that instated a management system for this type of funds was promulgated in the United Kingdom, in 1929, under the form of the *Colonial Development Law* (Droj, 2013).

The basic mechanism under which these funds function involves a transfer of resources (most commonly, financial resources) from donor states or organizations to receiver states or other forms of organizations, under a series of obligations and responsibilities from the latter. Over the past seven or eight decades, multiple national and international bodies have offered this type of support, in order to assure the development of a certain type of domain within the receiver. A turning point in the way in which these funds are managed was the moment in which the European Union started implementing its strategies through non-refundable financial assistance, based on a transfer from the more developed regions it included to the less developed ones.

The Romanian experience in terms of European non-refundable funds started before the actual adherence to the European Union and saw the implementation of multiple pre-adhesion funds (PHARE, SAPARD and ISPA). After the official adherence to the EU, on the 1<sup>st</sup> of January 2007, Romania would benefit from almost 20 billion Euros from that date to the end of 2015 (Ministry of European Funds from Romania, 2016). In the period between 2014 and 2020, even though the low performance the previous period, the budget allocation is significantly higher, rising to almost 31 billion Euros, ranking Romania fourth among European states from this perspective (European Commission, 2016).

From the perspective of entrepreneurs, European funds could be used in the past and will be used in this financing period for the start and development of businesses through multiple measures within

different operational programmes, as agreed by the Romanian authorities with the representatives of the European Commission (Ministry of European Funds from Romania, 2014). One of the most significant pair of programmes is POSCCE 2007-2013 and POC 2014-2020, through which entrepreneurs could and can receive financing for sustaining their innovation processes and in order to assure a proper IT&C infrastructure within the businesses. Multiple programmes sustain the acquisition of tangible and intangible assets in order to assure a sustainable development of SMEs. In addition to these, a series of financing actions act in order to assure seed capital for start-ups, alongside actions aimed at the development of the entrepreneurs themselves and their staff. On the other hand, there are a series of limitations in terms of the eligibility of the beneficiary and of the type of costs that can be financed through these actions, one of the major restrictions referring to a limited budget allocation for the Bucharest-Ilfov region. Concluding, the variety of financing measures and actions is high and can serve numerous new and experienced entrepreneurs from Romania to achieve their business goals. Taking into account this perspective, the research will be aimed at four interesting areas: the general perception in terms of the adherence to the EU, the level of information in regards of new regulations and responsibilities, the benefits of the adherence to the EU and the intention of Romanian entrepreneurs to access structural funds.

### **3. RESEARCH OBJECTIVES, HYPOTHESIS AND METHODOLOGY**

The scope of this research was to illustrate the main perspectives and opinions of Romanian entrepreneurs in regards of the adhesion to the European Union and of the structural funds that are available to this adhesion. More concretely, the research, as mentioned before, looked at four areas that are directly linked to the main goal: the general perception in terms of the adherence to the EU, the level of information in regards of new regulations, the main benefits of the adherence to the EU and the intention of Romanian entrepreneurs to access structural funds in the future.

For each of the four areas of analysis, we have set a research hypothesis, as presented in this paragraph. In terms of the adherence to the EU, we assume that this process gains year after year a better perspective from Romanian entrepreneurs (it is seen as a major opportunity by more and more entrepreneurs). In regards of the level of information within Romanian SMEs, we assume that the average level of information is rising year after year, taking into account the actions that are implemented by public authorities in this area. Next, we assume that the most important benefit of the adherence to the EU for Romanian entrepreneurs is the access to structural funds, needed for their development. Finally, as a complementary hypothesis to the one presented before, we assume the fact that the interest of accessing structural funds in the future is rising from year to year within Romanian enterprises.

The methodology of the research involved a secondary research, carried out on data from the White Charter of Romanian SMEs, a yearly analysis made by the National Council of Small and Medium Sized Private Enterprises from Romania, in collaboration with other relevant institutions in this domain of research. The technique of research used in the primary research is the questionnaire.

The data involved in the current research was gathered from five editions of the White Charter of Romanian SMEs – in each of the editions, the number of entrepreneurs that responded was of over one thousand, the exact numbers being: 1.716 entrepreneurs in 2012, 1.858 entrepreneurs in 2013, 1.569 entrepreneurs in 2014, 1.375 entrepreneurs in 2015 and 1.096 entrepreneurs in 2016. Thus, we consider that the significance of the research is assured from a scientific perspective and that the responses and conclusions that are generated are relevant for the whole population of entrepreneurs in Romania.

Another fact that supports this statement is the correct distribution of the research sample, from a statistical perspective, taking into account multiple criteria: age of the company, location within the development regions of Romania, size of the company, type of the company, domain of activity, level of studies of the entrepreneur.

## 4. RESULTS

### 4.1. General perceptions upon the adherence of Romania to the European Union

The first area to be analysed within the current research refers to the general perception of Romanian entrepreneurs in regards of Romania's adherence to the European Union, which formally took place in 2007. The treaty for the adherence of Romania was signed in 2005 and in the period between 2005 and 2007, the country benefited from a series of pre-adherence support measures. Among these, the most significant taking into account the theme of this article refers to the availability of certain pre-adherence funds, funds that aimed at diminishing the economic and social differences between the older members and the new member states.

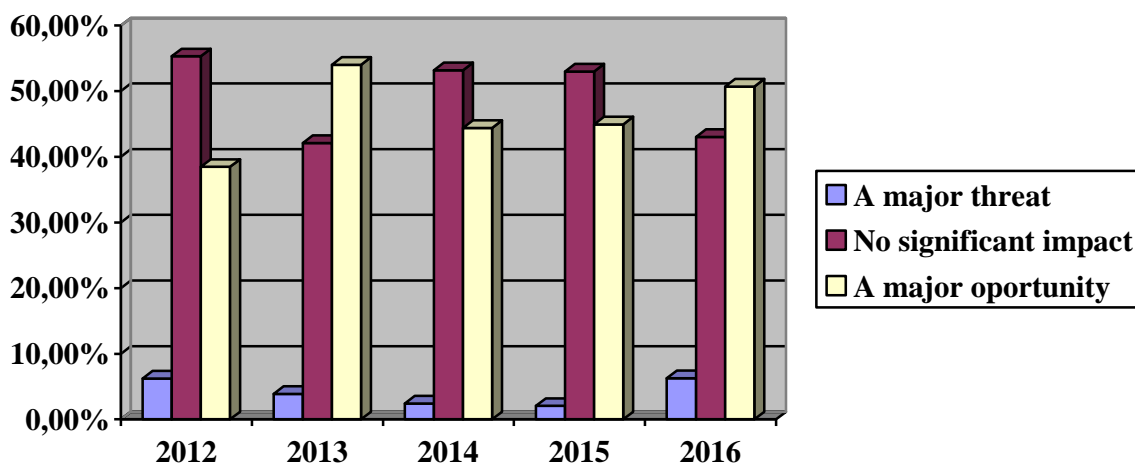
The table and the figure below present the evolution of the perception of Romania's adherence to the EU, taking into account the responses that entrepreneurs offered between 2012 and 2016.

**Table 1. General perception upon Romania's adherence to the European Union**

The adherence to the EU is considered:	A major opportunity	A major threat	With no significant impact
2012	38,46%	6,23%	55,31%
2013	54,00%	3,90%	42,10%
2014	44,39%	2,43%	53,17%
2015	44,93%	2,07%	53,00%
2016	50,69%	6,27%	43,04%

*Source: own conception.*

One can see that, in the period of analysis, there was been a positive development of the general view of Romania's adherence to the European Union. The percentage of entrepreneurs that consider this adherence a major opportunity has developed from 38,46% in 2012 to 50,69% in 2016, with another significant peak in 2013 (54,00%), a year that was characterised by a high rate of project call launches. These projects were aimed at social measures, but also at developing Romanian companies through direct investments and offering support in research and development.



**Figure 1. General perspective of Romanian entrepreneurs in regards of the adherence to the European Union – 2012-2016 analysis**

*Source: own conception*

Another interesting evolution that is reflected within this area is the one related the potential treats that this adherence involves. In 2012, 6,23% of entrepreneurs considered that Romania’s adherence was a major threat to their activity and results. The following three years are characterised by lower percentages of entrepreneurs that were in alignment with this perspective. However, in 2016, this percentage rose to 6,27%, highlighting a potential fear of Romanian entrepreneurs in regards of the recurring effects of the adherence. This year can be characterised by a relatively slower rate of project calls launching – thus, the opportunities for development of Romanian companies are lower. In addition to this, the general European context can cause a certain reluctance to the future evolutions, especially due to the Brexit discussions (Wheeler, B., Hunt, A., 2016).

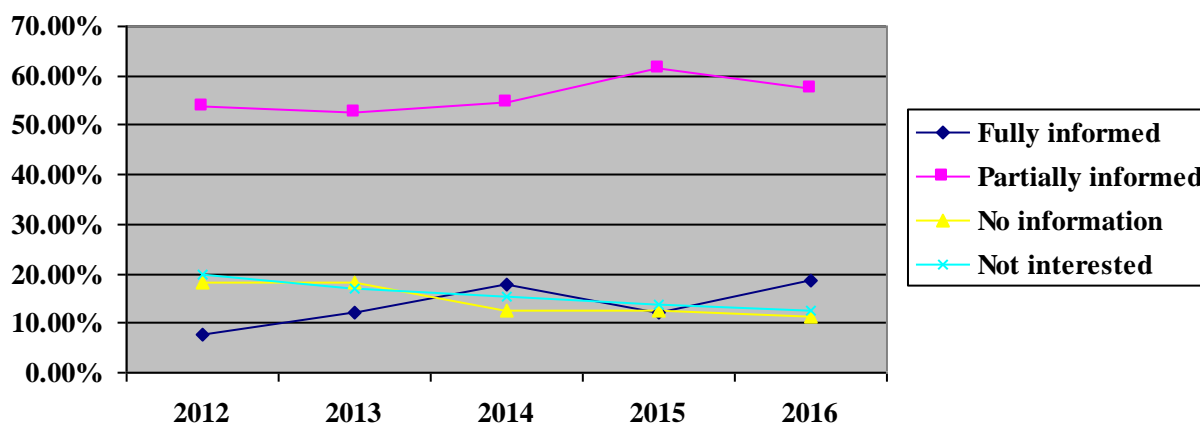
**4.2. The level of information within Romanian enterprises in regards of new regulations**

The next analysis refers to the level of information that Romanian entrepreneurs have in regards to the new regulations that Romania’s adherence is linked with. The alignment with the European strategies and policies has historically involved a rise in terms of bureaucracy and administrative-related activities. In addition to this, hundreds of normative acts have come into force, taking into account the responsibility of Romania, as a member state, to obey to the general European laws and regulations. A significant part of these acts and other legislative documents regulate the obligations falling under entrepreneurs’ responsibilities (in the fields of competition, consumers’ protection, work relations, labor security, labor health, environmental protection and other such domains). Thus, we have considered this area to be important to our research. The results are presented below, within table 2 and figure 2.

**Table 2. Level of information in regards of new regulations imposed by the European Union**

Year	Fully informed	Partially informed	No information	Not interested
2012	7,87%	53,85%	18,27%	20,01%
2013	12,13%	52,73%	18,08%	17,06%
2014	17,72%	54,45%	12,50%	15,33%
2015	12,23%	61,61%	12,38%	13,78%
2016	18,50%	57,54%	11,29%	12,67%

Source: own conception.



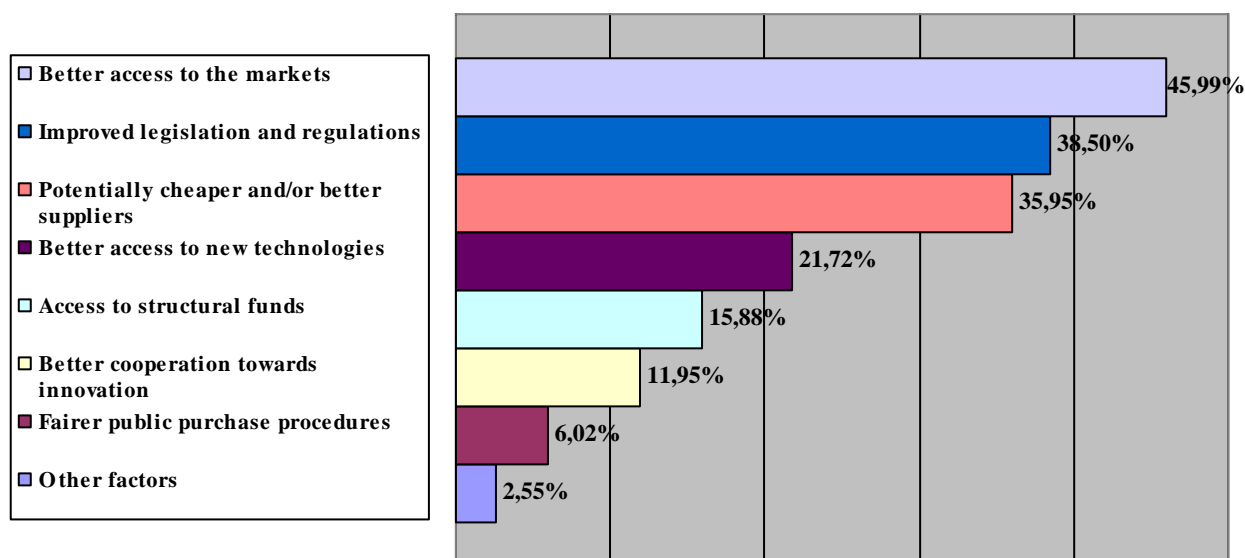
**Figure 2. Evolution of the level of information of Romanian entrepreneurs in regards of new European regulations – 2012-2016 analysis**

Source: own conception.

An obvious positive evolution can be highlighted within this area of research. The percentage of entrepreneurs that consider themselves fully informed in regards of what the adherence to the European Union means from their perspective has risen from 7,87% in 2012 to 18,50% in 2016, another significant peak being registered in 2014 (17,72%). Complementary to this evolution, the percentage of entrepreneurs that considered their information level to be null has profoundly decreased from 18,27% in 2012 to 11,29% in 2016. Still, this percentage is alarmingly high, especially when taking into account the risks that the entrepreneurs face in this area – not complying with regulations might lead to different forms of punishment.

### 4.3. The positive effects of the adherence to the European Union

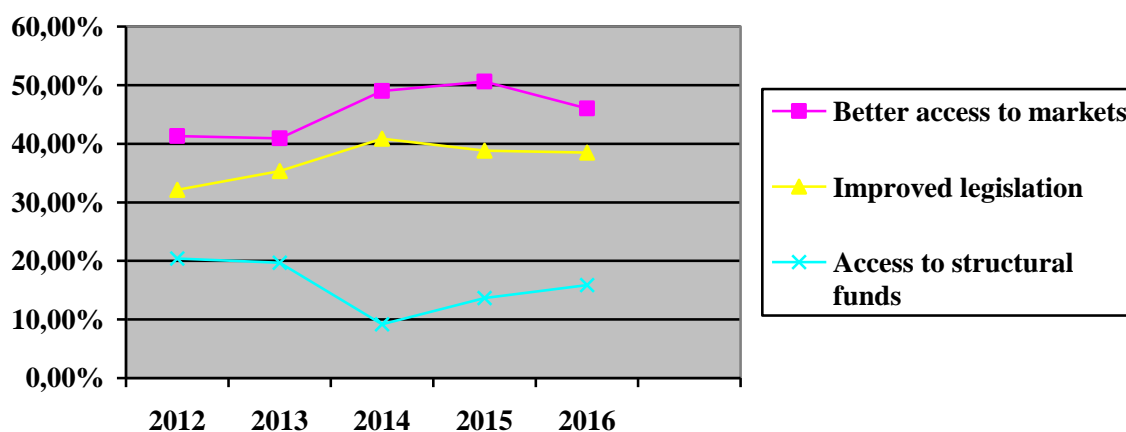
The next area of analysis highlights the most significant positive effects of the adherence of Romania to the European Union, taking into account the opinions of entrepreneurs. Figure 3 presents the most significant benefits in 2016: better access to markets is considered to be a positive effect by most of the entrepreneurs that were involved in the research (45,99%). This effect is followed by the improved legislation (selected by 38,50%), the access to structural funds being selected as a positive effect of the adherence by only 15,88% in 2016.



**Figure 3. The most significant positive effects of the adherence to the European Union (2016)**

*Source: 2016 White Charter of Romanian SMEs.*

The following figure highlights the evolution between 2012 and 2016 of the three major positive effects presented before – better access to markets, improved legislation, access to structural funds. The most interesting evolution between 2012 and 2016 is, from our perspective, the evolution of perception in terms of the access to structural funds. In 2012 and 2013, access to structural was considered a significant positive effect of the adherence by 20,40% and 19,71% of entrepreneurs, respectively. The year 2014 saw a major downfall in terms of the effect, as under 10% of the entrepreneurs questioned considered it to be a positive effect of Romania’s adherence to the EU. The next two years saw an increase of this percentage, to 13,67% in 2015 and to 15,88% in 2016. From our perspective, this evolution can be justified by the opinion of entrepreneurs which implies the fact that the process of accessing funds is influenced by certain stakeholders and the results are not always fair. Some entrepreneurs might have tried to access funds for development in earlier years, but their attempts were not successful, one of the reasons being the lack of a correct and transparent evaluation process.



**Figure 4. The most significant positive effects of the adherence to the European Union – multi-year analysis between 2012 and 2016**

*Source: own conception*

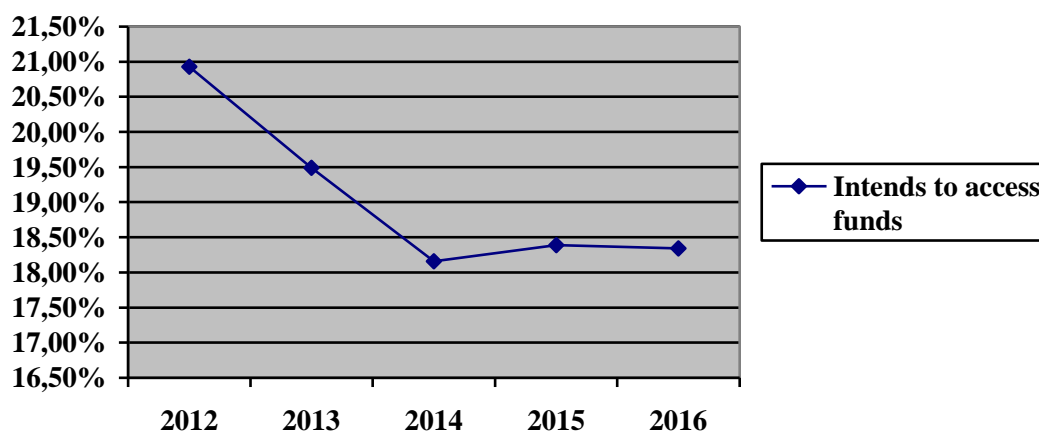
#### 4.4. Intentions to access structural funds

The analysis carried out within this article refers to the future intentions of entrepreneur to access structural funds in the immediate future. This analysis was carried out taking into account the data I table 3, that was graphically illustrated in figure 5.

**Table 3. Intentions to access structural funds in the following year**

Year	Intends to access structural funds	Does not intend to access structural funds
2012	20,93%	79,07%
2013	19,49%	80,51%
2014	18,16%	81,84%
2015	18,39%	81,61%
2016	18,34%	81,66%

*Source: own conception.*



**Figure 5. Evolution of the intention to access structural funds – 2012-2016 analysis**

*Source: own conception.*

The evolution of this indicator highlights a low general level, but also a downfall of the interest of entrepreneurs in this type of financing. In 2012, over 20% of entrepreneurs were interested in accessing funds, while two years later this indicator dropped to 18,16%, being thereafter relatively constant. This evolution confirms the results that were gathered in the previous area of analysis and highly sustains the fact that there is a general lack of trust and reliability in the governmental system that manages these funds in Romania. Another issue to sustain this lack of trust is the fact that the system is characterised by a low predictability – concretely, projects that were written in a legal context might be implemented and evaluated under another legal context. Thus, the difficulty in implementation is higher and there are greater chances for a project to lack effectiveness and efficiency for the company.

## 5. CONCLUSIONS

Entrepreneurs and their businesses are essential within any modern economic system, including in the economic system of Romania. A very important moment for the existence and for the development of small and medium-sized enterprises in Romania was the adherence of the country to the European Union in 2007. Basically, every aspect of running a business in Romania was influenced by this governmental and politic decision – from the better access to new and more developed markets to new regulations in terms of work force assurance and other similar effects.

The current research aimed at highlighting the most significant opinions of Romanian entrepreneurs in terms of the different sides that the adherence to the European Union involved. The general perspective of entrepreneurs is currently a positive one, as more than half of the entrepreneurs that were involved in the 2016 research considered the adherence as a major opportunity for their business and their perspectives. In addition to this result, the dynamic analysis highlights a positive trend, as the percentage of entrepreneurs that have considered the adherence a major opportunity is rising year after year. Thus, the hypothesis assumed within this area of research is confirmed.

One motivation for this evolution was presented within another area of the current research. The adherence is considered a major opportunity for a large number of entrepreneurs due to the fact that this process is associated with the better access to markets (45,99% of entrepreneurs in 2016). The adherence to the EU involves, as almost all European leaders envisioned and envision, the creation of the single market within the member states. This dissertate involves a decrease in terms of the costs that Romanian entrepreneurs have due cover when offering products or services within the markets of other states. In addition to this aspect, the enlargement of the potential market of a company implies to a certain extent the development of its sales and an improvement in terms of financial results.

Another reason behind the positive perspective upon the adherence to the European Union, but with a smaller number of supporters within Romanian entrepreneurs, is the availability of structural funds, financed and sustained from European sources. 15,88% of entrepreneurs have considered structural funds to be a significant positive effect of the adherence, but the trend related to this effect is negative and is supported by the decreasing percentage of entrepreneurs interested in accessing this type of financing in the near future. Thus, the third assumed hypothesis is partially confirmed, while the final hypothesis is not confirmed.

Finally, taking into account the analysis period of time, we can state that the average level of information in regards of new regulations has a rising trend. Thus, the second research hypothesis is confirmed, but further actions are needed in order to assure an even better level of information.

Based on all of the above, we consider that the perspective of Romanian entrepreneurs is relevant and must be rapidly taken into account by the managing authorities of structural funds in Romania. Project calls dedicated to the development of Romanian SMEs are decisive for the whole economy, including the public subsystem. Assuring financing for the acquisition of assets, for research and



development processes, for the training processes of employees and other similar measures is decisive for the present and future of SMEs. Presently (June 2016), the best action that managing authorities must undertake is to launch as many project calls as possible and to assure a fast, but transparent and correct evaluation process. This can and should involve external evaluators, but these evaluators must not be biased in their work. Aside from the companies that would benefit from these funds, the state budget would also highly benefit from a faster launch of European funds, as the Romanian co-financing to these financial schemes is lower than the amount of taxes generated by projects in their implementation period and after.

Taking into account the last idea explained above, the perspectives of development for the current research might look into the real economic impact that the delays in the launching and contracting processes of the 2014-2020 European funds have had and currently have. Another potential line of research, complementary to the current one, might look at the negative aspects that the adherence to the European Union has had on the activity of Romanian entrepreneurs. Aside these research perspectives, we look forward to receiving feedback on the current research, in order to assure a higher significance of the results and, implicitly, of the applicability of recommendations.

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