

## THE SOCIAL ECONOMY IN ROMANIA AND THE IMPACT OF NON-REIMBURSABLE EUROPEAN FUNDS OVER THIS SECTOR

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### **Abstract**

*The objective of this paper is to present the situation of the social economy in Romania. Through this work, we want to emphasize the role that non-reimbursable European funds have in the development of the social economy in Romania, by making a comparison between the state of social economy before the funding period of 2007 to 2013, the state of social economy after the funding period of 2007 to 2013, the difference been made by the results of the European funding for this section. It is based on the annual reports provided by Ministry of European Funds for Sectoral Operational Programme Human Resources Development 2007-2013, along with recent publications presenting the investigated topic. For the funding period of 2007 to 2013, the data have been processed into the following indicators: social economy structures created, people qualified or requalified in programs for vulnerable groups and the number of jobs created. After the implementation period of 2007 to 2013, the social economy sector has been improved by the foundation of approximately 1,400 social economy structures, by the qualification or requalification of over 130,000 vulnerable people and by creating over 12,000 jobs in the founded structures. As a conclusion, we consider that after the funding period of 2007 to 2013, the significant steps have been made, but the improvements still need to be made in approaching the people belonging to vulnerable groups, helping them fill the gaps that separate them from the majority population in terms of education, work culture and skills required on the labour market.*

**Key words:** social economy sector, non-reimbursable european funds, Romania

### **INTRODUCTION**

Social economy has been given many definitions over time. But regardless of the definition given to the concept of social economy, the main purpose of "the third sector of the economy" is the same: delivering new opportunities to people in disadvantaged groups and investing profits in social purposes. In recent years, Romania joined the EU countries by developing the tendency towards social economy, which has developed here in a diversity of types of organisations and domains.

Since 2015 there is a law dedicated to the social economy, Law no. 219/2015, whose rules have been approved by GD 585/2016, which provides for a system of certification of enterprises operating in this sector, as social enterprises.

According to this law, the social economy is: „the assembly of independently organised activities in the public sector, whose purpose

is to serve the general interest, the interests of a colectivity and / or personal non-patrimonial interests by increasing employment of persons belonging to the vulnerable groups and /or production and supply of goods, services and / or works to those people” (Law no. 219/2015 – Social Economy Law)

Social enterprises can be a solution to solve social and economic deficiencies, based on the following considerations:

- They are structures that allow and encourage hiring mostly vulnerable people;
- They undertake actions that have as their goal the development of skills in various trades through training courses for vulnerable people;
- They reinvigorate traditional crafts, because each social company is created based on the specific cultural potential of the area where it is established;
- They develop the local economy, using community resources and contributing to lower unemployment.

Through this work, we want to emphasize the role that non-reimbursable European funds have in the development of the social economy in Romania, by making a comparison between the state of social economy before the funding period of 2007 to 2013, the state of social economy after the funding period of 2007 to 2013, the difference been made by the results of the European funding for this section.

## MATERIALS AND METHODS

In order to characterize the sector of social economy, we have analysed the period 1990-2010 and the results after the funding period of 2007 to 2013. The data was collected from annual reports provided by Ministry of European Funds for Sectoral Operational Programme Human Resources Development 2007-2013, along with recent publications presenting the investigated topic.

## RESULTS AND DISCUSSIONS

Before 2015, the year of the promulgation of the law of social economy, without a stable legal framework for enterprises in the sector, organizations were grouped according to the socio-economic characteristics and criteria formulated by Charter of Social Economy (1985) and Charter of Principles of the Social Economy (2002)(MMFPS, 2010)

Thus, in Romania the most recognized types of social economy entities were: cooperative societies, associations and foundations and credit unions. (MMFPS, 2010)

Table 1. Evolution of cooperative societies in the period 2000-2010

	2000	2005	2007	2009	2010
Crafts cooperatives	800	771	799	788	857
Consumer cooperatives	874	941	927	894	958
Credit cooperatives	191	132	93	65	75

Source: The Ministry of labour family social protection and elderly Romania

According to the Romanian National Institute of Statistics, in 2010 there were 2.017 cooperative societies, of which 857 there were crafts cooperatives, 958 consumer cooperatives and 75 credit cooperatives.

As can be seen from the table above, crafts cooperatives and consumer cooperatives were the dominant forms of cooperatives.

Nongovernmental organizations, the most common subdivision of this category in 2010 represented the most developed sector of the social economy.

Table 2. Evolution of associations and foundations in the period 2000-2010

	2000	2005	2007	2009	2010
Associations and foundations registerd (NGO register)	36,160	49,038	56,832	64,197	62,680
Active Associations (INS)	10,494	16,532	19,340	22,589	26,322
NGO with economical activity	1,219	2,446	3,116	2,404	2,730

Source: The Ministry of labour family social protection and elderly Romania

Most of NGOs were working in urban areas and only around 20% were active in rural areas. In rural areas, the most common forms of associations and foundations were represented by agricultural associations and mutual societies. As shown in the table below, they represented approximately 10% of the associations and foundations in Romania, but they were generating 30% of the total income of the branch.

Table 3. Evolution of agricultural associations and mutual societies in the period 2000-2010

	2000	2005	2007	2009	2010
Number of agricultural associations, of wich:	148	576	874	1,293	1,620
% of agricultural associations in rural areas	29.1%	51.4%	58.7%	64.2%	65.7%
Number of mutual societies, of wich:	40	597	726	969	1.106
% of mutual societies in rural areas	80.00%	85.9%	81.7%	83.1%	83.2%

Source: The Ministry of labour family social protection and elderly Romania

In 2010, in Romania there were two types of credit unions: Credit unions for pensioners (CARP) and credit unions for employees (CARS).

Since Romania joined the European Union, the social economy is supported for being a key area of intervention for the Sectorial Operational Program Human Resources Development.

Table 4. Evolution of credit unions in the period 2000-2010

	2000	2005	2007	2009	2010
Number of CARS	247	527	657	703	684
Number of CARP	133	170	186	193	203

Source: The Ministry of labour family social protection and elderly Romania

The priorities for the vulnerable categories are mostly included in the priority axis 6, *Social Inclusion Promotion*, which has as main objective facilitating the access to employment for vulnerable groups and promoting a cohesive and inclusive society in order to ensure the welfare of all citizens. The major areas of intervention are:

- Social economy development;
- Improving the access and participation to education for the vulnerable groups;
- Promoting equals opportunities on the labor market;
- Transnational initiatives for the work global market;

According to National Development Plan 2007 – 2013, the social economy is seen as a tool to boost the labor market participation for the vulnerable groups. In order to achieve the specific objective „Promoting the social inclusion” it is necessary to develop and strengthen the social economy as a way of increasing the employability of vulnerable groups by ensuring equal opportunities regarding integration and maintenance in the labor market.

The SOP HDR annual implementation report for the year 2014 shows that, until 2014 were created over 346 social economy structures, 51,069 people have participated in qualification or requalification programs for vulnerable groups, including 5,230 Roma ethnics, 3,846 people with disabilities and 731 young people who left the state child protection system. Also, there were created 12,377 jobs in the structures of social economy that were founded.

As it can be seen in the table above, the „Number of social economy structures created” indicator shows a stagnation compared to 2013, given the fact that since 2011, for KAI 6.1 - "Developing social economy" have not been released any calls for proposals.

Table 5. Evolution of the structures of social economy (SSEs) founded thru SOP HDR 6.1 in the period of 2007 to 2013

Number of SSEs founded	2007	2008	2009	2010	2011	2012	2013	2014
Achieved	0	0	11	73	144	261	346	346
Target	-	92	190	310	450	605	770	830

Source: Ministry of European Funds, AIR SOP HDR 2014

Given the target for the year 2015 (830) and the value realized by the end of 2014 (340), in order to ensure the projected values, large enough to provide a guarantee to achieve the target set at the operational program level, during 2014 two call for proposals for strategic and grant projects were launched for this area of intervention, with a total financial allocation of 200 million Euros, within which 275 financing contracts were signed until 31 December 2014. Based on these financing contracts, the beneficiaries have assumed the foundation of 1,392 structures of social economy, which were expected to create 7,941 jobs.

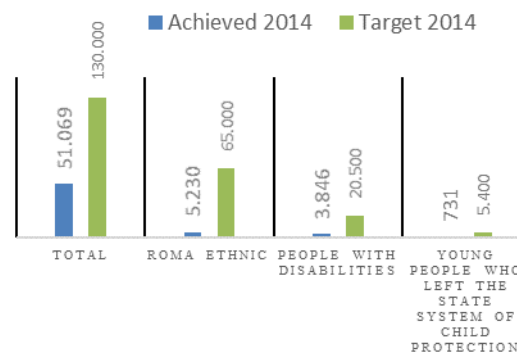


Fig. 1. The level of achievement of the indicator: people qualified or requalified in programs for vulnerable groups, at the end of the period 2007 to 2013

(Source: Data processed by authors based on AIR SOP HDR, 2014)

The main categories of vulnerable persons who have participated in qualification or requalification programs are represented by Roma ethnic, people with disabilities and young people who left the state child protection system.

One of the most important results of the projects implemented within the Programme Human Resources Development 2007-2013, KAI 6.1 - "Developing social economy", is

the number jobs created in the social economy structures created.

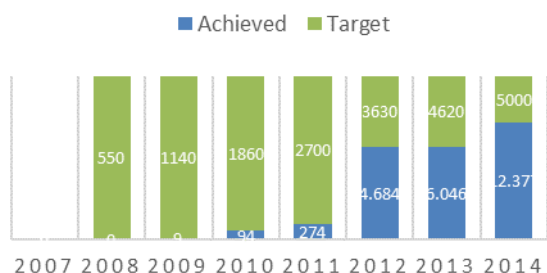


Fig. 2. The level of achievement of the indicator: No of jobs created, at the end of the period 2007 to 2013 (Source: Data processed by authors based on AIR SOP HDR, 2014)

It may be noted that at the end of 2014 progress were made regarding the achievement of the targets set for this period by the "number of jobs created by social economy structures" indicator. Considering the late launch of the calls for proposals and the late contracts signing for these projects, in order to ensure the to achieve the set targets for the Operational Programme, during the year 2014 two calls for proposals for strategic and grant projects in this key area of intervention were launched. The total financial allocation for these Calls for proposals was 200 million Euros.

Considering the targets set for the contracts signed in late December 2014, it is estimated that the program indicators were achieved as follows:

Table 6. The level of achievement of the targets at the end of the period 2007 to 2013

Indicators	Achived target (%)
Number of SSEs founded	100
Nr. of vulnerable persons participated in qualification/requalification programs	100
Number of jobs created by social economy structures	100
Nr. of vulnerable persons participated in qualification/requalification programs, of witch:	100,
- Roma ethnic	
- People with disabilities	50
- Young people who left the state child protection system	68
	94

Source: Ministry of European Funds, AIR SOP HDR 2014

To summarise, after the implementation period of 2007 to 2013, the social economy

sector has been improved by the foundation of approximately 1,400 social economy structures, by the qualification or requalification of over 130,000 vulnerable people and by creating over 12,000 jobs in the founded structures.

We consider that the fact that the law of social economy was promulgated during this period in which the sector is visible, promoted and supported, it is an opportunity for this sector. It led to a better reglementation for the structures of social economy and for their benefits and obligations.

Since August 2016 the attestation system for the structures of social economy is functional, so far 65 companies being certified as SSEs. Becoming a SSE, which is available for any SME in Romania, can give entrepreneurs access to funding within the POCU 2014-2020 programme, funding from the local authorities, permanent visibility through a single register of SSE records at national level and the possibility of creating a social brand by which their products and their services will be recognized.

## CONCLUSIONS

We noticed that after the SOP HDR period of implementation, the most important results were: over 346 social economy structures created, 51,069 people qualified or requalified in programs for vulnerable groups, including 5,230 Roma ethnics, 3,846 people with disabilities and 731 young people who left the state child protection system. Also, within the social economy structures founded during the program implementation, over 12,377 jobs were created.

The goal of this sector can be achieved only by using a complex approach that addresses all spheres (employment, education, housing, health care, social protection etc.) and at the same time, making full use of the available resources in an efficient and concentrated manner.

Although significant steps have been made, improvements still need to be made in approaching the people belonging to vulnerable groups, helping them fill the gaps that separate them from the majority

population in terms of education, work culture and skills required on the labour market.

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