



ROMANIA

COUNTRY SCENARIO

1. Main definitions and concepts used

The “Law on Social Economy”, adopted on August 2015 defines social economy as *‘the collection of activities organised independently of the public sector, which serve a general interest, the interests of a community or personal non-commercial interests through the increase of the employment rate amongst vulnerable groups and/or the production and provision of goods and services (Art 2(1)).1*

According to the text, “social economy” is based on several principles inter alia (Art 3):

- Priority of social objectives over profit making;
- Convergence between the interests of the affiliated members and the general interest of the society/ community;
- Democratic governance;
- Distinct legal entity, with managerial autonomy and independence from the public sector.

A social enterprise is defined as any juridical entity of private law which undertakes activities which fall under the social economy sphere and which respects the above listed principles (Art 5(d)). It can include:

- Cooperative societies which operate under Law 1/2005;
- Credit cooperatives regulated by the Government Ordinance no 99/2006;
- Associations and foundations regulated by the Government Ordinance no. 26/2000, amended and completed by Law 246/2005;
- Mutual aid associations for salaried employees regulated by Law 122/1996;
- Mutual aid associations for pensioners regulated by Law 540/2002;
- Any other legal entities operating under the principles of social economy listed above.

The law stipulates that each social enterprise should be certified by the public employment agency at a county level.

An additional category of social enterprise namely ‘social insertion enterprise’ is also introduced by the law.



Social enterprises of insertion are considered those social enterprises that:

- permanently have at least 30% of staff belonging to the vulnerable group, so as the cumulative working time of these employees represents at least 30% of the total working time of all employees;
- target the fight against exclusion, discrimination and unemployment through social and professional insertion of disadvantaged people.

Furthermore, the insertion social enterprises have an obligation to ensure, for employees who belong to the vulnerable group, accompaniment measures to guarantee the professional and social insertion.

2. Short history of the sector and developments

The sector of social economy, the part of the economy grouping cooperatives, mutual and nonprofit sector had no common identity as social economy in Romania prior to 2005. In the period 1989 – 2005 in Romania we had a declining cooperative sector (number of members of cooperatives going down from over 1 million to below 30.000), a stagnating credit union sector and a thriving non-profit sector which grew exponentially getting in 2010 to over 20.000 active organizations and almost 100.000 employees with distinct identities enjoying limited to no visibility. The legal framework for associations has a number of ambiguities related to the possibility of non-profit entities to conduct economic activities, and the legislation for cooperatives has been reformed in 2005 turning cooperatives closer to commercial companies while the sector itself is quite far from the internationally recognized traditional principles of cooperatives. The social economy concept has been launched in the public arena in Romania by the European Social Fund Operational Programme for Human Resource Development OPHRD Romania and by the NGO Sector representatives involved in the programming debates in the period 2005-2006. Previously there were initiatives of “enterprising non-profits” (around 10-15% out of

total non-profits had reported income generating-economic activities during 2000-2009) and income generating projects in poor rural and some Roma communities and a number of protected workshops that could fall under the broad definition of social enterprise. As a consequence of these debates the OPHRD has designed a Major Area of Intervention Development of Social Economy allocating 600 mil Euro for grants of significant size for two types of projects – strategic maximum 5 mil Euros, and small up to 500.000 Euros. Around 60 projects have been financed and are at various stages of implementation. Therefore numerous initiatives with a variety of approaches are currently under way providing information / awareness raising, training, start-up advice, creating local/ regional resource centres and, in rather few cases, direct financial support for enterprise start-ups.



3. Data and figures

According to the latest data published in the Atlas of the Social Economy, social economy sector in Romania in 2012 included 39,347 active organizations, with overall assets of RON 13,918 millions (approx EUR 3,112 mil), and total revenues of RON 12,298 millions (approx EUR 2,750 mil), and 131,127 employees.

In 2012, the social economy in Romania employed 1.9% of the total number of employees (marking a slight increase from 1.75% reported in 2011) (Barna, 2014).

Out of the total number of active organisations, 85% were associations and foundations, 6% cooperatives (craft, consumer and agricultural cooperatives), 7% credit unions (of pensioners and employees) and 2% trading companies held and controlled by social economy organisations. The latter were included in the 2014 Atlas for the first time and they refer to commercial companies whose main shareholder(s) are one or more social economy organisations.

However, only 12.1% (4,058) of the associations and foundations included in the Atlas statistics carry out economic activities. Approximately half of the associations and foundations undertaking economic activities are market producers per se (i.e., 50% of their production costs are covered by sales revenue). According to the 2014 Atlas, the associations and foundations with economic activities had revenues totalling EUR 831 mil in year 2012, with 57% of this coming from direct economic activities. This category of associations and foundations employed 28,861 persons in 2012; almost half of their staff were engaged in economic activities.



4. Legal framework and legal forms of social enterprises

As explained in section 1, the following organisation types are regarded as social enterprises in Romania as per the draft “Law on Social Economy” :

- Cooperative societies which operate under Law 1/2005;
- Credit cooperatives regulated by the Government Ordinance no 99/2006;
- Associations and foundations regulated by the Government Ordinance no. 26/2000, amended and completed by Law 246/2005;
- Mutual aid associations for salaried employees regulated by Law 122/1996;
- Mutual aid associations for pensioners regulated by Law 540/2002;
- Any other legal entities operating under the principles of social economy.

The Law distinguishes between ‘social enterprise’ and ‘social insertion enterprise’. The latter category includes accredited protected units/ sheltered units.

5. Participative and/or democratic governance

Legal provisions where existing or voluntary schemes (e.g. social accounting, societal balance) to inform, consult and involve workers and stakeholders.

Generally, the Law no. 219/ 2015 follows the criteria and the manner in which the Social Economy field is defined at the level of the European Union. Article 4 sets the principles of Social Economy, among which there is the democratic control of members over the activities performed.

6. Sources and bibliography

Barna C. (2014), The Social Economy Atlas. Edition 2012, Institute of Social Economy, Bucharest

Stanciu V. (2016), Comments on the Law of Social Economy - no. 219/2015 from Economic Efficiency and Ethics Points of View, Review of Applied Socio-Economic Research (Volume 12, Issue 2/ 2016), pp.43-49

European Commission (2014) A map of social enterprises and their eco-systems in Europe, Country report: Romania