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Commission

SOCIAL ENTERPRISES
AND THEIR ECOSYSTEMS
IN EUROPE

Country report
ROMANIA
Mihaela Lambru
Claudia Petrescu

This report is part of the study “Social enterprises and their ecosystems in Europe” and it provides an overview of the social enterprise landscape in Romania based on available information as of December 2018. It describes the roots and drivers of social enterprises in the country as well as their conceptual, fiscal and legal framework. It includes an estimate of the number of organisations and outlines the ecosystem as well as some perspectives for the future of social enterprises in the country.

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This report provides an overview of the social enterprise landscape in Romania based on available information as of December 2018. The report updates a previous version, submitted by ICF Consulting Services to the European Commission in 2014. The current report has been prepared as part of a contract commissioned by the European Commission to the European Research Institute on Cooperative and Social Enterprises ([Euricse](#)) and the EMES International Research Network ([EMES](#)). Mihaela Lambru from University of Bucharest and Claudia Petrescu from Romanian Academy were responsible for the revision of the report.

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Countries included in the three social enterprise mappings by the European Commission

No	Country	TYPE	2014	2016	2018-19
1	Albania	Fiche	-	-	✓
2	Austria	Report	✓	-	✓
3	Belgium	Report	✓	✓	-
4	Bulgaria	Report	✓	-	✓
5	Croatia	Report	✓	-	✓
6	Cyprus	Report	✓	-	✓
7	Czech Republic	Report	✓	-	✓
8	Denmark	Report	✓	-	✓
9	Estonia	Report	✓	-	✓
10	Finland	Report	✓	-	✓
11	France	Report	✓	✓	-
12	Former Yugoslav Republic of Macedonia	Fiche	-	-	✓
13	Germany	Report	✓	-	✓
14	Greece	Report	✓	-	✓
15	Hungary	Report	✓	-	✓
16	Iceland	Fiche	-	-	✓
17	Ireland	Report	✓	✓	-
18	Italy	Report	✓	✓	-
19	Latvia	Report	✓	-	✓
20	Lithuania	Report	✓	-	✓
21	Luxembourg	Report	✓	-	✓
22	Malta	Report	✓	-	✓
23	Montenegro	Fiche	-	-	✓
24	The Netherlands	Report	✓	-	✓
25	Norway	Fiche	-	-	✓
26	Poland	Report	✓	✓	-
27	Portugal	Report	✓	-	✓
28	Romania	Report	✓	-	✓
29	Serbia	Fiche	-	-	✓
30	Slovakia	Report	✓	✓	-
31	Slovenia	Report	✓	-	✓
32	Spain	Report	✓	✓	-
33	Sweden	Report	✓	-	✓
34	Switzerland	Report	✓	-	-
35	Turkey	Fiche	-	-	✓
36	United Kingdom	Report	✓	-	✓

TABLE OF CONTENTS

List of acronyms	8
List of illustrations, figures and tables	9
Executive summary	10
1. BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS	13
1.1. Pre-communist period (1918-1945)	14
1.2. Communist period (1945-1989)	15
1.3. Post-communist period (1990-2006)	16
1.4. Accession to the European Union and membership phase (2007-2018)	17
2. CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK	19
2.1. Defining social enterprise borders	20
2.1.1. The EU operational definition of social enterprise	20
2.1.2. Application of the EU operational definition of social enterprise in Romania	20
2.2. Legal evolution	38
2.3. Fiscal framework	44
3. MAPPING	47
3.1. Measuring social enterprises	48
3.2. Social enterprise characteristics	53
3.2.1. Fields of activity	53
3.2.2. Sources of income	55
3.2.3. Use of paid workers and volunteers	56

4. ECOSYSTEM	59
4.1. Key actors	60
4.2. Policy schemes and support measures for social enterprises	63
4.2.1. Support measures addressed to all enterprises that fulfil specific criteria	64
4.2.2. Support measures targeting social economy/non-profit organisations	65
4.2.3. Support measures specifically addressed to social enterprises	66
4.2.4. Support measures addressed to social insertion social enterprise (new <i>ex lege</i>)	66
4.3. Public procurement framework	68
4.4. Networks and mutual support mechanisms	70
4.4.1. Representative bodies	70
4.4.2. Support networks	73
4.4.3. Networks running entrepreneurial activities and social enterprise incubators	73
4.5. Research, education and skills development	74
4.6. Financing	76
4.6.1. Demand for finance	76
4.6.2. Supply of finance	76
5. PERSPECTIVES	79
5.1. Overview of the social enterprise debate at the national level	80
5.2. Constraining factors and opportunities	81
5.3. Trends and future challenges	83
6. APPENDICES	86
Appendix 1. The EU operational definition of social enterprise	87
Appendix 2. Data availability report	90
Appendix 3. Reference list	91
Appendix 4. List of stakeholders engaged at national level	96

List of acronyms

- > **ANPD** National Authority for People with Disabilities (*Autoritatea Națională pentru Persoane cu Dizabilități*)
- > **BCR** Romanian Commercial Bank (*Banca Comercială Română*)
- > **CSDF** Civil Society Development Foundation (*Fundația pentru Dezvoltarea Societății Civile*)
- > **CSR** Corporate Social Responsibility
- > **ENSIE** European Network of Social Integration Enterprises
- > **ESF** European Social Fund
- > **EU** European Union
- > **FONSS** National Federation of NGOs for Social Services (*Federația Națională a Organizațiilor Neguvernamentale pentru Servicii Sociale*)
- > **GO** Government Ordinance (*Oradonanță de Guvern*)
- > **HG** Government decision (*Hotărâre de Guvern*)
- > **NEET** Not in Education, Employment, or Training person
- > **NESsT** Non-profit Enterprise and Self-sustainability Team
- > **NGO** Non-Governmental Organisation
- > **NIS** National Institute of Statistics (*Institutul Național de Statistică*)
- > **NPO** Non-Profit Organisation
- > **POCU** Operational Programme on Human Capital (*Programul Operațional Capital Uman*)
- > **RISE** Work integration social enterprise network (*Rețeaua Întreprinderilor Sociale de Inserție*)
- > **RMAAs** Mutual aid associations of retirees (*Case de ajutor reciproc ale pensionarilor*)
- > **RIQL** Research Institute for Quality of Life (*Institutul de Cercetare a Calității Vieții*)
- > **SBI** Social Business Initiative
- > **SME** Small and medium enterprise
- > **SOP HRD** Sectoral Operational Programme for Human Resources Development (*Programul Operațional Sectorial Dezvoltarea Resurselor Umane*)
- > **WISE** Work integration social enterprise

List of illustrations, figures and tables

- > **Illustration 1.** Concordia Bakery (limited liability company owned by an association)
- > **Illustration 2.** Caritas Alba Iulia (association with economic activity)
- > **Illustration 3.** Nazarcea Group (sheltered workshop managed by public institution)
- > **Illustration 4.** Workshops without Borders Association (*Ateliere fără Frontiere*) (WISE)
- > **Illustration 5.** Close to You Foundation Romania (*Alături de Voi*, WISE)
- > **Illustration 6.** Retirees' mutual-aid associations Omenia (mutual aid association)
- > **Illustration 7.** "The Seckler Fruit" Association of Fruiters and Fruits Processors (association)
- > **Illustration 8.** Law 219 /2015 on Social economy

- > **Figure 1.** Spectrum of social enterprises in Romania

- > **Table 1.** Mapping social enterprises in Romania
- > **Table 2.** Mapping the legally recognised social enterprises in Romania according to the EU Operational Definition
- > **Table 3.** Fiscal framework for social enterprises in Romania
- > **Table 4.** Evolution of association and foundations with economic activity in Romania 2000-2015
- > **Table 5.** RMAAs' evolution in Romania
- > **Table 6.** Sheltered workshops* – number and legal incorporation type
- > **Table 7.** Social enterprises in Romania
- > **Table 8.** New social enterprises typologies
- > **Table 9.** Associations and foundations' areas of activity and percentage of associations and foundations having economic activities per area of activity, 2010-2015
- > **Table 10.** Paid workers in social enterprises, 200-2015
- > **Table 11.** Main actors in the Romanian social enterprise ecosystem
- > **Table 12.** Support measures for social insertion enterprises (Law 219/2015)
- > **Table 13.** Higher education on the field of social economy/social enterprises

Executive summary

Background

Since 2006, Romania has shown an incremental interest in understanding and promoting social enterprises as facilitators of economic and social development. **This report explores the puzzling landscape of social enterprise in Romania, comprising both *ex lege* and *de facto* social enterprises. From a historical perspective, social enterprises in Romania have multiple roots, which reach back to the traditions of cooperatives and mutual aid societies.** Key actors, such as associations and foundations, also contributed to the development of social enterprise. The need for income-generating activities that enhance social missions pushed associations and foundations towards their institutionalisation as social enterprises. Conversely, the contribution of the “old cooperative” sector has remained relatively modest, making it one of the most disengaged stakeholders of the new social entrepreneurship reform. **Romania’s accession to the EU opened the road to a new policy approach regarding social economy, social entrepreneurship and the development of social enterprises, where mutual aid societies, associations, foundations and cooperatives play a role in addressing key societal challenges and encountering unmet needs arising in local communities.**

Concept, legal evolution and fiscal framework

The development of the social enterprise concept and practice in Romania is directly linked to the larger framework of the social economy. Both concepts of social economy and social enterprise were introduced in Romania after 2005, generating some confusion among existing stakeholders. Also, both concepts have been understood as a new way to approach the social inclusion policy in connection with EU funding.

The institutionalisation of social enterprises in Romania is very recent. Law 219/2015 on the Social Economy acknowledges and regulates social enterprises. It also introduces a specific category of social enterprise, namely that of work-integration social enterprise, or WISEs (called in Romanian legislation “social insertion enterprise”). Nevertheless, the new legislation does not fully harness the potential of social enterprises and the fiscal framework appears fragmented, with limited impact on the growth of the social enterprise sector.

Mapping

It is difficult to find exhaustive data on social enterprises in Romania, since the statistical category of “social enterprise” remains a very recent creation in the country, result from the certification process established by Law 219/2015.

Only few organisations comply with the certification requirements as of yet, mainly because fiscal incentives remain limited and bureaucratic procedures are heavy.

Romania has also a dynamic population of *de facto* social enterprises—not focused solely on the work integration of vulnerable groups—including associations and foundations, mutual associations, traditional cooperatives with explicit social goals, and different types of limited liability companies with a social aim. Data on the evolution of the organisations composing the spectrum of *de facto* social enterprises show a gradual increase in activities pursuing explicit social aims and multi-stakeholder governance models.

Ecosystem

The institutional environment in which social enterprises operate has largely influenced their evolution in Romania. **Central and local governments, research and education institutions, social enterprise networks and coalitions, and other categories of stakeholders (like media and the general public) are key actors in the process of shaping the present and future of social enterprise and social entrepreneurship in Romania.** Their level of understanding of what social enterprises can bring to Romanian society, and their capacity to accommodate and translate their vision into an effective and sustainable policy framework, prove crucial for the success of social enterprises.

Perspectives

In Romania, social enterprises are currently in an incipient stage of development.

A combination of governance-related elements currently hinders the prospective growth of social enterprises; these elements include for example the limited capacity of administrations to understand the potential role of social enterprises, and the lack of (central or local) policies designed to facilitate citizens’ access to goods and services produced by social enterprises. **The main public support schemes for social enterprises stem from European funding.** Certain financial instruments remain unavailable to social enterprises and the recently adopted procurement legislation impacting the area of general interest services has yet to be fully implemented. Also, **the nascent social enterprise networks and coalitions have not yet fully advocated or promoted the concept and how the general public may benefit from them.**



1

BACKGROUND: SOCIAL ENTERPRISE ROOTS AND DRIVERS

Romanian social enterprises have deep roots in associative, mutual and cooperative traditions. Its evolution has been influenced by the political, economic and social context within Romanian society. This section makes a historical summary of the evolution of main actors playing a specific role as roots and drivers for the development of contemporary social enterprises. The section emphasises the role of associations and foundations, cooperatives, and mutual aid associations in social enterprise development. Associations and foundations have acted as the most important policy entrepreneur, pushing the social enterprise issue on the government agenda. Conversely, the contribution of the cooperative sector in the development of the social enterprise concept and reformed policy framework has remained limited. The recent evolution of the social enterprise concept and practice in Romania very much ties in with new developments of the concept of social economy. From here, some confusions and blockages emerge when defining and promoting new legislation that recognises social enterprises as organisations with distinct characteristics and a well-understood social role within Romanian society.



As in other countries in Central and Eastern Europe, the systemic political changes that occurred after 1989 have contributed to the rebirth of associations and other non-profit organisations (NPOs). The history of these organisations is deeply connected with the main political, economic and social evolutions within Romanian society.

In Romania, social enterprises have solid roots in associative, mutual and cooperative traditions. Associations emerged in the late Middle Ages in the form of guilds, social and charity establishments, cultural associations, freemason societies, and political associations (Epure and Saulean 1998). **These entities reached historical maturity in Romania in the 19th century, when associations and cooperatives of all sorts started to play a more important role in supporting the socio-economic modernisation of the country.** Between the two World Wars, new and modern legislative frameworks for associations and cooperatives were enacted, allowing these organisations to grow and enrich the organisational landscape (Epure and Saulean 1998, Lambriu 2013, Petrescu 2013, Lambriu and Petrescu 2016).

1.1. Pre-communist period (1918-1945)

The pre-communist period is characterised by the development of a variety of associative forms. The Romanian Constitution of 1923 provided the first full recognition of citizens' freedom of association. Law 21/1924 regulated how associations, foundations and mutual aid associations functioned; it was inspired by the French legislation from 1901. This Law also permitted the development of entrepreneurial activities aiming to support the organisational mission of associations. Nevertheless, it fell into disuse during the communist dictatorship period, when organisations could not freely use associative rights. It surfaced again in the early 1990s, providing the legal framework for the registration and functioning of associations and foundations.

Mutual aid associations present a special case, as they are one of the most entrepreneurial organisations within the Romanian landscape of associations. Mutual aid associations of retirees (RMAAs) have a long track record in Romania, first mentioned in the census of social assistance and care institutions conducted in 1936 (Lambriu and Petrescu 2016) as organisations providing social and financial services for their members. Unlike what happened in other European countries, where these organisations evolved rapidly after World War II and function today as mature credit unions and/or are involved in mutual insurance/reinsurance businesses, in Romania, mutual aid associations only provide a small amount of financial loans to their members and deliver a limited range of social services.

Cooperatives experienced a significant growth during the pre-communist period, when worker, consumer and credit cooperatives emerged. The first Romanian legislative provisions on cooperatives date back to year 1887; between the two world wars, various legal acts triggered the development of cooperatives (the First Law of Cooperatives was issued in 1923). Between 1918 and 1920, 296 cooperatives (which had 92,621 members) were created, and by 1928, their number reached 4,000 (Petrescu 2013, Epure and Saulean 1998, Larionescu 2013).

1.2. Communist period (1945-1989)

During communist times, it was impossible to register and set up independent organisations, outside the State Party's control. This notwithstanding, mutual aid associations and cooperatives continued to function despite rapid and dramatic changes in the Romanian political and economic contexts.

Under the communist regime, mutual aid associations were placed under state control and fully integrated in the newly established welfare system. The goals to be pursued, the services delivered and the income sources were established in a top-down fashion. RMAAs were integrated into the public insurance system (the state was the only provider of goods and services) with a view to supporting their members (only retirees) through small loans and aid provision for funeral services (no social, health or cultural services were provided) (Lambru 2013, Lambru and Petrescu 2016).

In the Romanian communist regime, cooperatives (worker, consumer, credit and agricultural cooperatives) became a main economic actor, together with state-owned industrial enterprises; the state coordinated their work and simultaneously set resource requirements, production and export plans. As part of the centralised economy, during the communist period, public authorities tended to consider cooperatives as private businesses, since they were formed based on the freely expressed consent of members who could hold property rights according to the law (though they actually had no say with regard to their rights or joint assets) (Cace et al. 2010, Petrescu 2011, Lambru and Petrescu 2014). In fact, though, cooperatives at the time were not accountable to their members but to the state and the communist party.

The brief democratic interlude of the interwar period had led to the emergence of a new (though fragile) civil society, whose development came to a halt due to the authoritarian regimes during World War II and faced further suppression during the subsequent communist period. Very few associations survived the communist regime, and they only had formal autonomy: some developed around special interests (such as philately or numismatics), traditional crafts (such as bee keeping or animal breeding),

while others were associations with specific target groups, like people with disabilities and tenants' associations (Epure and Seulean 1998).

1.3. Post-communist period (1990-2006)

In the early 1990s, following the fall of communism, Romania witnessed a significant rebirth of associations, including mutual aid associations, and a collapse of the cooperative sector. The expansion of associations was both quantitative and qualitative. Associations contributed to innovation in the area of public interest services—particularly social services—and played an active role in advocating for the development of social enterprises. In Romania, social entrepreneurship initiatives started to appear in the early 1990s, promoted mainly by associations and foundations. Small-scale operations thus bloomed in an environment that did not foster entrepreneurial endeavours. **The main motivation pushing associations to start up entrepreneurial activities was the need to secure funding to accomplish their social mission.**

By the mid-1990s, a specific category of associations, namely **RMAAs, began to reorganise their operations, diversify their services and expand their offices; they registered a constant growth** in membership and represent one of the most successful types of bottom-up social enterprise in the country (Lambru and Petrescu 2016). RMAAs were set up in order to fight the social and financial exclusion of the elderly. They provide a wide range of services (free of charge or at reduced prices) to both their members and other elderly people from the community. Such services include reimbursable and non-reimbursable financial services, medical services and other social protection services (home care services, socialisation activities, and occupational therapies) according to their members' needs and financial capability. Non-reimbursable social services are financed using the surplus resulting from the financial services (loans) provided to the members.

One can regard the cooperative tradition as another root, albeit not a driver, of social enterprise development in Romania. **Romanian traditional cooperatives have not participated in debates and reforms regarding the social economy in general, or social enterprises in particular. Since the 1990s, cooperatives have been perceived as institutions belonging to the old system.** Cooperatives are faced with the need to find a new identity and to reform their system in order to meet market imperatives. The political class has paid little attention to these “remnants of the former regime,” which, at best, have been lumped together with small and medium enterprises (SMEs), but most often have been largely overlooked. In the years following the fall of communism, the cooperative sector faced major challenges as

a consequence of the property retrocession to former owners, decreased production due to lack of markets for certain products, governance issues, a dramatic drop in membership and significant deficit related to communication capabilities and public image. **Yet, it is worth mentioning the recent development of a new generation of cooperatives, set up after 2005, many of which pursue general interest goals and engage in new business areas such as ecological agriculture, renewable energy, and new crafts.**

In the post-communist period, Romanian legislation on sheltered workshops aimed at facilitating the work integration of people with disabilities. In 1992, Law 57/1992 on the Employment of People with Disabilities stipulated that at least 70% of sheltered workshops' employees should be persons with disabilities. Since 2002, the percentage of employees with disabilities has been reduced to 30%.

In Romania, worker cooperatives are at the root of sheltered workshops and contemporary work integration social enterprises (WISEs), as they integrate people with disabilities in the labour market.

1.4. Accession to the European Union and membership phase (2007-2018)

In Romania, the concept of social enterprise was introduced after 2005, shortly before EU accession. **EU accession opened the road to a new policy narrative regarding social inclusion through WISEs, and to social entrepreneurship.** The socio-economic and political context, dominated lately by economic crisis and pressure to reform and upgrade public services (particularly social services) and to develop sustainable work integration solutions for disadvantaged groups steered Romanian decision makers to demonstrate interest towards both the social economy and social enterprises.

Since 2007, as a new member state of the EU, Romania has gradually become integrated into the supranational European policy; the country was simultaneously exposed to and adhered to the common European models of policy reforms. **The development of legislation on social enterprise strongly links with the European trends in this area. Romanian associations acted as policy entrepreneurs putting the social entrepreneurship issue on the government agenda, working strategically towards the institutionalisation of social enterprises and integrating European trends towards general interest services reforms with the national policy agenda.**

18 | Background: social enterprise roots and drivers

After 2010, strongly influenced by the European social inclusion agenda and under the pressure of the associative sector, the government organised public consultations on the legislation regarding the social economy and social enterprises. Associations and foundations, mutual associations and WISEs played a major role in advocating for social enterprise legislation and were deeply involved in shaping the law. Already interested in the development of entrepreneurial activities in order to pursue their social mission, having a legal framework allowing entrepreneurial activities within specific limits, associations seized the opportunity to integrate the social enterprise issue in their agenda. This was a way to secure their investments and innovations, mainly in social services, but not exclusively.

At this stage of institutionalisation of social enterprise, a good understanding of the conceptual framework behind social enterprises was crucial. Concurrently with the increasing interest of public authorities to promote and support the development of social enterprise initiatives, the interest in related research has also grown, and debates with respect to the specificity of this type of organisation, its social utility, its characteristics and the profile of relevant organisational actors have intensified. **Due to confusion around the concepts of social economy and social enterprise, attempts to design and promote a solid legal framework fostering the development of social enterprise posed challenges. At this stage, the EMES definition of social enterprise disseminated through research and training, and through public debates with various stakeholders** (Cace *et al.* 2010, MMFSP 2010).


The recent evolution of the social enterprise concept and practice in Romania is tightly linked to the development of the concept of the social economy—the latter being more “visible” and easy to grasp for various stakeholders. While the legislation’s foundation lies on the social economy concept, its main focus aims to regulate social enterprises. **In fact, social enterprises have been included in the Law on the Social Economy (Law 219/2015). Throughout its institutionalisation process, the public debates shaped by the rhetoric of social inclusion centred on the concept and use of new social enterprises. Policy makers view *ex lege* social enterprises in Romania as vehicles for employment of vulnerable groups. The rest of social enterprises, not complying with this specific line of business and operating in a variety of domains of general interest, remain largely ignored.**

The development of the policy framework for social enterprises in Romania took place in the context of EU funding. Despite the recommendation of the associative sector to widen the spectrum of social enterprises regulated by the new legislation, the government largely complied with the EU policy frame (Commission of the European Communities, 2015) which defines and characterizes social enterprises as policy instruments for social inclusion. **The full potential of social enterprises as highlighted by the Social Business Initiative (SBI) policy framework remains unharnessed, save for projects that emphasise WISEs.**

2

CONCEPT, LEGAL EVOLUTION AND FISCAL FRAMEWORK

When comparing the definition of Romanian social enterprises in the Law 219/2015 on the Social Economy with the EU operational definition (based on the Social Business Initiative), it seems apparent that the dimension of multistakeholder governance has not been fully incorporated in the Romanian concept. Applying the EU operational definition, the spectrum of organisations that can be considered social enterprises includes four types: associations and foundations with economic activities, mutual associations, work integration social enterprises and cooperatives. The legal form of Romanian social enterprises seems less important, yet in practice associations and foundations with their social aims and democratic governance still prevail. The Law 219/2015 on the Social Economy came into effect in 2015 as a “recognition law”: it specifies the criteria that diverse types of organisations shall fulfill in order to qualify as social enterprises, such as: priority given to social objectives, allocation of the largest share of its profits to sustain the social aim and the statutory reserve, democratic governance. The Law also introduces a new type of social enterprise: the social insertion enterprise, which aims to combat exclusion, discrimination and unemployment through the socio-professional integration of disadvantaged people and employs at least 30% of workers from vulnerable groups. The Law on the Social Economy does not provide advantages for social enterprises.



2.1. Defining social enterprise borders

2.1.1. The EU operational definition of social enterprise

This report draws on the organisational definition included in the SBI of 2011. According to the SBI, a social enterprise is an undertaking:

- > whose primary objective is to achieve social impact rather than generating profit for owners and shareholders;
- > which uses its surpluses mainly to achieve these social goals;
- > which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers and stakeholders affected by its business activity.

This definition arranges social enterprise key features along three dimensions:

- > an entrepreneurial dimension,
- > a social dimension,
- > a dimension relative to governance structure.

Provided that pursuing explicit social aims receives priority over economic activities, these three dimensions can be combined in different ways and it is their balanced combination that matters when identifying the boundaries of social enterprise.

Building upon this definition, the Commission identified a set of operational criteria during the previous stages of the Mapping Study (European Commission 2015, 2016) and refined during the current phase of the study (for further details, see appendix 1).

2.1.2. Application of the EU operational definition of social enterprise in Romania

In Romania, concurrent definitions of social enterprise, adopted by different actors, exist. For public authorities, **the main reference comes from Law 219/2015 on the Social Economy, which defines social enterprises as organisations that fulfil specific criteria: priority of social aims rather than increasing profit gains; solidarity and collective responsibility; democratic governance; allocation of the largest proportion of the profit to sustain the social aim and the statutory reserve.** The law also provides a list of organisations (cooperatives, credit cooperatives, associations and foundations, mutual aid associations, agricultural societies and other entities that fulfil social economy principles) that can be recognised as social enterprises, if they meet the specific criteria included in the law. The new law not only creates a legal framework for all existing social economy entities (regulated through pre-existing legal forms), but it also regulates WISEs.

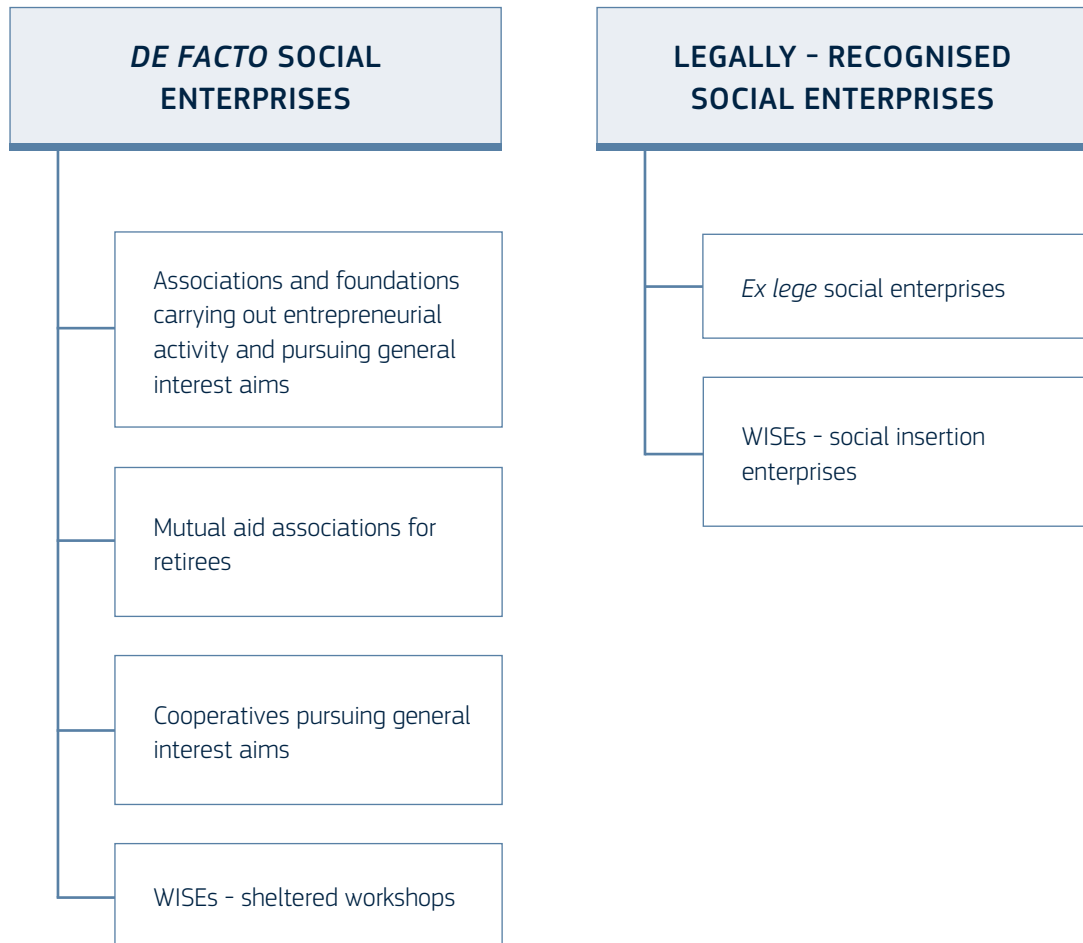
On the one hand, the legal definition of social enterprise prompts the state to mainstream narrow policy interests (for example, the use of social enterprises as an instrument for the work integration of disadvantaged people and social inclusion); on the other hand, **other definitions of social enterprise find support from various approaches, mostly American, focused mainly on social entrepreneurship.** Different donors and support organisations—like Ashoka or NESsT—use alternative definitions. Ashoka Romania uses the concept of social entrepreneur, and its main intervention focuses on developing a friendly and encouraging ecosystem. Ashoka’s definition of the social entrepreneur sheds light on the furthering of social and environmental goals; in this perspective, entrepreneurial principles intend to organise, create and manage ventures to make social change.

NESsT Romania has a different focus on social enterprise, conceived as a business created to further a social aim in a financially sustainable way. In Romania and the Balkans, NESsT’s approach focuses on job creation for people from vulnerable groups; private donors, like OMV Petrom, use this definition.

None of the existing definitions of social enterprise currently used in Romania fully coincides with the SBI definition. The definition provided by the Law 219/2015 on the Social Economy includes many elements reflected in SBI definition, but the two definitions do not entirely coincide. The multi-stakeholder governance, for example, has not yet been fully integrated in the Romanian definition of social enterprise.

When analysing the universe of social enterprise in Romania based on the SBI definition, one can identify a number of *de facto* social enterprises (associations and foundations with entrepreneurial activity, RMAAs, cooperatives pursuing general interest aims) and legally recognised social enterprises (*ex lege* social enterprises and WISEs). Figure 1 summarises this variety.

Figure 1. Spectrum of social enterprises in Romania



In Romania four types of de facto social enterprises fulfil the EU operational definition:

- > **associations and foundations** that carry out economic activities and pursue general interest aims;
- > **WISE-type enterprises**, including two models—sheltered workshops and social insertion enterprises;
- > **mutual aid associations of retirees** (RMAA);
- > **cooperatives** pursuing general interest goals.

Associations and foundations that carry out economic activities and pursue general interest aims

Associations and foundations appear as the most dynamic actors in the field of social enterprise development, and they have created innovative projects. In order to address social issues, associations and foundations can engage in economic activities either directly or by developing a separate commercial company (see examples in illustrations 1 and 2). Examples of economic activities include the delivery of services to the general public (social services, care giving, education, environment protection, labour market services, culture, sport, tourism, fair trade, accounting, archiving, printing, etc.) and even the production of goods (food, jewellery, toys, textiles, decoration, etc.). Surplus has to be used in line with statutory purposes. Only associations and foundations engaged in economic activity and which serve the general or community interest can qualify to register as social enterprises according to the Law on the Social Economy.

Government Ordinance 26/2000 (completed by Law 246/2005) regulates associations and foundations. GO 26/2000 explicitly mentions the possibility for associations and foundations to conduct economic activities, directly or indirectly. Direct economic activities must be auxiliary in nature and separate accounting records should be kept. Under specific conditions, establishing a subsidiary company whose main shareholder is the mother association/foundation may prove more convenient.

Social enterprises set up with the support of various associations and foundations pursue predominantly social goals, namely reaching out to the community or to specific disadvantaged population groups. To achieve their social goals, they engage in different economic activities, depending on their members' skills and knowledge, and they adopt various types of legal form: producer, agricultural or marketing cooperatives, sheltered workshops (WISEs), socio-medical units, service provision businesses (body care, repair shops, tourism, etc.) or farmers' associations.

Illustration 1. Concordia Bakery (limited liability company owned by an association)

Concordia Bakery is a social enterprise owned and controlled by the Humanitarian Organization Concordia (association) established in 2011, in Prahova County, Romania. Concordia combines two dimensions: a) a social dimension—namely to support the professional integration of marginalised youth, unprepared for social and professional life; and b) an entrepreneurial dimension—to create jobs and generate income to further support social projects related to the professional inclusion of disadvantaged youth.

The Bakery provides a real working environment where students from Concordia vocational school are offered the possibility to learn about bread and pastry making, and to prepare to enter the labour market. Concordia Bakery provides a stable and friendly employment environment for youth facing difficulties in participating in the free labor market due to long-term institutionalisation, a lack of education or severe socio-economic disadvantages. Participants remain in the Bakery for a limited time frame, until they gain all the required social and professional skills that enable them to enter the labor market. While working in the Bakery, they receive tailored support that allows them to acquire the soft skills which are necessary to build up manufacture-specific bakery products, obtain personal documents, benefit from social housing and increase their knowledge of social networks in the area.

Concordia Bakery is a successful example of social enterprise in Romania; it received the ERSTE Foundation Award for Social Integration in 2011, and an award from NESsT Romania in 2013.

www.concordia.org.ro/

Entrepreneurial/economic dimension: The direct economic activity of associations and foundations must play a supportive role and be closely related to the organisation's mission. Additionally, associations and foundations must use any dividends obtained through the activities of their limited liability companies (unless directly reinvested in said companies) directly for the purpose of the association or foundation.

Social dimension: According to the law, all associations and foundations must pursue explicit social aims.

Inclusive governance-ownership dimension: No specific rules regarding democratic structures of governance exist for foundations and associations. However, in practical terms, members and other stakeholders typically engage informally and in the decision-making process.

Illustration 2. Caritas Alba Iulia (association with economic activity)

Caritas Alba Iulia is a non-profit charity and public utility organisation delivering accredited social services. It belongs to the Roman Catholic Archdiocese of Alba Iulia (in central Romania). Active since 1990, Caritas Alba Iulia can be described as a self-sustained social enterprise. It is one of the largest social organisations in Transylvania with a mission of promoting charity and social justice. The organisation carries out complex projects in the field of social and medical assistance and other activities; it implements programmes for all age groups and social strata, both in cities and, more especially, in rural areas, where these social services remain almost inexistent.

The main services delivered include: early education and development for youth; activities for disadvantaged children and young people and for people with disabilities; family home centre; healthcare and social assistance at home, and development of mobility competence; consultation programmes for people with addictions; long-term care for the elderly in day and residential centres; programmes for Roma integration; accredited and non-formal vocational training and study houses; volunteering; rural development and agricultural practice; rural community support; emergency programs; active participation in the development of social policies.

In order to ensure financial support for the development and sustainability of its programmes and social services, Caritas Alba Iulia developed a chain of stores, “CariShop” (10 shops). In these shops, Caritas adopts a new approach; the shops’ motto proclaims: “Buy for the needy!” Every year, thousands of people buy in these shops at fairer prices. The money is used to help the needy and develop social programmes and services: assisting families, developing rural areas, day centres, etc. Caritas Alba Iulia supports working with local entrepreneurs in the CariShops.

www.caritas-ab.ro

WISE-type enterprises, including two models—sheltered workshops and social insertion enterprises

Sheltered workshops

One can consider **sheltered workshops as a form of WISE: they appeared in the first years of the post-communist period to support the work integration of people with disabilities** (Constantinescu 2013). **Companies, associations, foundations and public administrations can all develop these entities. According to the Law on the Protection of People with Disabilities (Law 448/2006), at least 30% of their employees must include people with disabilities.**

Historically speaking, worker cooperatives for people with disabilities form the root of sheltered workshops or contemporary WISEs. In the communist period, worker cooperatives offered work integration services for disabled people. Like in other European countries, Romanian sheltered workshops provide disabled people with an intermediate stage of employment towards a working place on the free labour market.

Contemporary sheltered workshops function according to Law 448/2006 (Law on the Protection of People with Disabilities). They perform productive work, participate in commercial activities and also provide personal and social services with a view to fully integrating their recipients in the open labour market and society alike.

In Romania, only two cases of sheltered workshops initiated and managed by the local government function successfully. One such case is described in illustration 3.

Illustration 3. Nazarcea Group (sheltered workshop managed by public institution)

Nazarcea Group is a social enterprise developed in 2011 by the General Directorate for Social Assistance and Child Protection (GDSACP) from District 1, Bucharest. It aims to enhance the professional and social inclusion of people with disabilities by supporting sustainable development. Nazarcea Group is a public WISE, the largest in the country, which includes seven workshops for disabled people: car wash, bakery, laundry, tailoring, typography, decorative ceramics (pottery) and neutralization and disposal of infectious waste. Besides the protected jobs, the workshops intend to function as a platform, securing the formal learning environment and preparation needed to enter the labour market.

Nazarcea Group constitutes the largest WISE in the country in terms of number of disabled people employed. 65 people with disabilities, many without any previous professional experience, work in the Nazarcea Group social enterprise. Since its opening, Nazarcea Group has supported a total number of 118 people with disabilities. The products and services are partially used for the social sector, and partially sold on the free market, so that Nazarcea Group can cover almost half of its operational costs. Besides the production, people with disabilities working in Nazarcea Group receive education and training to efficiently use the resources necessary for their activity.

The activity is fully supported by public funds from the local budget of District 1. As just mentioned, incomes cover half of the operational cost, and exemption from paying a “disability tax” (amounting approximately to 400,000 EUR per year at GDSACP District 1) covers the other half of the costs (article 78, align. 3 from Law 448/2006 regarding the Protection and Promotion of the Rights of Disabled Persons). The motto of this

social enterprise clearly illustrates its mission: “Chances for new destinies”. Nazarcea Group has succeeded in developing a sustainable WISE on the initiative of a local public administration.

www.nazarceagrup.ro, www.nazarceamag.ro

Like other European countries, **Romania uses a quota system designed to encourage employers to hire people with disabilities.** The legislation regarding the protection of persons with disabilities (Law 448/2006) stipulates that any private or public organisation with 50 employees should hire at least 4% of persons with disabilities. **Any employer not meeting this requirement must pay to the general state budget 50% of the national minimum salary for all the vacant positions; as an alternative, the defaulting company can buy goods or services for the given amount from authorised sheltered workshops.**

Sheltered workshops must receive an authorisation from the National Agency for Disabled People; this authorisation remains valid as long as the workshop respects the conditions: 30% of the employees must be disabled workers and they must contribute directly to the production of goods and services. In 2017, because of the revision of the legislation provisions (GO 60/2017), all sheltered workshops were required to renew their authorisation by the end of 2018. The main reviewed provisions stipulate that: 1) the employer must pay 100% of the national minimum salary to the general state budget for all the vacant positions that should be allocated to people with disabilities (disability tax) and has no more the opportunity to buy goods and services for the given amount from authorized sheltered workshops; 2) at least 30% of the total number of organisation’s employees should have a disability. According to this change in legislation, economic agents should pay the disability tax only to the general state budget and have no possibility to buy products or services from sheltered workshops. Due to the elimination of fiscal facilities, most sheltered workshops do not want to renew their authorisation. According to the information provided by the National Agency for Fiscal Administration, the amount collected monthly from these disability tax measures amounts to around 42 million EUR.

Social insertion enterprises

The 2015 Law on the Social Economy regulates social insertion enterprises. It aims to integrate vulnerable people in the labour market, including people with disabilities (see illustrations 4 and 5). **Thus, social insertion enterprises could in principle also include sheltered workshops. In fact, though, social insertion enterprises and sheltered workshops function in parallel, with neither one “replacing” the other.** Social insertion enterprises can take the form of cooperatives, associations or foundations, mutual aid associations or limited companies, provided

that they fulfil given criteria (article 3) and include in their employment structure at least 30% of workers facing multiple challenges (article 10) to enter the mainstream labour market: long-term unemployed, former drug addicts, unemployed ex-offenders, minorities facing discrimination (e.g. Roma, NEETs, victims of domestic violence, single mothers, homeless people, etc.). The level of vulnerability should be established through a social diagnosis conducted by local public authorities, in accordance with HG 585/2016 (representing the methodological norms for the implementation of Law 219/2015).

Illustration 4. Workshops without Borders Association (*Ateliere fără Frontiere*) (WISE)

Workshops without Borders (AFF) is a Romanian association set up in May 2008 in the Bucharest-Ilfov region. It works with people in difficulty, preparing them to fully integrate, both socially and professionally, the conventional labour market. It is a social insertion enterprise. AFF has created three WISEs: Reconnect, Remesh and the Bio & Co. farm. These WISEs provide personalized services of social accompaniment, counselling for insertion, psychotherapy and pedagogical accompaniment for skills training. These services are targeted at people who face many difficulties (long-term unemployment, addictions, disabilities, school dropout, domestic violence, human trafficking, probation, custodial sentences, lack of housing, etc.). At the same time, participants can work in a protected environment, with an employment contract and salary. At the end of the socio-professional accompaniment within AFF, recipients either receive support to enter the open labour market or continue employment with AFF.

AFF's areas of activity include: socio-professional insertion support activities, collection and reuse of IT equipment, advertising banners and ecological gardening.

- > The Reconnect workshop, set up in 2008, collects, tests, reuses and recycles electrical waste and electronic equipment (WEEE) or IT equipment.
- > Remesh, a project born in 2011, aims to create jobs for disadvantaged people by supporting environmental protection. Remesh transforms advertising banners into unique, ethical and useful products that carry a responsible consumption message.
- > The Bio & Co. farm, established in 2016, supports sustainable development through organic farming and the management of biodegradable waste from retail and HORECA (Hotels, Restaurants, Cafes) in order to contribute to food solidarity and the production of compost.

www.atelierefarafrontiere.ro

Entrepreneurial/economic dimension: Limited liability companies, associations, foundations and cooperatives can launch sheltered workshops. Limited liability companies accredited as sheltered workshops by definition engage in economic activity. Associations and foundations accredited as sheltered workshops can engage in trading activity if they reinvest 75% of any profits in programmes aiming at the socio-professional integration of their disabled workers. Social insertion enterprises can provide any kind of services to the market.

Social dimension: By law, at least 30% of the sheltered workshops' employees must be people with disabilities (article 5/29 of Law 448/2006). In the case of social insertion enterprises, at least 30% of the employees should be persons from vulnerable groups. The provision of employment to disabled persons or persons in need constitutes the social aim. Most social insertion enterprises and sheltered workshops managed by associations and foundations also provide social services tailored for their recipients.

Inclusive governance-ownership dimension: Sheltered workshops are not required by law to adopt decision-making processes that allow for a well-balanced representation of stakeholders per se. According to the law, social insertion enterprises should merely involve members or other stakeholders in the governance process.

The type of governance-ownership depends on the legal framework within which the organisation operates: associations and foundations accredited as sheltered workshops have democratic governance. Limited liability companies accredited as sheltered units do not comply with this criterion.

Illustration 5. Close to You Foundation (*Fundația Alături de Voi*) (WISE)

Close to You Foundation (ADV) is a NGO and a WISE established in February 2002, whose mission is to socially and professionally integrate people with disabilities and other vulnerable groups. It is the biggest WISE in Romania; throughout its history, it has provided social aid to over 150,000 beneficiaries, has invested over 18 million EUR in the local community and has created over 100 jobs, of which at least 40% are dedicated to disabled people. In 2018, the Foundation had 52 employees, of which 18 were people with disabilities and six were people from other vulnerable groups. In its sixteen years of activity, ADV has created three WISEs (UtilDeco, JobDirect and WISE. travel); it was declared Social Entrepreneur of the Year 2016 within the international competition EY Entrepreneur of the Year, and received some 45 other national and international awards.

UtilDeco – Founded in 2010, UtilDeco provides protected employment for center beneficiaries. It provides services of archiving and document storage, but also creates safety and HORECA clothing in its workshops. UtilDeco subcontracts with many companies. The entire profit is reinvested in the work integration social enterprise and ADV's day centres, which provide social services to over 100 children with disabilities or from vulnerable groups.

Details can be found at www.utildeco.ro and www.depozitarhivare.ro

JobDirect – JobDirect was established in May 2016 as an Agency for Placement and Assistance at the Workplace, offering services of evaluation, testing, counselling, professional capacity building, mediation and placement on the labor market. It also provides job coaching for people with disabilities or from groups at risk, and its main objective is to place participants from vulnerable groups on the general labor market, free of charge. JobDirect comprises the final step in ADV's work, as it offers participants the chance to work in the day centre, then beyond directly with UtilDeco, then towards the general labor market (though, on a case-by-case basis, participants can skip the first two stages). ADV's social workers provide support prior to job interviews, but also 6 months after the hiring takes place, to ensure more successful integration. So far, over 60 persons with disabilities and from vulnerable groups have been hired on the general labor market.

Details can be found at www.jobdirect.ro

WISE.travel – WISE.travel is an online travel agency, developed since 2016, that brings on the same platform people that travel and entities that contribute to the good of the community, creating a modern concept of involvement and development of the visited communities. It provides over 240,000 travel and touristic services (accommodation, car rentals, experiences) in 185 countries and is among the biggest travel vendors in Europe. All the revenues generated by the WISE are donated either to ADV or to other partner charities, according to ADV's affiliate program. Each traveler picks a favorite charity (there are charitable organizations for each SDG goal) and, for a period, WISE.travel donates 50% of the profit made from all purchases. In addition, the WISE gives each travelers hints about social hotels, coffee shops, tours or other social businesses near the traveler's destination, without applying any commission to the social enterprise for sending new customers. More than 1,500 NPOs form part of WISE.travel database worldwide and their social and commercial activities enjoy promotion through this online travel agency. For 2018, the estimated turnover reached over 500,000 EUR and the enterprise employed 10 dedicated workers.

Details can be found at <https://wise.travel/>

<http://alaturidevoi.ro/en/>

Mutual aid associations of retirees (RMAA)

Mutual aid associations of retirees (RMAA) have a long history in Romania: they were first established in the middle of 19th century. Their main focus is on offering financial, social, health or cultural services for older people and communities. RMAA have double registration: they must first register as associations (GO 26/2000), then they register as mutual associations regulated by Law 540/2002—specifically, as RMAAs. They are also registered as non-banking financial institutions with the National Bank of Romania. At the community level, these organisations have survived and developed to help citizens cope with financial exclusion risks. Mutual aid associations work as incipient credit unions and provide loans and social services to their members and community (see illustration 6). Nevertheless, unlike what is the case for many similar Western European organisations, they are not involved in insurance/reinsurance of activities (Lambrou 2013, Grijpstra et al. 2011).

Illustration 6. Retirees' mutual-aid association Omenia (mutual aid association)

The Omenia Retirees' Mutual Aid Association Bucharest was founded in 1952 for the mutual assistance among its members, i.e. senior citizens. Omenia RMAA Bucharest functions as one of the largest RMAA-like associative structures in Romania, with 43,051 members and 65 community offices, 170 employees, 25 volunteers involved in the everyday activities of the organisation and over 200 in specific activities. RMAA works as a bottom-up social enterprise initiative responding to members' needs in a welfare context characterized by a fragile social protection system. RMAA Omenia meets the needs and interests of elderly people by providing social, medical and financial service with a view to fighting against their social and financial exclusion. Senior citizens represent a vulnerable group, given their low income (over 2 million pensioners receive less than the minimum living standard) and their frequent exclusion from contracting a loan at a bank institution. Besides lending activity, the organisation's resulting surplus helps develop a series of social services and economic activities meant to improve the members' living standard. Services and economic activities build on members' demand and aim mainly to improve their wellbeing.

www.carp-omenia.ro

Entrepreneurial/economic dimension: While the core services supplied take form financially through small loans, the range of services delivered is much broader. It includes social services, cultural, recreational activities, direct services for small fees provided through the labour of the pensioner members, food shops with lower prices for the members, repairing workshops, medical and funeral services, and beauty services. Social services are financed by: i) the interests applied to the members' financial loans (90% of the costs). The General Assembly establishes the interest level, whose average falls under 10% of the loan value. As more social services develop, the level of the applied interest increases; ii) membership registration fees (fixed amount); iii) donations from individuals and businesses (donations can be in kind or in cash); iv) penalties paid by those who do not cover their loan payments in time. The General Assembly also establishes the level of penalties; v) public subventions for social assistance services development (according to Law 34/1998); vi) partnership projects with other associations and foundations; vii) grants obtained from different donors. These funds are used only for organisational development.¹

Social dimension: Mutual aid associations of retirees can also offer services to non-members and to members' families and social benefit beneficiaries for free or at reduced cost. They also provide social/medical services to their members, their families, and more generally to elderly people in need.

Inclusive governance-ownership dimension: As associations, mutual aid associations must be managed democratically. A General Assembly, where members discuss the budget, activities and the strategy for the next year, meets one a year. Key stakeholders are also invited to join the General Assembly.

Cooperatives pursuing general interest goals

The framework for cooperatives' operation is ensured by Law 1/2005 (Law on the Organisation and Functioning of Cooperatives). Over the last few years, a new generation of cooperatives have developed in Romania, most of them fulfilling social enterprise characteristics.

This "re-discovered" cooperative sector still struggles to overcome a number of institutional and cultural barriers inherited from the communist period. Most cooperatives were established thanks to specific national policy measures (in rural areas, they are more successful when submitting funding proposals so they can receive more incentives from public authorities) or European Funds. Cooperatives in the areas of environment, culture, fair trade, and rural and sustainable development fulfil social enterprise criteria (see illustration 7).

(1) So far they have used only EEA Grants and Swiss Cooperation grants (extra communitarian sources of funding)

Illustration 7. “The Szekler Fruit” Association of Fruiterers and Fruits Processors (association)

The Association of Fruiterers and Fruits Processors in the Odorhei Area demonstrates a social-enterprise-like way of working in the area of local economic development of rural communities in isolated and sparsely populated Romanian territories. Its main activities center on the processing and sale of rare fruit varieties, which would otherwise be wasted or sold at very low prices by individual producers. The Association runs two processing centres in the Harghita county (centre of Romania): one in the Lupeni village, for processing orchard fruits (apples, pears, plums, berries), and one in the Zetea village, for processing wild fruits and mushrooms. The Association’s activities benefit from substantial support from forest owners’ associations, which provide, together with the local farmers, the necessary raw material collected from the forest.

The main stakeholders of the enterprise include the fruit growers and harvesters (in the case of wild fruits and mushrooms), members and non-members of the Association who willingly participate in the launching and development processes. In 2017, “The Szekler Fruit” worked closely with over 1,200 farmers involved in both production, marketing and sale of the products; among these, only 39 persons participated as Association’s members. The number of employees of the enterprise varies from 6 to 55 (during the harvesting season). The members do not have the exclusive use of the facilities and services provided by the Association, but they can directly participate in the governance process.

Beyond the positive impact of the association on its members and collaborators, such as the development of their professional skills (choice of the best fruit varieties for their microclimate, orchard maintenance, organic practices, etc.) and “soft skills” (collaborative practices), the enterprise also demonstrates beneficial impacts on the larger rural community, particularly the environment. This includes, for instance, increasing the size of newly established or renewed orchards to 300 hectares and changing the mentality of forest owners’ associations on sustainable forest management and use of available raw materials (including timber, wild berries and mushrooms).

www.szekelygyumolcs.ro

Entrepreneurial/economic dimension: Cooperatives constitute a type of business organisation, thus they demonstrate the typical features of all enterprises.

Social dimension: The new generation of cooperatives uses its profits not only to benefit its members, but also to promote the interests of their communities by carrying out general interest activities.

Inclusive governance-ownership dimension: The principle “one person, one vote” provides the basis for the governance in cooperatives. Even if the cooperative law does not foresee the presence of diverse stakeholders in the decision-making process, cooperatives pursuing general interest goals tend to involve multiple stakeholders (especially from local communities) in the decision-making process.

Using as a frame of analysis the EU operational definition of social enterprise, the characteristics of legally recognised Romanian social enterprises are summarised in table 1.

Table 1. Mapping social enterprise in Romania

Dimension	Criterion	Cooperatives pursuing general interest goals	Associations & foundations	Mutual aid associations for retirees	Accredited sheltered workshops	Social insertion enterprise
Economic	Engagement in economic activity	Cooperatives engage in economic activity. There are three types: worker, consumer and agricultural cooperatives.	According to the law, associations and foundations can carry out economic activities directly or indirectly (by setting up a separate commercial company). Only associations and foundations engaged in economic activity can be considered as social enterprises. In 2015, they comprised more than 12% of all associations and foundations (CSDF 2017).	The main services are financial– small loans for the members. But the range of services goes beyond the area of financial loans: social services, cultural, recreational activities, direct services for small fees provided through the labour of the pensioner members, food shops with small prices for the members, repairing workshops, medical and funeral services, beauty services.	Limited liability companies accredited as protected shelters by definition engage in economic activity. Associations and foundations accredited as protected shelters can engage in a trading activity if they reinvest 75% of the profits in programmes of socio-professional integration of their disabled workers.	Social insertion enterprises can provide any kind of services to the market.
Social	Explicit and primary social aim	According to cooperative law, a cooperative's aim is to promote the economic, social and cultural interests of its members. The law is built exclusively around the needs and interests of the cooperative's members, though this type of cooperative can also promote general/ community interest goals.	According to the law, the explicit social aim is present for all associations and foundations.	Mutual aid associations for retirees can reach beyond their members (their services can also be provided to the members' families and to social beneficiaries). They also offer other social/medical services for members and their families.	By law, at least 30% of the employees who have individual labour contracts must be disabled persons (article 5/29/ of Law 448/2006). Provision of employment to disabled persons constitutes the social aim.	By law, at least 30% of the employees should be persons from vulnerable groups.

36 | Concept, legal evolution and fiscal framework

Dimension	Criterion	Cooperatives pursuing general interest goals	Associations & foundations	Mutual aid associations for retirees	Accredited sheltered workshops	Social insertion enterprise
Governance	Asset lock	Cooperatives are non-profit enterprises (they must comply with the provisions of the Romanian 2005 cooperative law, and they must have an asset lock).	In case of dissolution of the association, the remaining patrimony after liquidation cannot be transmitted to natural persons, only to legal persons of private law or public law with an identical or similar purpose, through the procedure established in the bylaws of the association.	The remaining assets after liquidation cannot be distributed to the members but is transferred to organisations with an identical or similar purpose.	Unknown	Unknown
Governance	Limits on profit distribution	Cooperatives are non-profit enterprises and by law they distribute only a small part of their profit to their members (a member may have up to 20% of the shares).	In the case of foundations and associations, there are constraints regarding the redistribution of profit: associations and foundations do not distribute any surpluses or profits to their members, administrators or any other category of “owners”.	No dividends are distributed; any surplus generated remains within the association and is designated to pursuing its social purpose—providing social/medical or other services to their members.	Associations and foundations accredited as protected shelters comply with this condition. For-profits accredited as protected shelters <i>de facto</i> comply with this condition because they are exempt from paying taxes if they reinvest profits.	According to the law, social insertion enterprises should allocate 90% of the profits to achieving their social aim. In case of liquidation, remaining goods must be transferred to one or more social enterprises. They also implement the principle of equity in wage policy.

Dimension	Criterion	Cooperatives pursuing general interest goals	Associations & foundations	Mutual aid associations for retirees	Accredited sheltered workshops	Social insertion enterprise
Governance	Organisational autonomy from the state	Cooperatives are owned and controlled by their members independently from the state.	Associations and foundations are private, formal, voluntary and independent organisations.	Mutual aid associations are independent private entities.	Accredited protected shelters can be independent entities or divisions within foundations, associations, public institutions and economic agents. Only private protected shelters meet this criterion.	Social insertion enterprises are independent private entities.
Governance	Inclusive governance – multi-stakeholder governance	Cooperatives are run democratically and respect the “one person, one vote” principle in the general assembly, regardless of the members’ financial contribution. They do not have multi-stakeholder governance; only their members are involved in the decision-making process.	No specific rules for foundations and associations concern democratic governance structures. However, members and other stakeholders informally and commonly engage in the decision-making process.	Usually, the staff cannot participate in decision making, unless they have a representative in the Board of Directors. These organisations are not required by law to adopt decision-making processes that allow for a well-balanced representation of stakeholders.	These organisations are not required by law to adopt decision-making processes that allow for a well-balanced representation of stakeholders. Associations and foundations accredited as protected shelters have democratic governance. For-profits accredited as sheltered units do not comply with this criterion.	According to the law, social insertion enterprises should involve members in the governance process.

2.2. Legal evolution

Social enterprises have recently been institutionalised in Romania. At the end of a five-year policy consultation process, Law 2019/2015 on the Social Economy was enacted, providing legal recognition for social enterprises.

Based on this law, social enterprises have been acknowledged as part of the social economy. The law specifies the characteristics that diverse types of organisations (associations and foundations, mutual aid associations, cooperatives and limited liability companies) shall fulfill in order to qualify as social enterprises. The law also introduces a new type of social enterprise: the social insertion enterprise. **The definition of social enterprise in Romania remains general and aligns with the definition promoted by the SBI, in 2011, though the Romanian definition does not include the multi-stakeholder governance aspect.**

Law 219/2015 establishes a clear distinction between *social enterprises* and *social insertion enterprises* (article 11). “Social enterprise” refers to organisations which, under specific conditions, could be regarded as social enterprises, such as: cooperative societies (Law 1/2005); credit cooperatives (Order 99/2006); associations and foundations (GO 26/2000); mutual aid associations (Laws 122/1996 and 540/2002); agricultural companies (Law 36/1991) and their associations and federations; and other types of legal entities (limited liability companies or shareholder companies) which are guided by the principles of the social economy (Rusandu 2016, EESC 2017). “Social insertion enterprise” refers to a new category of WISE, regulated by Law 219/2015; this law has a strong emphasis on an instrumental use of social enterprise for social inclusion.

In order to be recognised as social enterprises, the organisations listed in the law should apply for a social enterprise certificate, awarded by the National Agency for Employment. For the new WISEs (social insertion enterprises), the law provides for a specific certification, the “social mark”. This visually distinctive certification remains valid for three years.

The conceptual misunderstandings and lack of clarity related to the “social economy” and “social enterprise” terminology marked the public debates during the last decade. At the time when the first initiative to regulate the social economy sector was initiated by the Ministry of Labour and Social Protection (in early 2011), *de facto* social enterprises were already organised and functional in Romania, but they were operating without legal recognition. The regulatory and public policy framework for these *de facto* social enterprises had been established by the specific legislation governing the setup and operation of each category of social economy organisation (cooperatives, entrepreneurial associations and foundations, mutual aid

associations) and the legislation governing enterprise activity in general (Fiscal Code, public procurement law, etc.) or certain fields of activity such as social and employment services.

The Romanian Ministry of Labour, Family and Social Protection drafted the law on the social economy in 2011. Public authorities promoted the draft due to the need to secure the previous year's funding in the social economy. Since the first round of public grants using European structural funds had already been launched in 2009, organising public consultations around the first proposed draft of the law to regulate the functions of social enterprises took precedent.

Additionally, the Law on Social Assistance (Law 292/2012) mentions the social economy as a new form of social inclusion that focuses on the work integration of vulnerable people (article 53).

The draft legislation underwent several amendments and prompted vivid discussions in public consultation events hosted by the Ministry of Labour, Family and Social Protection and in the Parliament. Law 219/2015 on the Social Economy was adopted and regulated the social economy sector “by establishing measures to promote and foster it and establishing the competences of central and local governments in this matter” (article 1). **The law defines the social economy as all the activities organised privately that aim to serve the public interest, the interests of the community and/or private non-financial interests, either through the employment of vulnerable groups members or through the production and supply of goods, services and/or work (see illustration 8).**

Illustration 8. Law 219/2015 on the Social Economy

The social economy represents all the activities organised outside the public sector that aim to serve the public interest, the interests of the community and/or private non-financial interests, increasing the percentage of employees from vulnerable groups or producing and supplying goods, services and/or work (article 2(1)).

The social economy's objectives are:

- > a) to strengthen social and economic cohesion;
- > b) to support employment;
- > c) to develop social services.

These objectives are fulfilled through activities of public interest such as:

- > a) providing goods, services and/or work to the community, thus contributing to the welfare of the community or of its members;
- > b) promoting activities that can generate work for persons from vulnerable groups;
- > c) providing vocational training programmes that improve the employability of persons in these groups;
- > d) developing social services to improve the social insertion of the vulnerable groups (article 5).

Social enterprise refers to any legally constituted legal person whose activity is based on the social economy principles and pursues the objectives set out in article 4 (article 8).

The law allows any of the above-mentioned organisations (cooperative societies, credit cooperatives, associations and foundations, mutual aid associations, agricultural companies and their associations and federations; other types of legal entities - limited liability companies or shareholder companies) to be recognised as a social enterprise, regardless of its legal status, if it meets the following specific criteria:

- > it is a private legal entity (independent from public power);
- > it gives priority to social and individual aims rather than to the maximisation of profit;
- > it demonstrates solidarity and collective responsibility;
- > the interest of the members, the public interest and/or the interest of the community converge;
- > it has a democratic governance;
- > it is a voluntary and free association;
- > it allocation of the largest share of its profits to sustain the social aim and the statutory reserve (90% of the profits should be allocated to the social aim and asset lock; only 10% can be redistributed to the members);
- > in case the enterprise terminates its activities, its assets must be distributed to other, similar social enterprises;
- > it applies the principle of social equity to employees, ensuring fair pay levels. The ratio between the lowest salary and the highest one cannot exceed 1 to 8.

In conclusion, in order to be recognised as a social enterprise in Romania, an organisation should be a private legal entity; it should conduct activities within the social economy sphere, acquire specific certification, and adhere to the social economy principles (as stated by the law).

The social insertion enterprise is certified through a social label. The social insertion enterprise, such as it is defined by Law 219/2015, should meet the following additional conditions/criteria:

- > at least 30% of the employees belong to vulnerable groups;
- > the above 30% employees' cumulated work time represents at least 30% of the total employees' work time;
- > the social insertion enterprise aims to combat exclusion, discrimination and unemployment through the socio-professional integration of disadvantaged people.

WISEs should provide accompanying measures/social services to ensure the professional and social inclusion of their more vulnerable employees.

The law on the social economy qualifies as a “recognition” law—it has partially introduced a new category of enterprises, though it does not include incentivising or supportive measures. In accordance with the law, the social enterprise receives accreditation through a certification process.

Table 2. Mapping the legally recognised social enterprises in Romania according to the EU operational definition

Dimension	Criterion	Ex lege social enterprise	WISE (social insertion enterprise)
Economic	Engagement in economic activity	Identical condition: Social enterprises perform an economic activity (producers or service providers). They can provide any kind of goods and services to the market (Law 219/2015 – Article 5).	Identical condition: WISEs perform an economic activity. They can provide any kind of goods and services to the market (Law 219/2015 – Article 5).
Social	Explicit and primary social aim	Identical condition: Social enterprises should give priority to social and individual aims rather than to profit maximisation. Also, they should have a social aim or pursue general interest aims (Law 219/2015 – Articles 4,5,8).	<p>Narrower definition of social aims: WISEs should give priority to social and individual aims rather than to profit maximisation. Also, they should have a social aim or pursue general interest aims (Law 219/2015 – Articles 4,5,8).</p> <p>By law, at least 30% of the employees should be persons from vulnerable groups and this represents a social aim.</p> <p>The aim of WISEs is to fight against exclusion, discrimination and unemployment through the socio-professional integration of disadvantaged people.</p> <p>For disadvantaged people, social insertion enterprises should provide accompanying measures/social services to ensure professional and social inclusion (Law 219/2015 – Article 10).</p>
Governance	Asset lock	Identical condition: In case of liquidation of the activity, the remaining goods must pass to one or more social enterprises (Law 219/2015 – Article 8).	Identical condition: In case of liquidation of the WISE activity, the remaining goods must pass to one or more social enterprises (Law 219/2015 – Article 8).

Dimension	Criterion	Ex lege social enterprise	WISE (social insertion enterprise)
Governance	Limits on profit distribution	<p>Identical condition: Social enterprises should allocate the largest proportion of their profit to sustaining the social aim and the statutory reserve (90% of the profits should be allocated to the social aim and asset lock, and only 10% could be redistributed to the members).</p> <p>Social enterprises also implement the principle of equity in wage policy (ratio between lowest salary and highest one not exceeding 1:8) (Law 219/2015 – Article 8).</p>	<p>Identical condition: WISEs should allocate the largest proportion of their profits to sustaining the social aim and the statutory reserve (90% of the profits should be allocated to the social aim and asset lock, and only 10% could be redistributed to the members).</p> <p>WISEs also implement the principle of equity in wage policy (ratio between lowest salary and highest one not exceeding 1:8) (Law 219/2015 – Article 8).</p>
Governance	Organisational autonomy from the state	Identical condition: Social enterprises are independent private entities (Law 219/2015 – Article 4).	Identical condition: WISEs are independent private entities (Law 219/2015 – Article 4).
Governance	Inclusive governance – multi-stakeholder governance	<p>Identical condition: Social enterprise should have democratic governance (Law 219/2015 – Article 4).</p> <p>There is no requirement regarding multi-stakeholder governance.</p> <p>Each type of social enterprise employs its own form of governance:</p> <ul style="list-style-type: none"> > Cooperatives are run democratically and respect the “one person, one vote” principle in the general assembly, regardless of the members’ contribution to the capital. They have no multi-stakeholder governance. Only the members are involved in the decision-making process. > No specific rules for foundations and associations concern democratic governance structures. However, members and other stakeholders informally and commonly engage in the decision-making process. > In associations and foundations, staff usually cannot participate in decision-making, unless they have a representative in the Board of Directors. These organisations are not required by law to adopt decision-making processes that allow for a well-balanced representation of stakeholders. 	<p>Identical condition: WISEs should have democratic governance (Law 219/2015 – Article 4).</p> <p>According to the law, WISEs should involve members in the governance process.</p>

2.3. Fiscal framework

The fiscal framework within which social enterprises operate in Romania varies according to the enterprise' legal form. Each type of organisation has a specific tax regime. Some general fiscal incentives do apply, however, to all kinds of organisation that hire persons with vulnerabilities and/or disabilities. Fiscal incentives applicable to all types of organisations include tax deduction on income (from wages, freelance activities, pensions) for employees with severe or chronic disabilities. Similarly, employers who hire persons with different types of vulnerabilities (such as over-45 unemployed persons, single-parent families, long-term unemployed persons, NEET youth or persons with disabilities) are entitled to receiving a monthly subvention of 480 EUR during 12 months (or 18 months in the case of persons with disabilities), should the status of such employees remain unchanged for a minimum period of 18 months (Law 76/2002 on the Unemployment Insurance System and the Stimulation of Employment).

Most fiscal incentives such as deductions from taxing income or property, benefit social enterprises set up as associations or foundations (regulated through a GO 26/2000). The GO 26/2000, which explicitly mentions the possibility for associations and foundations to conduct economic activities, introduces the concept of organisation of public benefit² and it provides for an Association and Foundation National Register under the authority of the Ministry of Justice. Economic activities can occur directly or indirectly, by setting up a subsidiary company. If the association and foundation's business-generated income measures less than 15,000 EUR per year, and falls below 10% of the income of the non-profit activity, it is exempted from paying certain taxes (profit/surplus income taxes). **Upon exceeding this threshold, the organisation must pay the same taxes as any SME, though without receiving the advantages granted to other SME—access to loans, to various specific funding opportunities, etcetera.** Thus, organisations seem to largely prefer a more streamlined solution: namely, establishing a business with the association/foundation as majority shareholder. The associations and foundations carrying out both economic and not-for-profit activities must keep separate accounting books for each type of activity.

Associations and foundations can benefit from deductions on estate or land tax provided by local public administrations. The same applies for social enterprises that provide social services.

In accordance with the Fiscal Code, associations and foundations (including social enterprises in this category) enjoy tax exemption from certain income such as: membership, registration taxes, donations by members and sponsors, incomes as a

(2) The public benefit status in Romania is formal, with no fiscal advantages attached.

result of sport visas, taxes and fines or participation in sport events; donations in money or goods; public funding or grants; fund raising campaigns, festivals, conferences serving a social or professional purpose and in accordance with the constitution of the organisation; special income obtained by giving up the corporate actives/shares other than those funding economic activities, that belong to the non-for-profit organisations.

The legal framework on sponsorship stipulates: companies sponsoring associations and foundations that provide social services receive tax exemption on profit if the sponsorship value measures less than 0.5% of the total income or 20% out of due tax on profit (GO 25/2018). Income resulting from sponsorships is profit-tax exempt. This change to the Fiscal Code has led to a reduction in the number of economic agents who can direct 20% of the corporate tax to associations and foundations.

Associations and foundations also generate income using the percentage tax designation rule (i.e., individuals can direct 2% of their income tax towards NPOs as stipulated in the Fiscal Code, or 3.5% of their income tax towards associations and foundations that are social services providers).

The fiscal policy regarding donations and sponsorships to associations and foundations (regulated by the provisions under the Fiscal Code –Law 227/2015) does not foresee incentives for a company’s donation/sponsorship.

Mutual Aid Associations experience double regulations as they work under the general law on associations and foundations in addition to their specific legislation (Law No 540/2002 and Law No 502/2004). **The RMAAs have the same status as associations and foundations from the perspective of the fiscal framework. Yet, no additional fiscal benefits apply to mutual aid associations.**

It is important to mention that the Law on social economy merely lists (groups) pre-existing legal forms of social economy organisations, without providing other advantages. For the newly established WISEs (social insertion enterprises), the Law 219/2015 stipulates limited fiscal support (see Section 4.2.4), which does not go beyond fiscal stimulating measures applied to all employers of persons from vulnerable groups. Three years after the enactment of the Law 219/2015, the sector has grown little. A lack of consistent and coherent fiscal incentives paired with highly bureaucratic procedures regarding registration/labelling represent the main barriers toward the policy’s wider effectiveness.

All organisations (including WISEs, associations and foundations, RMAAs, cooperatives pursuing general interest goals) receive monthly subsidies for 12 months to hire people from disadvantaged groups (unemployed youth and adults, single parents, youth with social exclusion risk). If they hire people with disabilities, they receive subsidies for 18 months. WISEs (sheltered workshops and social insertion enterprises) are exempt from the payment of income tax for the employees with disabilities (see Table 3).

Table 3. Fiscal framework for social enterprises in Romania


Social enterprise	Reduced social security contributions/ costs	Tax exemption and lower rates	Tax reduction to private and/or institutional donors
Associations and foundations	No	Yes	Yes
WISEs	No	Yes	Yes (for associations or foundations)
Mutual aid associations for retirees	No	Yes	Yes
Cooperatives pursuing general interest goals	No	Yes	No

3

MAPPING

As mentioned in the previous section, the Romanian social enterprise spectrum spans wide and includes a variety of organisations with different forms of incorporation, thus complicating the mapping process. This process assumes a combination of various relevant data sources from different public institutions. Not all data sources provide systematic and exhaustive data about social enterprises. Systematic data remain available only for certain typologies: associations and foundations, cooperatives and mutual aid associations. According to the EU operational definition, an estimated maximum of 6,000 social enterprises operate in Romania. The number of paid workers in social enterprises reaches 19,065. However, after enacting the Law on the Social Economy in 2015, the National Registry of Social Enterprise has included only 103 social enterprises because of the dense bureaucratic registering process and lack of fiscal incentives for these organisations.

Social enterprises' fields of activity include production of goods and the provision of general interest services. Most of the fields of activity implying a social service component are populated by social enterprises. The associations and foundations and mutual organisations generated income from: direct economic activities (products sell or service fees); subsidies, grants and non-reimbursable funds; membership fees; sponsorships.



3.1. Measuring social enterprises

In line with the definition of social enterprises provided by the SBI, the Romanian social enterprise sector includes a variety of organisations, with different forms of incorporation. **Systematic data remains available only for certain typologies: associations and foundations, cooperatives and mutual aid associations. It is difficult to provide exhaustive data (number of organisations, number of employees, incomes, profit/surplus, market share etc.) of the entire social enterprise sector.** Yet, some comprehensive data (number of organisations and employees, income, profit/surplus) describe associations and foundations with entrepreneurial activity and mutual aid associations for retirees; incomplete data (number of organisations) exist for WISEs (sheltered workshops/social insertion enterprises) and new social enterprises (post-law). No data are available for new types of cooperatives, because they cannot separate from the whole data on cooperatives. Few cooperatives pursuing general interest goals are included in the National Registry of Social Enterprises.

Researchers interested in studying social enterprises use the REGIS database of the National Institute of Statistics (NIS) for sectorial analysis. Based on REGIS several large research projects have been designed and implemented in recent years, informing policy makers, academics, practitioners and general public about the profile, size, and development trends within the general social economy and social enterprises in particular.

The main sources of data on social enterprises in Romania include:

- > NIS: The NIS database REGIS provided financial data for analysis pertaining to associations and foundations that conduct economic activities and mutual aid associations for retirees. It comprises annual fiscal information about all types of private organisations from fiscal balance sheets. REGIS provides information about income, expenses, employees, surplus/profit, region, and type of activity. The research analysed only associations/foundations that specified income from economic activity in their fiscal information.
- > National Authority for People with Disabilities: This organisation provides statistical data regarding the number of sheltered workshops (through the National Registry of Accredited sheltered workshops). The annual reports of the National Authority for People with Disabilities offer data regarding employees of sheltered workshops.

- > Competition Council: Statistical data about social insertion enterprises and new social enterprises arise in the REGAS database. REGAS provides information about the number of social enterprises that received state aid within the *de minimis* rule.³
- > National Agency for Employment: National Registry of Social Enterprises compiles data about formally attested social enterprises and WISEs—including number, type of organisation (forms of incorporation), activities, and region.

Associations and foundations

Associations and foundations have managed to access a considerable amount of ESF funding dedicated to creating new social enterprises.

NIS data indicate 42,707 active associations and foundations with 99,774 employees in 2015. The average of employees ranks at 2.34, and most organisations rely on volunteer work. Despite the quantitative growth of the associative sector registered between 2010-2015, associations and foundations' territorial range remains uneven, concentrating in urban areas (approx. 75%) and in more developed regions of Romania (55% of associations and foundations are located in the three most developed regions) (CSDF 2017). This uneven distribution of associations and foundations in Romania affects the accessibility of services, particularly rural and poor areas facing serious social issues.

In recent years, securing necessary financial resources has posed an important challenge to associations and foundations (Lambriu and Vamesu 2010, CSDF 2015, CSDF 2016). Most resources come in the form of grants, followed by sponsorships and donations and, on a lesser scale, contracts with public authorities (CSDF 2017). Aside from more traditional sources (grants, sponsorship, subsidies, donations, membership fees, etc.), associations and foundations developed their economic activities, enabling them to independently secure resources intended to support social goals.

Table 4 illustrates **the number of associations and foundations that carry out economic activities has increased since 2010 up to 5,302 (meaning 12% of all active associations and foundations) with 13,117 employees (13% of associations and foundations employees).**

(3) A state aid with limited amount, without disturbing competition. According to EU Directive 24/2014, this state aid can reach 200,000 EUR provided by public funds over a rolling three-year period. See more in this in Section 4.2 on public procurement.

Table 4. Evolution of association and foundations with economic activity in Romania 2000-2015

Associations and foundations	2000	2010	2011	2012	2013	2014	2015
Number of organisations	1219	2730	3832	4058	4468	4744	5302
Number of employees	1942	12561	15038	16097	11272	12469	13117
Economic activities' income in total associations and foundations' income (%)	--	34.20	55.63	57.25	28.07	29.92	28.66
Number of organisations that had a surplus	--	1589	2299	2341	2133	2289	2656
Total income (thousand EURO)	51,319	529,284	829,828	713,211	2,045,685	2,117,577	2,543,032

Source: CSDF, 2017. Romania 2017. *Non-profit sector – profile, evolution and challenges*; NIS, data processed by the Research Institute for Quality of Life (RIQL), 2013

Mutual aid associations for retirees (RMAA)

NIS data from 2015 indicates a number of 219 RMAAs with 2450 employees. During 2000-2015 the number and employees of RMAAs nearly doubled (Table 5). The most developed and robustly employed mutual aid associations for retirees reside in Bucharest-Ilfov, South Muntenia, North-East and North-West regions. Analysing data on revenues indicates that the (economically) strongest mutual aid associations operate in the developed regions of Romania - Bucharest-Ilfov, West, North-West and South-West Muntenia regions. Although the poorest regions (North-East and South-East) report a higher number of mutual aid associations than the developed regions, their economic performance measures lower (Petrescu 2014).

Table 5. RMAAs' evolution in Romania

Mutual aid associations for retirees	2000	2010	2011	2012	2013	2014	2015
Number of organisations	133	203	193	198	201	210	219
Number of employees	1,306	1,306	2,176	2,240	2,412	2,544	2,450
Total income (thousand EURO)	3,667	19,422	34,243	35,927	48,299	47,320	49,124

Source: CSDF, 2017. Romania 2017. *Non-profit sector – profile, evolution and challenges*; NIS, data processed by the Research Institute for Quality of Life (RIQL), 2013.

WISE-type enterprises (sheltered workshops and social insertion enterprises)

For the period 1980-1989, the data from National Federation of Worker Cooperatives indicates that approx. 30,000 people with disabilities participate as members of worker cooperatives (MMFSP 2010). The official statistics on sheltered workshops have been recorded since 2006 (in follow up to Law 448/2006, on protection of persons with disabilities). Forty-eight such units existed in 2006 and in 2007, 150 sheltered workshops registered. **By 2010, the number of registered sheltered workshops ranked 419, and by 2017, their number nearly doubled (708)** (ANPD 2017, Achitei *et al.* 2014, Constantinescu 2013). During 2007-2017, most of those sheltered workshops defined as companies (64%), associations and foundations (28%) or cooperatives (2%) (ANPD 2017). The number of associations and foundations managing sheltered workshops increased after 2011 from 56 to 197 in 2017 (previously mentioned at the associations and foundations) (Table 6). **Of the total number of people with disabilities employed in 2017, only 1,550 (4.6%) were included in these sheltered workshops** (ANPD 2017).

No official data illustrates the transition of people with disabilities from sheltered workshops to the free labour market, but different studies show that this transition rate is generally very low (RAS 2009, RAS and Motivation 2010, Achitei *et al.* 2014, Alexiu *et al.* 2016).

Table 6. Sheltered workshops* – number and legal incorporation type

Sheltered workshops	2011	2012	2013	2016	2017
Limited liability companies	245	391	455	495	452
Associations and foundations	56	109	149	204	197
Cooperatives	11	20	19	16	15
Other forms	18	40	43	43	42
Public institutions	--	4	1	1	1
Total number	330	564	667	759	708
Employees with disabilities	--	--	--	2,015	1,550

Source: Achitei *et al.* 2014, National Authority for People with Disabilities 2015, 2016, 2017.
 *Due to registration procedures, overlapping can occur in a small number of cases between the number of associations and foundations registered as sheltered workshops, and data on associations and foundations discussed above.

Between 2016 and 2018 only 10 social insertion enterprises registered in the National Registry of Social Enterprises. From these 10 social insertion enterprises, associations and foundations had developed two and limited liability companies developed eight. Because the **registration as social insertion enterprise involves thick bureaucracy** (administrative documents to prove the existence of employees from vulnerable groups, an annual report on the activity carried out, accounting documents etc.) **and fiscal facilities or other exclusively dedicated assets may be missing, they do not officially register in the National Registry of Social Enterprises.**

Table 7. Social enterprises in Romania

Social enterprises in Romania	Cooperatives pursuing general interest goals	Associations and foundations	Mutual aid associations for retirees	Accredited sheltered workshops	Social insertion enterprise
Number of organisations	78	5,302	219	708	10
Number of employees	N.A.	13,117	2,450	1,550	N.A.

New social enterprises (*ex and post lege*)

In accordance with the Romanian legislation, different types of organisations can act as social enterprises while using various forms of incorporation: cooperatives, associations and foundations engaged in economic activity, mutual aid associations or private companies with social goals. Compliance in registering as a social enterprise under the provisions of the Law on social economy involves a dense bureaucratic process. This may help explain why, by April 2018, only 103 social enterprises appeared in the National Registry of Social Enterprises. As Table 8 shows, the 103 registered social enterprises include 46 associations, 8 foundations, 6 mutual aid societies for employees, 6 cooperatives and 37 limited liability companies (National Registry of Social Enterprise, May 2018).

Table 8. New social enterprises typologies

SE typologies	Associations & foundations	WISEs (social insertion enterprises)	Mutual aid associations for retirees	Cooperatives pursuing general interest aims
Number	54	10	0	6

Source: National Registry of Social Enterprise, August 2018.

3.2. Social enterprise characteristics

The universe of social enterprises shares some specific characteristics, related to three main dimensions: fields of activity, sources of income, and use of paid or volunteer labour.

3.2.1. Fields of activity

The following sectors (included in Table 9) contain the highest number of economically active associations and foundations: forestry (48% perform economic activity as of 2015), agriculture (23%), education (12%), local development/tourism (12%) and culture (12%). **Associations and foundations' total incomes/revenues from economic activities have increased between 2010 and 2015. In 2015 the average percentage of associations and foundations' incomes from economic activities measured 29%.**

Table 9. Associations and foundations' areas of activity and percentage of associations and foundations having economic activities per area of activity, 2010-2015

Associations and foundations' areas of activity	2010	2011	2012	2013	2014	2015
Social/charity	5961	6651	7587	8192	8688	8861
% with economic activity	8%	7%	7%	8%	8%	9%
Sport	5046	5415	6115	7015	7582	8107
% with economic activity	8%	7%	7%	7%	7%	8%
Education	2927	3257	3858	4632	5151	5453
% with economic activity	11%	10%	9%	11%	11%	12%
Culture	2738	3211	3713	4589	5035	5310
% with economic activity	9%	10%	9%	11%	10%	12%
Professionals	2570	3641	4113	4732	4847	4984
% with economic activity	13%	12%	12%	11%	11%	12%
Religious	1715	1818	1992	2075	2135	2178
% with economic activity	9%	8%	7%	7%	8%	9%
Agriculture	1620	2813	3214	3665	4128	4108
% with economic activity	13%	36%	31%	27%	24%	23%
Health	1601	1655	1808	2079	2252	2456
% with economic activity	8%	7%	8%	8%	8%	9%
Local development/tourism	1387	1685	2040	2427	2618	2734
% with economic activity	9%	9%	9%	10%	10%	12%
Forestry (commons)	1106	1195	1326	1407	1530	1539
% with economic activity	45%	53%	51%	47%	46%	48%
Civic	970	1092	1273	1495	1606	1623
% with economic activity	9%	9%	9%	9%	9%	10%
Environment/ecology	743	868	989	1111	1199	1233
% with economic activity	8%	8%	7%	8%	8%	9%

Source: CSDF 2017. *Romania 2017. Non-governmental sector – profile, evolution and challenges*

RMAAs provide a wide range of services (at reduced prices or free) to their members or other community members: reimbursable and non-reimbursable financial services, medical services and other social protection services according to their needs and financial capability. With the exception of financial services, other community members can benefit from other services at reduced rates.

Diverse fields of activity characterise authorised sheltered workshops, including both production (metal manufacture, furniture, cardboard packaging, textiles, decoration and craftsmanship, etc.) and services (accounting, archiving, printing, event industry, etc.). The activities carried out by persons with disabilities comprise a wide range of skills, such as: manufacturing cardboard packaging, brushes and brooms, decoration and craftsmanship, prosthetics, wheelchairs, upholstery furniture; specific skills such as tailoring, carpentry, locksmith training, agriculture, baking, primary accounting, IT, car-washing, archiving, and printing; and service skills such as legal representation and assistance, human resources, business consulting, sales and distribution of products and services, body care, events organising, and work safety.

Activities carried out by social enterprises include: production of goods (furniture, craft products, toys, building materials, construction, metal products, bakery, paper and board, textiles), services (accounting services, data processing, web administration, management, education, training, social services, health, tourism, car maintenance and repair, hairdressing and body care, forestry management, marketing and public opinion studies, typography, archiving, waste collection, cleaning), and trading.

3.2.2. Sources of income

Social enterprises in Romania (including associations, foundations and mutual aid associations) mainly generate income through the following methods:

- > **Direct income from economic activities: in 2015, the revenues of associations and foundations totalled 714 million EUR.** Approximately half (50.09%) of these organisations reported surpluses in 2015. These incomes take the form of selling goods and services to private users and public contracting (sale of services to public authorities). The income generated by associations and foundations accredited as social service providers depends on the number of beneficiaries served. According to the interviewed stakeholders, subsidies do not exceed 10% of the standard cost for a type of beneficiary. Law 34/1998 defines these allotted funds based on the average monthly cost of the beneficiaries. The central and local levels employ this mechanism most, financing social services provided by associations and foundations based on partnership agreements. These subsidies ensure the continuity of the social services provided.

- > **Subsidies, grants and non-reimbursable funds (for associations and foundations):** EU funds (in particular ESF through the sectorial Operational Programme Human Capital 2014-2020 which provides financial support for the development of the social economy enterprises (Axis 4, priority 9.v).
- > **Membership fees** and other voluntary member contributions.
- > **Sponsorship and donations provided by private individual donors and public donors: in 2015, almost 17% of the associations and foundations' revenues came from donations and sponsorships (CSDF 2017).**
- > **Income generated thanks to the percentage tax designation rule** (i.e., individuals can direct 2% of their income tax towards NPOs as stipulated in the Fiscal Code)—in 2015 more than 32 million EUR poured through the 2% mechanism toward 29% of associations and foundations (CSDF, 2017);
- > **Tax-exempt income from occasional activities** (such as concerts, athletic competitions, conferences, etc.).

Social enterprises identified as cooperatives and limited liability companies utilize the following main income sources:

- > **Income from direct economic activities**
- > **Non-reimbursable funds (for SMEs—cooperatives and other organisations assimilated to SMEs)**

3.2.3. Use of paid workers and volunteers

The number of paid workers in social enterprises ranks at 19,065 in 2015, out of whom 68.8% participate in associations and foundations with entrepreneurial activities. The number of paid workers of associations and foundations (including those accredited as sheltered workshops) increased during 2010-2012 period thanks to allocated EU funds for social economy. During 2011-2015, RMAAs experienced a slow increase in the number of paid workers (Table 10). As the secondary legislation for social enterprises had not yet established the National Registry of Social Enterprises in 2016, the social enterprises registered had no reported data; and no data illustrate the employees of WISEs. REGIS provides data on general cooperatives' employees, but the numbers could further describe cooperative employees pursuing general interest goals.

Table 10. Paid workers in social enterprises, 200-2015

Social enterprises' employees	2000	2005	2010	2011	2012	2013	2014	2015
Associations and foundations' with economic activities employees	7333	18904	12561	15038	16097	11272	12469	13117
RMAA's employees	1306	2055	1306	2176	2240	2412	2544	2450

Source: CSDF 2017. *Romania 2017. Non-governmental sector – profile, evolution and challenges*

Social enterprises operate on volunteer work, though official data remain unavailable.

4

ECOSYSTEM

The ecosystem for social enterprises in Romania gathers a variety of actors, both public and private. Their level of understanding of the concept and how this type of organisation can better contribute to the Romanian society influences their actions and attitudes regarding the development of an enabling policy framework. Central and local government, research and education institutions, social enterprises networks and coalitions undergo analysis in this chapter, in relationship with their roles and actions in promoting social enterprises. As a result of their interplay, the public policies targeting social enterprises in Romania are limited to recognition and they lack coherence and strategic vision. Public decision makers seem to understand social enterprises as vehicles for work integration of vulnerable groups and actors with marginal roles within the welfare system. The public funding for social enterprises development is mainly constrained to EU funding, with much concentrated on start-up initiatives. The recently reformed public procurement system has many issues in implementing modern policy tools aiming to stimulate social enterprises activities.

Research and education institutions have played an instrumental role in the dissemination of the social enterprise concept along with examples of good practice in policy and management. Although very fragile, the presence of these institutions had an impact on building up a new category of professionals working in or with social enterprises, building a knowledge base about the social enterprise sector and its characteristics.

Romania also engenders a dynamic community of networks and coalitions involved as policy entrepreneurs or active participants in all advocacy activities aiming to promote an enabling policy framework for social enterprises.

4.1. Key actors

The institutional environment determines the characteristics and roles played by social enterprises. The surrounding political culture and policies in place directly influence a social enterprise's economic and social impact.

As Romania's social enterprise ecosystem continues to build, it brings together a variety of supportive actors, such as: governmental organisations that foster the start-up and development of social enterprises, research institutions, and private entities.

The European funds aimed to further social inclusion of vulnerable groups have directly influenced central and local government measures. The National Strategy for Social Inclusion and Poverty Reduction 2014-2020 (developed and implemented by the Ministry of Labour and Social Justice) outlines specific strategic actions aimed at "developing the Social Economy to increase employment opportunities for vulnerable groups" (p. 37).

Central government

The Ministry of Labour and Social Justice and Agencies and decentralised institutions, Ministry of European Funds, and Ministry of Economy make the majority of decisions in the social economy sector. The Ministry of Labour and Social Justice, through the Social Inclusion/Social Service Policies Department, helped design the social economy legislation. The root of the social economy legislation makes provisions available through the Law on Social Assistance - 292/2012. Article 53 mentions social economy activities within the overarching frameworks of social inclusion policy, as these projects aim to ensure workplaces for disadvantaged groups. Furthermore, the Social Assistance Law relays the government's intention to develop specific legislation for social economy actors.

The Department "Employment, Competences and Professional Mobility Policies" and the National Agency for Employment (both under the coordination of the Ministry of Labour and Social Justice) also helped implement the law on social economy. The National Agency for Employment (which also operates at local/county levels) participates in social economy as well, though its objectives remain unclear aside from registering activities in the National Registry of Social Enterprises.

The Ministry of European Funds actively helps develop legislation on social economy, as many new entities use European funds. The Ministry of European Funds, through the Operational Programme for Human Capital (previously through Operational Sectorial Programme for Human Resource Development) has developed various stimulating measures to create social enterprises (start-ups). During 2007-2013, the Operational

Sectorial Programme for Human Resource Development also funded research related to social economy.

As social enterprises assimilate into SMEs, the Ministry of Economy then develops the main programmes for all SMEs and start-ups. No specific programmes exclusively target social enterprise development. The Law 250/2013 (article 251) regulating SMEs defines the need to create programmes stimulating the initiation and development of microenterprises adhering to social economy ideals.

Local government

Municipal, county and regional public authorities have limited power with local funding to support social enterprise development. Nevertheless, they are expected to channel national programmes by means of EU funding. Also, according to the Law 219/2015 local authorities play an important role in enabling conditions and providing supportive measures for WISE at the local level, though not with other types of social enterprises (see section 4.2.4.).

Through the EU-funded LEADER programme, rural areas and small towns within LEADER's designated regions can receive funds to develop social enterprises as an innovative measure of local economic development to reduce poverty and promote social inclusion.

Research institutes and observatories

Thanks to European funding, the research interest in the social economy sector continues to grow, as seen with new academic courses and specialised training programmes. Research in this emerging field has contributed to building relevant, structured and reliable information/knowledge about the social economy sector, including the dynamics of social enterprises.

Representative organisations, networks and mutual support centres

To boost policy advocacy, strong representative organisations, networks and resource centres provide an important voice to social enterprises, identifying specific needs and advocating for change. These representative organisations and networks have mobilised during the institutionalisation process of social enterprises. Nevertheless, their potential role in social enterprise development remains far from fully developed.

European Union

The EU represents an important actor, as its funding has created a more favourable environment for the social economy sector. Moreover, it provides an important source for the development of social enterprises. Starting in 2007, the grants awarded to social enterprises start-up initiatives (financed by European Social Fund through

Sectoral Operational Programme for Human Resources Development) have been the most important financial support for these organisations.

Business environment

In terms of funding, Corporate Social Responsibility (CSR) programmes of many corporations represent a modest source for social enterprises, as they focus mainly on funding social entrepreneurship projects.

Table 11. Main actors in the Romanian social enterprise ecosystem

Category	Actor
Policy makers	<ul style="list-style-type: none"> > Ministry of Labour and Social Justice > National Agency for Employment > Local authorities (at municipal and county level)
Research institutes and observatories	<ul style="list-style-type: none"> > National Institute for Statistics (REGIS data base) > Research Institute for Quality of Life – Romanian Academy > University of Bucharest, University Babes- Bolyai Cluj, West University Timisoara, University of Oradea, National School of Political Studies and Administration > Social Economy Institute (civil society observatory within Civil society Development Foundation)
Representative organisations, networks and mutual support structures	<ul style="list-style-type: none"> > Representative bodies- e.g. Retirees’ Mutual Aid Association National Federation “Omenia” > National and local consortia as: Work Integration Social Enterprise Network (RISE); Social Economy Coalition; National Federation of NGOs for social services (FONSS) > Support networks as: Ashoka Romania and NESsT Romania
Business environment	<ul style="list-style-type: none"> > Business organisations as: Romanian Commercial Bank, UniCredit, OMV Petrom, Erste Bank, ENEL

4.2. Policy schemes and support measures for social enterprises

Public policies targeting social enterprises either lack coherence or are almost entirely absent. The only public institution that remotely deals with the matter is the Ministry of Labour Family and Social Protection (the Directorate-General for Social Assistance). The most tangible initiative to promote social enterprise came through **the introduction of “social entrepreneur” as a professional occupation in the Romanian Occupation Classification Index in 2012.** Prior to this, the occupation of “specialist in social economy” was introduced in the Romanian Code of Occupations (COR code 341206). Its main impact has come with increasing the visibility of various social service providing organisations, which eagerly seek to increase awareness among key stakeholders.

The Government made its approach clear towards the social economy in general (and specifically social enterprises already introduced by the Social Assistance Law in 2012) in the National Strategy for Social Inclusion and Poverty Reduction 2014-2020. The strategic document declares: “in order to increase the role played by the social economy sector, between 2014-2020 the government aims to: facilitate access to European funds available to support the social economy actors, develop the necessary legislation required for the sustainable development of the social economy, and encourage NGOs to get more involved in these activities, by offering support” through European Social Fund (ESF) funding. A list of specific actions refers to “support for setting up of new social enterprises and the development of existing ones, including the financial support in the form of micro-grants; financial support for the implementation of active aging measures, such as social enterprise jobs for the elderly; new and strengthen partnerships with relevant labour market stakeholders from the education/health care/social assistance sector from local/central government with a view to increasing involvement in the delivery of services to vulnerable groups; support and cooperation networks and partnerships created for sharing good practices and information, capacity building activities and know-how transfer with other communities and relevant stakeholders from Romania and Member States; Counselling and accompaniment for vulnerable people and increasing the accessibility of workplaces within social enterprises; tools developed for a better understanding of the sector and improved visibility of social economy—including initiatives to promote the social brand and raise awareness of social economy specific forms of action” (p. 37).

Following the adoption of the legislation on social economy the ministry also drafted secondary legislation aiming at its enforcement and various guidelines. Some such guidelines regard incentives for companies promoting social inclusion or involvement in public procurement processes.

Social enterprises do not receive priority access to public funding in comparison with commercial companies, save for a few particular ESF grant schemes. The Sectoral Operational Programme for Human Resources Development (SOP HRD) 2007-2013 financed by the ESF, for example, dedicates a priority axis (6.1) to the social economy. Moreover, axis 6.2 aims to increase social inclusion by improving access of vulnerable groups to the labour market, matching the mission of some social economy organisations.

4.2.1. Support measures addressed to all enterprises that fulfil specific criteria (and which may benefit social enterprises)

In the 2014-2020 Government Strategy for developing the SMEs sector and improving the business environment in Romania, the Department of SMEs, Business Environment and Tourism named the development of social entrepreneurship as a strategic objective. The 2014-2020 Strategy version issued in May 2014 for public consultation proposes creating a programme for social entrepreneurship with funding from national and external funds. Since April 2014, associations and foundations, agricultural cooperatives, and agricultural associations with economic activities now define as SMEs. This means that these organisations have eligibility for start-up financing and de *minimis* schemes.

Start-Up Nation Programme launched in 2017 and aimed to offer small grants (44,000 EUR) for the development of SMEs. In this programme any type of SME is eligible, including social enterprises if they satisfy specific conditions. Eligible organisations must be private and created after January 2017; qualify as SMEs according to the law; conduct activities other than producing or trading arms, primary processing or selling of agricultural products, fishing and aquaculture; and employ at least one person with a full time contract. In the 2017 competition 19,927 organisations applied, out of which 8,444 contracts were signed.

Other programmes for SME development (including social enterprises) active since 2016 include:

- > Micro-industrialisation programme—encourage and stimulate development for existing SMEs in priority sectors;
- > Trade and Services Programme—support the development of existing SMEs, including social enterprises;
- > Craftsperson Support Programme—stimulate the development of crafts and small industries in Romania and finance participation at The National Handicrafts Fair

National Rural Development Programme is a EU initiative aiming to improve the socio-economic conditions of rural areas. One specific objective intends to diversify economic activities, create jobs, and improve infrastructure and services to increase the quality of life in rural areas. One of its six priorities promotes social inclusion,

poverty reduction and economic development, including specific measures (Measure 6) focused on developing non-agricultural businesses. All types of SMEs can access this support (including social enterprises), and this programme addresses both start-ups and already-developing organisations (sub-measure 6.2 and 6.4).

LEADER Programme is also part of the National Rural Development Programme, a programme based on a bottom-up approach to addressing specific local needs by involving different local actors. LEADER promotes innovative initiatives providing solutions to local problems. Among them, social economy serves as an effective approach to address social inclusion, poverty reduction and economic development in rural areas. LEADER supports both SMEs' start-up and development (including social enterprises) primarily through job creation.

4.2.2. Support measures targeting social economy/non-profit organisations (and which may benefit social enterprises)

Several public policy tools are available for the Romanian associations and foundations (legal regulations, funding mechanisms etc.). Yet, they still seem insufficient and inconsistent in their approach, as they came to fruition at different moments in time without a common purpose.

Subsidies for associations and foundations that provide social services (Law 34/1998 – regarding subsidies for Romanian associations and foundations, which establishes and manages social assistance units). Local public authorities can grant subsidies (if an association/foundation operates in a specific locality or county), or central public authorities (if an association/foundation runs its activities in two or more counties). At the local level, only public authorities from well economically developed cities implement this legislation. **At the central government level, the amount offered for social services development subsidies began to decrease in 2013.** This was due to the implicit political preference for social benefits (passive measures) instead of investing in social services development (active measures).

Grants for associations and foundations (Law 350/2003 on the regime of non-reimbursable grants from public funds allocated for non-profit activities of general interest). **Public authorities at the local or national level can allocate grants for associations' and foundations' general interest activities. These activities vary widely—from social to cultural, environmental, athletic, focused on youth, etc.**

4.2.3. Support measures specifically addressed to social enterprises

The first and most important support measure to create social enterprise comes with the grants awarded drawing on European Funds.

The national operational programme on human resources development SOP HDR 2007-2013, funded under the European Social Fund, directed 429,153,699 EUR towards the social economy entities (SOP HDR 2007-2014, Framework Implementation Document). These funds have almost exclusively filtered to **start-up grant programmes**. The SOP HDR programme aims for implementation in two cycles. The first funding cycle has helped start up a number of interesting social enterprises. It also has boosted numerous capacity building (training, exchange programmes, incubators, etc.) and research initiatives. The second cycle faced hampering due to considerable delays. Since the cycle launched in 2014—the last year of EU budgetary cycle—the grants programme allowed only one-year implementation for the funded projects.

The Operational Programme on Human Capital (POCU) 2014-2020, also funded under the European Social Fund, also focuses on starts-up. Under the present EU budgetary cycle, a first funding scheme took root in 2016 (SOLIDAR). The SOLIDAR grant programme management faced internal administrative issues and unclear managerial procedures, mainly within the Ministry of Labour, Family and Social Protection (as the Management Authority). As a result, only five projects have received financial support, out of around 80 submitted. SOLIDAR was the first grants programme launched after enacting the Law 219/2015 on Social Economy, and its results face high expectations.

A new funding scheme for social enterprises “Support for Social Enterprises start-up” launched in August 2018. This is the second funding programme for social enterprises launched under the auspices of the *European Social Fund, the Operational Programme on Human Capital (POCU) for the budgetary cycle 2014-2020*. This grant programme already faces a four-year delay. The new grants programme has a budget of 70 million EURO intending to fund start-up social enterprises, focusing on work integration of vulnerable groups in less developed regions of Romania.

4.2.4. Support measures addressed to social insertion social enterprise (new *ex lege*)

The Law on social economy introduced a series of support measures designed specifically for WISEs (Law 2019/2015) (Table 12). Nevertheless, **due to the small registered number of WISEs and lack of expertise at the public authority level concerning WISEs, measures experience only partial implementation.**

Until now, no state aid scheme specifically supports the scaling up (only start-up) of these projects, and no national programme stimulates social economy microenterprises.

All other measures theoretically provided by local authorities (support for promoting goods and services, identifying new markets for goods and services, supporting activities related to tourism and promoting national and local patrimony) are not implemented due to the lack of administrative sanctions for public authorities in case of noncompliance and the limited understanding of the WISEs' activity.

Table 12. Support measures for social insertion enterprises (Law 219/2015)

Support measures	Applicable / Not applicable
Physical infrastructure (work space/land) from local public authorities to social insertion enterprises with social label	Yes (according to the law). Still, most local public authorities cannot offer physical infrastructure due to lack of free spaces
Promoting goods and services produced by social insertion enterprises; identifying new markets	No. Local authorities license most advertising spaces to specialised firms and charge fees
Tourism, promoting national patrimony/heritage and local culture for social insertion enterprises	No
Free legal counselling for setting up new social enterprises; free management counselling offered by local employment agencies	Yes, depending on local employment agencies' comprehension of the social enterprise concept
State aid, in specific conditions established by the law (<i>de minimis</i>)	Yes, the <i>de minimis</i> rule (state aid) schemes for SE start-ups will be implemented in the near future
Facilities established by law for social insertion employers (if employing youth at risk of social exclusion or unemployment)	Yes. Law no. 76/2002 (law on the unemployment insurance system and the stimulation of employment) establishes these facilities
National programme to stimulate social economy microenterprises—possible annual benefit	No. There is no national programme for stimulating social economy microenterprises
Other facilities and tax exemption offered by local authorities	No
Legal provisions regarding reserved contracts (preferential purchasing) (Law 98/2016 on public acquisitions)	No. Public authorities do not use this procurement tool (reserved contracts)

4.3. Public procurement framework

Another benchmark in the process of development of social enterprise came through legislation reform regarding public procurement. Romania adopted a public procurement strategy document in 2015. The National Strategy on Public Procurement 2015-2020 “aimed at stimulating innovation as a strategic approach to public procurement with a view to achieving social and environmental goals.” This National Strategy included a number of provisions regarding social clauses, such as giving priority to social enterprises employing disadvantaged workers for specific contracts; considering reserved contracts for service-providing social enterprises (health, social or cultural); enacting ethical criteria for bidders (for instance, compliance with the legal obligations regarding environment protection, social protection and labour legislation); introducing best price/quality ratio as a criterion in the evaluation of bids; using labels and certifications for goods or services with specific social or environmental protection characteristics; and allowing specific evaluation of the bidding criteria with important qualitative social or environmental protection aspects. However, the document fell short of designing and implementing strategies in an efficient, sustainable and effective procurement policy. Due to poor implementation and dissemination, the strategic framework was never evaluated (Parvu and Stanciu-Tolea 2016).

The main trigger stimulating the procurement reform was the need to implement the EU procurement rules (2014/24/EU). **The Romanian legislation on procurement took form in 2016, through the enactment of Law 98/2016 and Law 99/2016. The new legislation offers interesting perspectives regarding the way in which social enterprises contribute to delivering services of general interest.** The legislative documents also introduce special provisions regarding social clauses and reserved contracts.

The new legislation outlines an **award procedure reserved for work integration social enterprises**. Article 56 of Law 98/2016 and article 69 of Law 99/2016 stipulate that public authorities have the right to reserve contracts for any type of WISEs’ products or services.

Another article of the Public Procurement Law (article 112 of the Law 98/2016) states that public authorities can grant the right to take part in tenders for social, health and cultural services only to legal non-profit entities, social enterprises and sheltered workshops that are accredited as social service providers as well as to public providers of social services. In order to qualify for reserved procurement procedures, these organisations have to meet the following criteria:

- > a) the declared aim of the economic operator must be to provide social, health and cultural services;

- > b) profits must be reinvested in the type of economic activity spelled out by the organisation's constitutive act;
- > c) employees (or, in some cases, other interested entities and stakeholders) must take part in the leadership and management of the economic activity;
- > d) the economic operator must not have received a contract from the respective contracting authority in the last three years.

The above criteria are meant to translate the provisions of the European Directive 2014/24/EU, with reference to social scope, limited redistribution of the profit and democratic governance.

Public authorities seldom use the legal provision allowing them to define reserved contracts for WISEs' goods and services. The interviewed stakeholders considered that this situation resulted from the public administration's lack of knowledge of the legal provisions, on the one hand, and from public authorities' preference for a general/usual procurement with an additional social criterion, on the other hand. Apparently, applying a single social criterion in the evaluation process proves more convenient. The authorities responsible for monitoring public procurement consider that the "reserved procurement" process limits the competition or access to market, given the limited number of WISEs.

The "disability quota" is an amount of money that corresponds to 50% of the national gross minimum income multiplied by the number of jobs for which persons with disabilities should have been hired and have not been (this requirement to hire a certain number of disabled workers concerns companies and public institutions with at least 50 employees). As explained above, organisations that have to pay a disability quota could choose to spend this money to buy goods or services from sheltered workshops. Prior to the implementation of the revisions to Law 448/2006 through GO 60/2017, public authorities used the disability quota for reserved procurement from WISEs (only sheltered workshops). As a consequence of imposing the payment of the disability quota directly to the state budget, public authorities no longer encourage the procurement of WISEs' products.

Usually, the reserved procurement of social services provided by social enterprises, sheltered workshops, associations and foundations comes through direct or simplified procedures, since the overall cost is lower than the formal threshold (750,000 EUR) beyond which the full, normal procedure is required. Public authorities are making extensive use of the simplified procedures; indeed, they consider that this procurement methodology is easier to implement.

Romanian social enterprises experience low access to the public procurement market due to a series of factors. Some social enterprises find few business opportunities within the public sector (it is difficult to identify the reserved available

procurements within the national procurement programme; additionally, social criteria for the evaluation become known only after the documents are advertised). **A lack of information also makes public authorities reluctant to sign contracts with social enterprises. Another limitation results from the lack of clarity regarding the provisions relative to reserved procurements** (e.g., lack of guidelines regarding the application of the provisions). The low level of information about the opportunities and specificities of the new legislative framework on public procurement is also a constraint in the implementation of the reserved procurement practices. **The knowledge gap about European policy's ability to stimulate social enterprise activity also constitutes an important barrier.**

4.4. Networks and mutual support mechanisms

Stakeholders widely agree that strengthening representative organisations, networks and mutual support structures may provide a major stimulating element to further develop social enterprises in Romania. **The Social Economy Coalition provides an illustrative example, which comprises the Civil Society Development Foundation and the Romanian Network of Work Integration Social Enterprises. Together, they have proposed a set of amendments that considerably improved the legislative draft and helped unite stakeholders** during the public consultation process. After the enactment of Law 219/2015 this coalition lost strength and visibility.

At the moment, a few networks and support structures possess relatively small leverage over the government. However, in most cases, **these networks germinated from a top-down process rather than from the desire to fulfil a common need.** They exist as the product of projects funded through EU sources. Nevertheless, some genuine support structures and networks responding to representation and advocacy needs do exist in Romania and generally link with de facto social enterprises.

4.4.1. Representative bodies

The only type of social enterprise with a **representative body in Romania is the RMAAs. Their National Federation OMENIA forms one of the most important organisations in the country, comprised of 137 retirees' mutual aid associations** (with more than 1,4 million members), abiding by the values and principles of mutual help that pensioners' unions have built, developed and treasured in 100 years of existence. These organisations have played an essential role in different historical periods, in social protection for elderly. Thus, both legally and by principles defining the civil society organisations, the retirees' mutual aid association act as both pensioners' associations and social enterprises.

During the implementation of the SOP HRD 2007-2013, priority axis 6.1 (dedicated to Social Economy), participants encouraged creating national and local networks to support the development of social enterprises. Each association or foundation, mutual aid association, and company that had helped start-up social enterprises created its own informal network as a management tool. Through these networks, the organisations shared knowledge and provided solutions to various challenges. However, most informal networks disappeared by the end of the projects. Few national coalitions have survived into 2018. The main national coalitions include Work integration social enterprise network (RISE), Social Economy Coalition, and National Federation of NGOs for social services (FONSS).

WISE Network (RISE)

The WISE Network first developed in 2012 through eight NPOs that aim to integrate people with disabilities or vulnerabilities. The membership has remained the same from 2012-2018. The Romanian WISE Network is a member of the European Network of Social Integration Enterprises (ENSIE) and represents their members' interests at the national and European levels (advocacy campaigns, participation at meeting with central authorities, preparing policy briefs). It also offers a platform for members to promote and sell their products. The network mainly supports the development of the socio-professional insertion enterprises while empowering disadvantaged people in their economic activities.

Social Economy Coalition

In 2011, the Civil Society Development Foundation (CSDF) initiated a strategy addressing the difficulties of promoting non-profit sector interests in general (especially social economy organisations). They advocated for establishing a legislative framework that guides social economy development. This has led to the creation of the Social Economy Coalition, bringing together 58 social economy organisations: associations and foundations, mutual aid associations, consumers' cooperatives, employers' associations, and farmers' associations and cooperatives. The coalition is administrated by the Social Economy Institute, a CSDF's department. Social Economy Coalition attended all the public consultations and acted as an active partner of public authorities while developing the legal framework for social economy. The main goals of its advocacy campaign included:

- > clearly defining the three fields contemplated by the law (social economy, social enterprises and insertion social enterprises),
- > setting up clear criteria based on which an organisation could be identify as a social enterprise/insertion social enterprise,
- > introducing a minimum set of tax incentives for social enterprises/insertion social enterprises,

- > facilitating meaningful dialogue/debates between public authorities and social economy sector in order to incentivize development.

Other activities of the Social Economy Coalition included:

- > reviewing the Romanian Classification of Occupations, in order to add occupations specific to social enterprises,
- > accrediting certain professional training programmes for the newly classified occupations,
- > complementing the public procurement law with a social clause that would enable the social economy organisations to participate in public procurement of goods and services,
- > initiating public consultations to amend the Fiscal Code with provisions relative to social enterprise tax incentives
- > initiating and/or reviewing specific legal norms or regulatory frameworks related to social economy entities, such as the legislation on farmers' cooperatives.

The Social Economy Coalition's advocacy work has proved partially successful. It did not secure tax incentives for social enterprises. The current legislation focuses on insertion social enterprises, which may benefit from certain incentives provided by local authorities such as premises, tax relief or support for product promotion. Notwithstanding those outcomes, other social enterprises are not yet entitled to receive any support from public authorities besides their registration stipulated by the current legislation. The non-profit sector's advocacy campaign continues, aiming to secure tax incentives or other types of benefits for social enterprises.

National Federation of NGOs for social services (FONSS)

FONSS was legally founded in 2014 in the North-Eastern region of Romania. Currently the Federation has 32 NGOs as members from North East region, Bucharest-Ilfov region and South-Muntenia region. **FONSS strives to strengthen the capacity of NGOs to provide social services. Though FONSS does not exclusively deal with social enterprises, its participants have developed seven social enterprises with a focus on social integration of vulnerable groups.** FONSS offers its members a range of services: information on relevant public policies, information about available funds, and advice on issues surrounding policies, development and promotion of social services. Its specific objectives include:

- > Promoting the involvement of NGOs in the local, regional, national, European and cross-border policies in order to develop social services;
- > Supporting NGOs to contribute effectively to the sustainable development of the social services at the community level;

- > Raising citizens' awareness about the development of the social services at local and community levels as ways of addressing poverty-based exclusion while actively promoting social inclusion.

4.4.2. Support networks

Ashoka Romania started its activity in Romania in 2016 aiming to address the challenges social entrepreneurs face at local and regional levels. The organisation strives to develop an ecosystem for social entrepreneurs with an easily accessible regulatory framework that would increase their visibility as agents of change. Since 2016, Ashoka Romania has developed a series of products supporting local social entrepreneur activity, including: studies on social entrepreneurship (National Report on Social Entrepreneurship 2018); Romanian Social Innovators' and their Supporters' Map, 2017; Social Innovators' Map Analysis, 2017; Ashoka Fellowship Programme, which aims to build social entrepreneurs' capacities; and Ashoka Localizer Programme—which identifies and supports the implementation of social innovations from Ashoka's global network in order to address some issues confronted in Romanian society.

4.4.3. Networks running entrepreneurial activities and social enterprise incubators

NESsT began its first programme in Romania in 2007, when the social enterprise concept remained nearly unknown. **NESsT's activity in Romania focuses on social enterprises that create jobs for those most in need, including rural population, people with disabilities, ethnic minorities and young people who face high unemployment rates.** NESsT provides an incubator for social enterprises with a detailed methodology that includes: Social capital development— facilitating social entrepreneurs' access to professionals from various areas, who provide pro bono consulting/ technical assistance in business planning, implementation, and building managerial capabilities/skills; financial investment to cover start-up or business development costs (grants or loans). It promotes and develops social enterprise start-ups and prepares them for large-scale replication. This support is offered on a long-term period (5-7 years). Between 2007 and 2017, NESsT assisted the development of 27 social enterprises. Recent successful projects include: SPRING—Supporting Roma communities' economic participation through income generation activities (started in 2016 and contributed to set up three social enterprises for Roma people); Enhancing Social Entrepreneurship—Building Bridges (started in 2015 and supported 25 social enterprises); Made in Andrei's Country (started in 2015 and helped set up 20 social enterprises).

4.5. Research, education and skills development

Research and educational programmes play an important role in promoting the institutionalisation of social enterprises in Romania. **Research conducted from 2008 onwards shifted the focus away from the third sector and towards the EU concepts of the social economy, and later on, social enterprise. Both concepts raised interest in Romanian decision-makers, practitioners and researchers.** The role of research and educational programmes was and still is very important; it contributed to clarifying the role of social enterprise, the profile and characteristics of the sector, as well as providing data about different types of organisations qualifying as social enterprises.

The budding interest in social enterprises grew through the availability of funds provided by the ESF. A major research project funded by the ESF named “Prometheus - social economy development through knowledge, education and training at European standards”, spanned between 2010 and 2013. The project was coordinated by the CSDF in partnership with Research Institute for Quality of Life, the University of Bucharest, the National Training Centre in Statistics and Euricse, and sought to develop initiatives raising the visibility of the Romanian social enterprises along with scientific research and university-level courses on social economy in Romania.⁴ **Prometheus produced the first comprehensive database of social economy organisations in the country**, which now undergoes periodical updates and was published in the “Social Economy Atlas” by the CSDF (published periodically since 2012). The NIS database now identifies the studied social economy organisations that act as private enterprises (REGIS). REGIS collects a wealth of economic data from fiscal records. Additional information about the social economy emerges from other quantitative and qualitative types of research conducted by research institutes belonging to academic institutions such as the Romanian Academy of Sciences (RIQL), University of Bucharest, University of Cluj Babes-Bolyai, CSDF and Solidarity Laboratory. **Well-known academic journals as the International Review of Social Research (IRSR) or the Quality of Live Journal dedicated special issues to the analysis of social economy in Romania.**

Thanks to European funding, the Ministry of Labour, Family and Social Protection has invested in academic programmes focusing on the social economy and social enterprise (see Table 13). Between 2007 and 2013, several Master’s programmes have been launched. West University-Timisoara, University Dimitrie Cantemir, University Babes Bolyai, and University of Oradea organised academic programmes in social economy subsidised by the Government. Without EU funding, other universities such as University of Bucharest and the Academy of Economic Studies nevertheless established bachelors and Master’s level courses in social economy and social entrepreneurship within existing majors.

(4) Additional information is available at the following link: <http://www.prometeus-project.eu/en/Default.aspx>

Table 13. Higher education on the field of social economy/social enterprises

Higher Education Institution	Level	Duration of the programme	It is organised on continuous bases?	Average no. of graduates/ programme	Funding
University Babes Bolyai-Cluj	MA	2 years	Yes	15	15 with subsidised taxes
West University - Timisoara	MA	2 years	No	27	15 students with subsidised taxes + 12 with personal payment
National School of Political Studies and Administration SNSPA	One course dedicated to Social Entrepreneurship within the MA programme "Entrepreneurship and Strategic Management"	1 semester	Yes	49	13 students with subsidised taxes + 36 with personal payment
University of Oradea	One course dedicated to Social Economy within the MA programme "Social Services Management"	1 semester	Yes	15	-
University of Bucharest	One course dedicated to Social Economy within the MA programme "Public Policy and Public Organisations Management"	1 semester	Yes	30	20 students with subsidised taxes + 10 with personal payment

Source: Authors' analysis of Romanian universities websites.

The interest in social enterprise reflects in the growing number of publications and research programmes initiated by a variety of specialists from public and private research organisations. The research on social enterprises continues to gain attention from researchers with various backgrounds, from sociology to management and social work. The number of publications on social economy or social enterprises may have ranked low before 2010, but between 2010 and 2013 the number of studies consistently increased. A literature review article identified 107 studies dedicated to social economy, social enterprise and disadvantaged groups (Stanescu 2013). Many social science journals published issues relative to social economy, social enterprises or social entrepreneurship as well.

In addition to the academic research, it is worth mentioning how other various stakeholders, networks and support centres have published research reports in the area of social enterprise and social entrepreneurship (e.g., Ashoka 2018, NESsT 2014, CSDf 2017).

4.6. Financing

4.6.1. Demand for finance

In Romania no entity has exhaustively evaluated the financial demands of social enterprises. Still, recent studies show that in Romania social enterprises struggle to ensure funding (operational cost and investment resources) for their activities. Most of them, irrespective to their form of legal incorporation, use multiple sources of revenue. **The most common sources for establishing social enterprises take the form of public grants using EU funding, other private or public grants or contracts provided by public organisations or international donors, the “2% Law” (personal income tax), selling products and services, and membership fees.** At the same time, crediting opportunities seem to inspire considerable interest for social enterprises (Doiciu et al. 2016). Without specific research on the subject, one cannot accurately estimate the financial demand of each category of social enterprises, though general perceptions seem to consider the financial situation unfavourable.

4.6.2. Supply of finance

Despite an upward trend towards self-funding, **public funding currently provides the bulk of finance for social enterprises. Public funding can take various forms such as grants, subsidies, and contracts to deliver general interest services. In Romania, the EU funds the majority of grants directed towards developing social enterprises. Their aim is limited to supporting start-up activities and encouraging the work integration of disadvantaged groups in the labour market.**

Associations and foundations, the most dynamic actors, increasingly self-fund their activities. In order to secure funding toward achieving their social mission, associations and foundations have established limited liability companies, where they represent the majority shareholder. Such companies act as an alternative financing mechanism (Barna 2014).

It is also worth mentioning the **increasing interest in crowdfunding** to support innovative projects and other forms of participative funding. Still, this type of fundraising represents an option only for social enterprises registered as associations and foundations and faces many fiscal limitations.

The access to bank credits remains very limited, with the few exceptions of social enterprises registered as limited liability companies. Social enterprises set up as associations face disadvantages due to the lack of patrimonial guarantees. Commercial banks often perceive them as high-risk clients. Social enterprises' access to the mainstream banking market remains complicated in the absence of a state-

sponsored public programme backing them. Cooperative banks provide the only alternative financing to legal entities aside from commercial companies. Integrated in the CREDITCOOP system, cooperative banks function in accordance with the GO 99/2006. The cooperative banks offer short- and medium-term credits to a variety of social economy actors, including social enterprises. The Romanian classical banking system offered singular initiative to open credit to social enterprises. In 2010, the Romanian Commercial Bank (BCR) opened a credit line (BCR Goodbee) and a limited number of social enterprises received funding as part of a CSR project. At present, this specific credit line has closed.

No social investment funds in Romania demonstrate interest in social enterprises. One initiative by a Polish investment fund, TISE, unsuccessfully attempted to set up such a mechanism.

The **problematic access of social enterprises to financing** has multiple causes. On the one hand, the lack of knowledge and information causes funders to hesitate; few initiatives measure or emphasise social enterprises' impact; and the government faces challenges in designing a favourable policy environment for social enterprises. **On the other hand, social enterprises lack managerial and marketing skills, business support services and a predictable environment that emulates the development of such initiatives.** When analysing the current financial situation for social enterprises compared to the wider Romanian market, one can interpret a disadvantaged and perhaps even hostile environment.


5

PERSPECTIVES

Public debates played an important role in the policy framework reform that could enhance the development of social enterprises. Still, after the enactment of the new legislation regulating the functioning of social enterprises in 2015, the intensity of public debates started to decrease. It became limited to punctual conjectural events as the launching of new grant schemes for social enterprises or as reactions to legal and administrative decisions negatively affecting the function and development of social enterprises.

In Romania, social enterprises (both *de facto* and *ex lege* organisations) face several constraints related to limited understanding of the concept, insufficient and weak targeted support from public authorities and general limited administrative and policy capacity of the government to design and implement well targeted policy measures for social enterprises. The legislative framework represented by the Law 219/2015 offers a limited perspective for sustainable development. Despite the strong need for social services and innovative solutions for chronic problems within Romanian society, the public investment in social enterprises remains limited. The financial instruments available to social enterprises are few and poorly understood.

The development perspectives for social enterprises development in Romania seem fragile. The existing legal environment, the evolution of the political context and general atmosphere around nongovernmental actors including social enterprises, the limited understanding of the richness of social enterprise concept and practice all present unfavorable elements contributing to stagnation and incoherence in the policy framework. In order to overcome the limitations and obstacles, a strategic vision about the role of social enterprises within the welfare system, good public management practices and political commitment are needed.



5.1. Overview of the social enterprise debate at the national level

Since 2010, public debates have played an important role in institutionalising social enterprise. The main actors in the social enterprise ecosystem (policy makers, research institutes and observatories, social enterprises representative bodies and networks, coalitions and business actors) have participated in various public debates, intending to reform a policy framework that could enhance the development of social enterprise. The main outcome of public debates manifested in the Law 219/2015 on Social Economy. Public authorities initiated the first policy consultation preceding the adoption of the law at the beginning of 2011. The public consultation engaged a broad range of major stakeholders: representatives of local governments, devolved/decentralised administrative units, associations, foundations and mutual organisations. Initially, the process demonstrated significant conceptual confusion about social economy and social enterprises, the timid presence of some cooperatives taking social economy action, and strong presence and leadership of the associative sector.

Since 2014, the number of public consultation events has constantly increased. The public consultation provided a process through which the government, parliamentary commissions and representatives of social economy could draft the final version of the Law on Social Economy. The Coalition for Social Economy proposed a complex set of proposals meant to further define three main domains/components of the law: social economy, social enterprises and WISEs. Other main debate topics included: developing criteria for social enterprise or WISE accreditation; setting-up a minimum package of fiscal incentives; and creating adequate modalities/mechanisms to better structure dialogue between central public authorities and the social economy sector. The vivid debates around the legislative process have helped shape a reasonable compromise between all actors involved.

After the enactment of the Law 219/2015, public debates and events around social enterprise issues started to lose momentum and visibility. Still, a second sequence of the public debate process occurred in 2016, when the Coalition for Social Economy created a working group. The working group prepared propositions for the Ministry of Labour and Social Justice regarding the secondary legislation necessary in order to successfully implement the original initiatives. Members of the Coalition organised a series of public debates, seeking solutions to unclear or unsatisfactory concepts and definitions within the Law 219/2015.

Over time, the public debates and events around social enterprise have evolved to punctual consultations when launching grant programmes for structural

funds, paying special attention to the application guidelines, and evaluation and monitoring procedures. In addition, several public debates took place during legal and administrative decisions affecting the social enterprise sector. Such was the case with GO 60/2017 which now hampers the functioning of protected shelters. Most recent attempts to launch public debates on social enterprise policy framework and development seem to have been ignored or declined by the Government.

5.2. Constraining factors and opportunities

In Romania, social enterprises' ascending development faces a few constraints. **Although recognised by law, social enterprises do not receive sufficient support from central and local public authorities. The limited public support schemes mainly provide investment through European funding, designed top-down by the central government.**

The legislative framework itself provides one such limiting factor. **Law 219/2015 on Social Economy offers a limited perspective for social enterprise's development, focusing only on work integration social enterprises, namely, social insertion social enterprises.** The main narrative of the law relates to social inclusion, neglecting all other potential roles of social enterprises in society. Stakeholders have identified the weakness of the legal/policy framework as a major constraint for their development. The legislative changes following the enactment of Law 219/2015 have hindered the functioning of many WISEs, as well as the policy coordination mechanisms. One specific example, the GO 60/2017, eliminates fiscal advantages for sheltered workshops. This specific situation demonstrated the **lack of a strategic approach towards the development of social enterprise favoring had-hoc interventions.** Governmental employment policies consider social enterprises instrumental, though in a very narrowed sense. The policies do not yet perceive social enterprises as an important citizen-led sector that identifies and develops innovative and effective systemic solutions to address society's problems.

Another constraining element relates to the government's capacity to design and implement effective policies. No real policy framework encourages or supports the creation and development of social enterprises. **The weak understanding of social enterprises' potential reflects in the hollow policies of both local and central governments, which has not applied the encouragement measures illustrated in the legal text. Limited fiscal incentives also remain rather attached to the non-profit purpose of the legal form covered by the social enterprise.** Public funding, aside from a few dedicated ESF grant schemes, does not privilege social enterprises above mainstream companies. The public procurement law mentions that

the Contracting Authority has the right to include special requirements in the tender dossier, as long as they align with European provisions. Until now, no reports describe the implementation of new legal provisions on reserved contracts.

Stakeholders critically evaluated the administrative management of EU funds allocated to Romanian social enterprises. The delays in launching funding programmes and pushing the implementation window to its maximum, unnecessarily forces applicant social enterprises to implement projects in a very short period of time, which severely affects the results. Also, the lack of clarity for public authorities on what social enterprises are and do, impacts on how design and implementation guidelines for governmental grants programmes are produced. Successful social enterprises not necessarily involved in work integration seem systematically ignored (e.g. RMAAs). The low project evaluation capacity of public administration paved the way for many opportunistic initiatives funded under European financing schemes. Despite this apparent success, many of these organisations have not demonstrated self-sufficiency once funding ends.

Despite the growing needs for social services and governmental investment in social service reform, the sector's innovation and entrepreneurship remains limited. **In Romania social enterprises are included in the policy toolkit for modernising the welfare system, though they remain in a marginal position that ignores the potential to address complex social, economic and environmental challenges.**

Another financial barrier (aside from the lack of public funding) comes from unimplemented credits and governmental guarantees. Governmental interest must increase in facilitating social enterprises' access to private capital through credit guarantees or incentives for potential investors.

Interviewed **stakeholders consider the ecosystem for social enterprise very fragile. The few networks and support mechanisms largely organise for punctual and event-driven situations.** The majority of responders consider weak existing networks and the reduced cooperation among active social enterprises as some of the factors explaining their weak advocacy capacity in Romania. Moreover, the sparse availability of public and private services such as training incubators, coaching, and consulting affects the development and scaling-up of social enterprises.

Lastly, stakeholders consider the **lack of awareness and understanding of social enterprise by the general public and public authorities** as a significant constraint. The term "social" connotes charitable activities and work integration of vulnerable groups, and people do not associate it with entrepreneurship. **Success cases of social enterprises remain hardly known or understood publically.**

Stakeholders also identified a few enabling factors for developing social enterprises in Romania. **A major enabling factor comes with the trigger effect of EU policies and**

funding, which is noticeable at various levels. On the one hand, the EU promoted harmonised conceptual framework (definitions, policy success stories, EU strategies and documents). On the other hand, several funding opportunities draw on EU grants. With this background in mind, several stakeholders additionally comment that Romanian authorities should considerably invest more in the quality of public programmes design and implementation. Better-designed and implemented public support programmes for social enterprises may enhance the investment outcomes of European funds in Romanian social enterprises.

Another enabling factor is found in the associative sector's strong leadership and advocacy for ways to finance social enterprises' missions.

Private initiatives have also impacted social enterprise development. Cross-border and inter-regional cooperation and innovation could majorly enable the development of the social enterprise ecosystem in Romania. Access to European research and practitioner networks, experience-exchange programmes and study visits have all stimulated social innovation and reform in many social enterprise intervention areas.

Interviewed stakeholders additionally mention **specific education programmes dealing with social entrepreneurship and management as an enabler in the ecosystem.** They have identified and bridged an educational gap among different public categories: decision makers, the general public, students, and practitioners.

5.3. Trends and future challenges

Creating the institutional framework for social enterprises raised the expectations of Romanian practitioners regarding the role of social enterprises within the welfare state. These expectations have yet to be fulfilled according to many stakeholders. While struggling to survive economically, plans for development of new business areas and scaling up have been postponed.

The stakeholders interviewed envisioned two main scenarios for the future development of social enterprises in Romania. The first rather pessimistic scenario perceives no change in the *status quo*, focusing on the Government's weak capacity to design and implement an effective policy towards social enterprises. This scenario highlights a disengaged traditional social economy sector and a weak associative sector in pursuing economic activities as an alternative funding base for social missions. As a consequence, social enterprises face limited development and poorly targeted public support towards social businesses with limited and unclear social missions, which remain rather unimaginative (e.g., work integration). In many cases, the unsustainable business models promoted

through EU funded grant schemes will reflect confusion among public policy makers and implementing agencies about the social business models they wish to promote.

The second more optimistic scenario envisages the possible awakening of the traditional social economy sector and its involvement in the development of social enterprise sector. It also envisions a coalition movement of recently established social enterprises that could change the game.

A more realistic scenario would forecast an organic, slow development of the sector. Changes in the economic, political, legal, social and cultural environments would move slowly yet positively for this sector. This evolution would emulate the example of other European countries, as well as the recommendations of the EU Commission.

All these scenarios proposed by major stakeholders indicate that **further development of the social enterprises in Romania requires risks. An accelerated and sustained development requires strategic vision and management as well as political commitment to promote equal opportunities for all economic and social actors.**

Currently, the initiatives regarding social enterprise development face decline for several reasons. During the last three years, many changes took place within the Romanian political context, especially in the relationship between Government and associations and foundations. The critical attitude towards the associative sector expands over the social enterprises too. The lack of commitment by political actors results in a slow-down of institutional reforms and consequently reduces the space enabling social enterprises. Finally, **the social enterprise sector in Romania remains little known by policy makers and the general public, and exists in the margins of the welfare state. The logic of investing in social enterprises and opening the public market to all social economy entities currently remains both a novelty and a challenge for public policy decision makers in Romania.**

6

APPENDICES

Appendix 1. The EU operational definition of social enterprise

The following table represents an attempt to operationalise the definition of “social enterprises” based on the Social Business Initiative (SBI) promoted by the European Commission.

Main dimension	General definition	Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Entrepreneurial/ economic dimension	Social enterprises (SEs) are engaged in the carrying out of stable and continuous economic activities, and hence show the typical characteristics that are shared by all enterprises ⁵ .	<ul style="list-style-type: none"> > Whether the organisation is or is not incorporated (it is included in specific registers). > Whether the organisation is or is not autonomous (it is controlled or not by public authorities or other for-profit/non-profits) and the degree of such autonomy (total or partial). > Whether members/owners contribute with risk capital (how much) and whether the enterprise relies on paid workers. > Whether there is an established procedure in case of SE bankruptcy. > Incidence of income generated by private demand, public contracting, and grants (incidence over total sources of income). > Whether and to what extent SEs contribute to delivering new products and/or services that are not delivered by any other provider. > Whether and to what extent SEs contribute to developing new processes for producing or delivering products and/or services. 	SEs must be market-oriented (incidence of trading should be ideally above 25%).	<ul style="list-style-type: none"> > We suggest that attention is paid to the development dynamic of SEs (i.e. SEs at an embryonic stage of development may rely only on volunteers and mainly on grants).

(5) In accordance with Articles 48, 81 and 82 of the Treaty, as interpreted by the Court of Justice of the European Communities, “**an enterprise should be considered to be any entity, regardless of its legal form, engaged in economic activities, including in particular entities engaged in a craft activity and other activities on an individual or family basis, partnerships or associations regularly engaged in economic activities.**”

Main dimension	General definition	Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Social dimension (social aim)	<p>The social dimension is defined by the aim and/or products delivered.</p> <p>Aim: SEs pursue the explicit social aim of serving the community or a specific group of people that shares a specific need. “Social” shall be intended in a broad sense so as to include the provision of cultural, health, educational and environmental services. By promoting the general-interest, SEs overcome the traditional owner-orientation that typically distinguishes traditional cooperatives.</p> <p>Product: when not specifically aimed at facilitating social and work integration of disadvantaged people, SEs must deliver goods/services that have a social connotation.</p>	<ul style="list-style-type: none"> > Whether the explicit social aim is defined at statutory/legal level or voluntarily by the SE’s members. > Whether the product/ activity carried out by the SE is aimed at promoting the substantial recognition of rights enshrined in the national legislation/ constitutions. > Whether SEs’ action has induced changes in legislation. > Whether the product delivered - while not contributing to fulfilling fundamental rights - contributes to improving societal wellbeing. 	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of SEs or other relevant documents.</p>	<ul style="list-style-type: none"> > The goods/services to be supplied may include social and community services, services for the poor, environmental services up to public utilities depending on the specific needs emerging at the local level. > In EU-15 countries (and especially in Italy, France and the UK) SEs have been traditionally engaged in the provision of welfare services; in new Member States, SEs have proved to play a key role in the provision of a much wider set of general-interest services (e.g. educational services up to water supply). > What is conceived to be of meritorial/general-interest nature depends on contextual specificities. Each national expert should provide a definition of what “public benefit” means in her/his country.

Main dimension	General definition	Relevant Indicators (<i>not exhaustive list</i>) (yes/no or range from low up to very high)	Initial minimum requirements (yes or no)	Examples/boundary cases comments
Inclusive governance-ownership dimension (social means)	<p>To identify needs and involve the stakeholders concerned in designing adequate solutions, SEs require specific ownership structures and governance models that are meant to enhance at various extents the participation of stakeholders affected by the enterprise. SEs explicitly limit the distribution of profits and have an asset lock. The non-profit distribution constraint is meant to ensure that the general-interest is safeguarded. The non-profit distribution constraint can be operationalised in different ways.</p>	<ul style="list-style-type: none"> > Whether SEs are open to the participation and/or involvement of new stakeholders. > Whether SEs are required by law or do adopt (in practice) decision-making processes that allow for a well-balanced representation of the various interests at play (if yes, through formal membership or informal channels -give voice to users and workers in special committees?). > Whether a multi-stakeholder ownership structure is imposed by law (e.g. France). > Whether SEs are required to adopt social accounting procedures by law or they do it in practice without being obliged to. > Degree of social embeddedness (awareness of the local population of the key societal role played by the SE versus isolation of the SE). > Whether the non-profit distribution constraint is applied to owners or to stakeholders other than owners (workers and users): whether it is short-term (profits cannot/are not distributed or they are capped) or long-term (asset lock); or both short and long term. > Whether the cap is regulated externally (by law or defined by a regulator) or it is defined by the SE by-laws. > Whether limitations to workers' and/or managers' remunerations are also imposed (avoid indirect distribution of profits). 	<p>SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making processes implemented.</p>	<ul style="list-style-type: none"> > Ownership rights and control power can be assigned to one single category of stakeholders (users, workers or donors) or to more than one category at a time – hence giving ground to a multi-stakeholder ownership asset. > SE can be the result of collective dynamics or be created by a charismatic leader (in principle a sole owner is admitted by some national legislations provided that the participation of stakeholders is enhanced through inclusive governance) or public agency. > Different combinations concerning limitations to profit distribution envisaged (e.g. most successful solution: capped dividends supported by total asset lock – Italian social coops, CIC, SCICs).

Appendix 2. Data availability report

Legal typology	Source of data (name, type & link)	Data provider (name & type)	Year of reference timeline of updates	N° of organisations	N° of workers	Turnover	Degree of reliability (1 to 4) and explanation
Associations, Foundations, Mutual aid associations for retirees	REGIS Statistical register	National Institute of Statistics (NSI)	2015 Yearly	--	--	--	4 - Official data. Data for organisations with 25% sales activity are not publicly available and were provided upon request (paid service). Data are available by legal type
WISEs (Social insertion enterprises)	National Registry of Social Enterprises Administrative register	National Agency for Employment Government Institution	2018 Quarterly	--	N.A.	N.A.	4 - Official data. The database includes information on legal type, contact data, type of vulnerable groups employed, social label qualification.
WISEs (Sheltered workshops)	National Registry of Accredited protected shelters Administrative register	National Authority for People with Disabilities Government Institution	2018 Quarterly	--	N.A.	N.A.	4 - Official data. The database includes information on legal type, contact data, type of economic activity.
Social enterprises ex lege	REGAS Administrative register	Competition Council Government Institution	2018 Yearly	--	N.A.	N.A.	4 - Official data. REGAS includes information about SEs that received state aid within the de <i>minimis</i> rule. Data are not publicly available (not public data, available upon request).

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Appendix 4. List of stakeholders engaged at national level

The set of 21 Country Reports updated in 2018 and 2019 included a “stakeholders engagement strategy” to ensure that key input from national stakeholders was incorporated. Four categories of stakeholders were set up: academic (ACA), policymaker (POL), practitioner (PRAC) and supporter (SUP). The stakeholders’ engagement strategy followed a structured approach consisting of a questionnaire, one or two stakeholders’ meeting (depending on the country) and one core follow-up group. Such structure enabled a sustained, diverse and committed participation of stakeholders throughout the mapping update process. The full names, organisations and positions of key stakeholders who accepted to have their names published are included in the table below.

Full name	Organisation	Role	Stakeholder category
Angela Achiței	Close to You Foundation (ADV)-Iasi	Manager	PRAC/SUP
Laura Albu	Centre for Mediation and Community Security Iasi	President	PRAC/SUP
Ionuț Ardelean	Pensioners’ Mutual Aid Associations Omenia Bucharest	Advocacy expert	PRAC/SUP
Cristina Barna	Economics Study Academy	Associate Professor and former GECES member	ACA
Georgică Bădălău	Pensioners’ Mutual Aid Associations Omenia Bucharest	Social services unit manager	PRAC/SUP
Nicolae Bibu	West University, Timisoara (COST member)	Professor	ACA
Laura Catană	Ashoka	GECES member/ Programme Manager at Ashoka	SUP
Florica Cherecheș	MP, Chamber of Deputies, Liberal Party	Vice-president Committee for Education, Science, Youth, and Sport	POL
Gheorghe Chioaru	National Federation of Pensioners’ Mutual Aid Associations	President	PRAC/SUP
Magda Ciobanu	Civitas, Cluj	Manager	PRAC/SUP
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Full name	Organisation	Role	Stakeholder category
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Andrei Dobre	Romanian Angels Appeal Foundation	Monitoring & Evaluation Officer	PRAC/SUP
Marioara Dună	National Union of Employees' Mutual Aid Associations	President	PRAC/SUP
Amedeea Enache	Estuar	Manager	PRAC/SUP
Dănuț Fleacă	General Directorate for Social Assistance and Child Protection (GDSACP) from District 1, Bucharest	General Director	POL
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Florin Josan	Nazarcea Group	Manager	POL /PRAC
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Luminița Munteanu	DAC Iasi	Manager	PRAC/SUP
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Full name	Organisation	Role	Stakeholder category
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Ancuța Vameșu	Solidarity Laboratory Romania	Manager and former GECES member	PRAC/SUP
Daniela Vișoianu	C4C Association	Manager	PRAC/SUP
Alexandra Zbucnea	National School of Political and Administrative Studies (Scoala Nationala de Studii Politice si Administrative)	Professor	ACA

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