

***Reviving social economy in Romania – between emerging social enterprises in all sectors, surviving communist coops, and subsidiaries of globalization actors***

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Social economy could be considered a response to the current eco – socio – economic crisis, in fact the first crisis of the globalization era. Developing social economy could mean sustainable, largely non-exportable jobs, social inclusion, improvement of local social services, and territorial cohesion. Maybe the tensions between „global” and „local” show a new wave of globalization system whose pre-condition is a sustainable territorial development. Romania in particular has faced a fast-paced transition from a closed society and economy to a country acting in a global market, including an open, global labor market. This meant dramatic changes in property regime and work, employment conditions, a context in which solutions from the top did no longer work and generated a framework for new organizational and entrepreneurial forms of social economy to play a role. Can institutions of the social economy create the path towards territorial, locally-based development in Romania? Could these territories become anchors in the context of the structural changes we live, for a real „globalization with human face” and for the ambitious objectives to be reached by 2020 by Europe in the five main areas: employment, innovation, climate change, education and poverty? We face a paradigm shift in a changing Europe, we have to unlock the potential of social enterprises – the emerging types, but also the past surviving coops.

Research objectives:

1. Analysis of the conceptual framework: social economy, social entrepreneurship and the emergence of social enterprise in Romania. Debates and implementation stage. The role of EU policies and funding on the emergence of a new coop & social enterprise sector. Is this new coop & social enterprise sector strengthening social innovation in Romania?
2. Mapping key segments of social economy in Romania: Story of lost values - surviving communist coops, future cooperative movement in Romania.
3. Case study of a pilot rural territory where a comprehensive social economy start-up project has been developed Horezu Romania Idealis project. What would be the role of social economy in a territorial development in Horezu? Value-chain analysis.

**1. General conceptual framework. Dynamic evolutions on social economy at EU level. The emergence of new coop & social enterprise in Romania, debates and implementation stage.**

The world is changing and is searching for innovative alternatives for survival, sustainability and success. More and more, social economy is considered a response to the actual eco–socio–economic crisis. Social economy is gaining in visibility and “the wonderful promise of social business” (Mohammad Yunus, Nobel Peace Prize Laureate in 2006) begins to turn into reality. Social Economy is able to unlock social innovation, growth and jobs and to realize the set ambitious objectives such as those proposed to

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be reached by 2020<sup>3</sup> by European Union in the five main areas: employment, innovation, climate change, education and poverty. Developing social economy could mean sustainable, largely non-exportable jobs, social inclusion, improvement of local social services, territorial cohesion and democratic participation.

But what is in fact social economy, a term relatively new in some European countries (like Romania), but long present in many academic debates, conferences, research studies elsewhere, and also in the priorities of European Union agenda? What are the connections or differences between social economy and other terms as social entrepreneurship, social business or social enterprise, social innovation?

The concept of social economy, French in origin, appeared in economics for the first time around 1830, refers to organizations sharing certain features, like aiming to benefit members or community. More exactly, social economy refers to entities with a wide range of organizational forms, like cooperatives, mutual aid societies, associations, foundations, and also organizations that play non-economic roles, including advocacy and participation. Professor Jacques Defourny proposed the following definition of social economy adopted by European Research Network (EMES): “the social economy gathers enterprises of the co-operative movements, mutual benefit and insurance societies, foundations and all other types of non-profit organizations which all share some principles making them correspond to the “third sector” of modern economies”. Aiming the recognition of the social economy in national accounts systems in order to make possible the collection of consistent, accurate and reliable data on social economy, CIRIEC<sup>4</sup> proposed a definition of social economy that fits in with the national accounts systems: „The set of private, formally-organized enterprises, with autonomy of decision and freedom of membership, created to meet their members’ needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote, or at all events take place through democratic and participative decision-making processes. The Social Economy also includes private, formally-organized organizations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them.” This is a definition also in line with the principles of the social economy from CEP-CMAF’s Charter of Principles of the Social Economy from 2002 (the primacy of the individual and the social objective over capital, voluntary and open membership, democratic control by membership, the combination of the interests of members/users and/or the general interest, the principle of solidarity and responsibility, autonomous management and independence from public authorities, and the most of the surpluses are used in pursuit of sustainable development objectives, services of interest to members or the general interest.) According to this definition, in national accounts terms, social economy comprises two major sub-sectors: the market or business sub-sector, and the non-market producer sub-sector. Nonetheless, the authors of quoted CIRIEC report, considered that from a socio-economic point of view there is obviously a permeability between the two sub-sectors and close ties between market and non-market in the social economy, as a result of a characteristic that all social economy organizations share: they are organizations of people who conduct an activity with the main purpose of meeting the needs of persons rather than remunerating capitalist investors<sup>5</sup>.

In the recent 2013 Social Europe Guide<sup>6</sup>, EURICSE authors included a very welcomed conceptual distinction between the term „social economy” and the term „social market economy”: „the term „social market economy” referring to a political-economic model created after World War II in response to the need to spread confidence in a new democratic system. At its heart, it sought to harmonize the principle of market freedom with the principle of social security by giving the state an active

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<sup>3</sup> „Europe 2020 is the EU's growth strategy for the coming decade. In a changing world, we want the EU to become a smart, sustainable and inclusive economy...” (José Manuel Barroso, *President of the European Commission*, quoted from [http://ec.europa.eu/europe2020/index\\_en.htm](http://ec.europa.eu/europe2020/index_en.htm))

<sup>4</sup> CIRIEC – Centre International de recherches et d’information sur l’économie publique, sociale et cooperative (2012): Luis Monzon Campos & Rafael Chaves Avila „The social economy in the European Union”, p. 21.

<sup>5</sup> CIRIEC (2012), *idem*, p.22

<sup>6</sup> European Commission, Directorate for Employment, Social Affairs and Inclusion (March 2013), *Social economy and social entrepreneurship. Social Europe Guide / Volume 4*, p. 13 (guide written by EURICSE - European Research Institute on Cooperative and Social Enterprises and Commission Staff).

role in promoting both market competition and balanced social development. (...) In the most basic sense, social market economy means that markets are embedded in society and should function in a way that both economic efficiency and well-being for all are achieved. Many of the principles of the social market economy became a substantial part of the European Social model and found expression in the Treaty of European Union.”

Social economy enterprises represent 2 million enterprises (i.e. 10% of all European businesses) and employ over 11 million paid employees (the equivalent of 6% of the working population of the EU); out of these, 70% are employed in non-profit associations, 26% in cooperatives and 3% in mutuals<sup>7</sup>. Social economy enterprises are present in almost every sector of the economy, such as banking, insurance, agriculture, craft, various commercial services, and health and social services etc.

The concept of *social entrepreneurship*, by difference, covers a broad range of activities and initiatives: social initiatives in for profit businesses, institutional entities pursuing a social goal, relations and practices that yield social benefits, entrepreneurial trends in non-profit organizations ventures, developed within the public sector (according to Johnson, 2000; Roper and Cheney, 2005; Mair and Marti, 2006, quoted from Borzaga C., Galera G. – EURICSE paper 2011). EURICSE researchers Carlo Borzaga and Giulia Galera, also proposed two definitions for social entrepreneurship: one broad definition: social entrepreneurship is a mindset that can have a place in any business and setting (Roberts and Wood, 2000), in the for-profit, non-profit, public sector or across sectors, such as hybrid organizations, which mix for-profit and non-profit approaches (Austin, Stevenson, and Wei-Skillern, 2006), and . A narrow definition: social entrepreneurship is located strictly in the nonprofit sector and it refers to the adoption of entrepreneurial approaches in order to earn income.

According to Global Entrepreneurship Report on Social Entrepreneurship 2011 social entrepreneurship in the European Union represents, for example 7,5% of the active population in Finland, 5,7% in the United Kingdom, 5,4% in Slovenia, 4,1% in Belgium, 3,3% in Italy, 3,1% in France etc. (1 out of 4 new enterprise set-up every year in the European Union, and up to 1 out of 3 in Finland, France and Belgium)<sup>8</sup>.

The emergence of *social enterprise* is related to the current socio-economic context: effects of the crisis, changes in the demand for and supply of welfare services, bottom-up mobilization, emergence of a new architecture of economics characterized by new types of enterprises, concepts, categories and economic processes and mechanisms. As Joseph Stiglitz, Nobel Prize for Economics, said in 2009: “we ...have focused too long on one particular model, the profit maximizing firm, and in particular a variant of that model, the unfettered market. We have seen that the model does not work, and it is clear that we need alternative models.” Social enterprise could also be seen as an alternative model. Generally, social enterprise refers to a ‘different way’ of doing business and providing general – interest services by its social mission. It is a new model of enterprise that is supposed to perform in addition to public and traditional for profit enterprises. More clearly, social enterprise represents a new entrepreneurial form combining a social aim with business efficiency. Social enterprise appears like a new actor with a new entrepreneurial behavior, maybe more adequate for this socio-economic context when Economics is facing a shift from the classical economic value to the new concept of „*shared value*”. According to Michael E. Porter and Mark R. Kramer, the concept of shared value can be defined as „policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress. (...) Value creation is an idea that has long been recognized in business, where profit is revenues earned from customers minus cost incurred. However, businesses have rarely approached societal issues from a value perspective but have treated them as peripheral matters. This has obscured the connections between economic and social concerns”<sup>9</sup>. Social enterprise is the actor of a new economy. The rise of this „new

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<sup>7</sup> data according to European Commission, DG Enterprise and Industry, <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>, extracted on 11.08.2013

<sup>8</sup> data quoted from Social Business Initiative, p.3

<sup>9</sup> Michael E. Porter, Mark R. Kramer (February 2011), *Creating Shared Value*, Harvard Business Review (quoted from European Commission, Directorate for Employment, Social Affairs and Inclusion (March 2013), *Social*

economy” is an alternative approach of the traditional economic model, and social enterprise is a driver for locally-based development in same context of globalization. An accelerated globalization, but a new wave - „a globalization with human face”, „an inclusive globalization”. The positive externalities of social enterprises make them key players of territorial development. Social enterprises have roots in local area, they have the capacity to mobilize available local resources, to provide local services, to engage disadvantaged groups from the territory, to enhance social capital, becoming in this way important actors, and often alternatives for subsidiaries of transnational companies which relocate for a cheaper working-force.

In present there is still no common understanding around the idea of social enterprise and many definitions co-exist, but underlining different issues of the same reality. We focus only on the most recent definition of social enterprise as proposed in the Social Business Initiative of the European Commission, COM (2011) 682 final: “a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.”

In line with EMES - European Research Network approach, European Commission - DG Enterprise and Industry, 2013, considers the features of social enterprises can be divided in two categories<sup>10</sup>:

- Economic and entrepreneurial nature of initiatives:
  - Continuous activity of producing goods and/or selling services
  - High degree of autonomy
  - Significant level of economic risk
  - Minimum amount of paid work
- 2. Social dimension of the initiatives:
  - An initiative launched by a group of citizens
  - A decision-making power not based on capital ownership
  - A participatory nature, which involves the persons affected by the activity
  - Limited profit distribution
  - An explicit aim to benefit the community

In the leaflet The Social Business Initiative of the European Commission (DG Internal Market & Services, Unit 01 – Single market policy, Relation with the Council, SBI Team) there are further clarifications on a social business/social enterprise as an enterprise which:

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

Social enterprises are seen as very important for the success of Strategy Europe 2020 because they contribute to smart growth by responding with social innovation to needs that have not been met, they create sustainable growth by taking into account their environmental impact and by their long – term vision, and they are in the heart of inclusive growth due to their emphasis on people and social cohesion.

The relationship social enterprise - social innovation - smart growth is of great interest. *Social innovation* is a phenomenon whose pace needs to continue in this time of changing towards a new socio-economic architecture. It is mainly embedded in social enterprises, it is developing rapidly, with new types of institutions, actors and behaviors. „Social innovations are innovations that are social both in their ends and in their means. Specifically, we define social innovation as new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social

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*economy and social entrepreneurship. Social Europe Guide / Volume 4*, p. 18 (guide written by EURICSE - European Research Institute on Cooperative and Social Enterprises and Commission Staff)

<sup>10</sup> European Commission - DG Enterprise and Industry (2013),

<http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/social-enterprises/>,

extracted on 11.08.2013

relationships or collaborations.”<sup>11</sup> Social innovation has a great potential recognized by policy-makers, analysts and entrepreneurs. President Barroso focused on social innovation by pointing out: „Europe has a long and strong tradition of social innovation: from the workplace to hospices, and from the cooperative movement microfinance. We have always been a continent of creative social entrepreneurs who have designed systems to enhance education, health, social inclusion and well-being of citizens.”<sup>12</sup>

Considering all above, this is why there were made recently important steps by European Union towards social business, , by including social economy among the twelve levers in the “Single Market Act , by adopting an action plan included in its communication entitled “Social Business Initiative – Creating a favorable climate for social enterprises, key stakeholders in social economy and innovation”. In addition draft regulations regarding EU Cohesion policy 2014 – 2020. Support to social entrepreneurship is included among the future investment priorities of the Regulation of European Social Fund and of the Regulation of European Regional Development Fund.

The Lever 8 “Social Business” of “Single Market Act”, that has the goal to encourage social entrepreneurship it is expected to be realized by helping the development of ethical investment funds and some proposed complementary actions like: legislative proposal on the transparency of the social and environmental information provided by businesses; creation of a European legal status for foundations; associations, cooperatives; initiative for social entrepreneurship; communication on corporate social responsibility.

Social Business Initiative defines the term ‘social enterprise’, its characteristics, giving examples from different EU countries and stating also the present difficulties for social enterprises development: funding, low degree of recognition of social entrepreneurship, regulatory environment. In Social Business Initiative the European Commission proposes 3 sets of priority measures:

1. Measures to improve the access to funding for social business (develop a European regulatory framework for European Social Entrepreneurship Funds, foster the development of microcredit in Europe, set up a European financial instrument of EUR 92.28 million to improve social businesses’ access to funding, introduce an investment priority for social enterprises in the regulations ERDF and ESF);
2. Measures to improve the visibility of social businesses (map social enterprises in Europe to identify good practices and collect reliable data on the social economy, create a public database of labels and certifications applicable to social businesses in Europe to improve the visibility and comparison between them, promote a mutual learning and capacity – building of national and regional administrations, create a single, multilingual information and exchange platform for social enterprises and their partners);
3. Measures to improve the legal environment of social businesses (propose to introduce a European foundation Statute and simplify the regulation on the Statute for a European Co-operative Society, proposal for a specific and streamlined regime for social services in public procurement, simplify the implementation of rules concerning state aid to social local services).

In the context of these dynamic European evolutions, in *Romania* social economy and all concepts presented above, are relatively new concepts, mainly embedded in NGO sector and in civil society. This is due to the fact that, despite Romania has a long tradition in social economy, this was unfortunately interrupted by the communist period, which affected the essence of volunteering and cooperative movement, and created in this way some barriers that we need to face and to struggle to overcome them even nowadays.

We can speak about social economy starting with the year 1835 (see Table1).

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<sup>11</sup> Caulier-Grice, J., Kahn, L., Mulgan G., Pulford, L. & Vasconcelos, D. (2010), *Study on Social Innovation: A paper prepared by the Social Innovation eXchange (SIX) and the Young Foundation for the Bureau of European Policy Advisors*. Young Foundation / European Union (quoted from European Union, Directorate-General for Enterprise and Industry (November 2012 - written as part of the Social Innovation Europe Initiative), *Strengthening social innovation in Europe. Journey to effective assessment and metrics*, p.10

<sup>12</sup> quoted from European Union, Directorate-General for Enterprise and Industry (November 2012 - written as part of the Social Innovation Europe Initiative), *Strengthening social innovation in Europe. Journey to effective assessment and metrics*, p.11

*Table.1 History of social economy in Romania before 1989 Revolution*

<b>1835</b>	<ul style="list-style-type: none"> <li>The agronomic and manufacturing society (<i>The Phalanstery from Scaieni</i>) – one of the first forms of SE in Romania</li> </ul>
<b>Since 1845</b>	<ul style="list-style-type: none"> <li><b>1851</b> – First popular bank is established in Transylvania in Bistrita almost simultaneously with the credit coops in Germany Schul Delish and Raiffaieisen models.</li> <li><b>1855</b> – In Brăila, the first credit, savings and mutual loan associations being established. A precursor of today's credit unions.</li> <li><b>1860</b> - Ion Ionescu de la Brad, a famous agriculture professor and rural development promoter establishes the first popular bank in a village Brad, Roman.</li> <li><b>1873</b> – first consumer cooperative.</li> <li>In <b>1886</b> first rural popular bank „<b>Frăția</b>” is established in Domnești - Muscel and first rural consumer coop „<b>Economatul</b>” in Retevoiești.</li> </ul>
<b>1903 - 1935</b>	<ul style="list-style-type: none"> <li>First Cooperative Law – already 700 popular banks in existence at the time – in <b>1903</b>. The Law on popular rural banks and their Central Caisse, which through later modifications will regulate all other types of cooperatives.</li> <li><b>1906</b> – First National Exhibition of Romania includes a section on social economy</li> <li>Romanian King Ferdinand attends the Congress of Cooperatives 1925.</li> <li><b>1929</b> - "Law for organization of cooperatives", which is revised several times. In <b>1935</b> the Law is revised to allow for various forms of cooperatives: credit cooperatives and popular banks, agricultural land purchase or lease, agricultural cooperatives, worker coops, agricultural machinery coops, marketing coops, housing coops, forestry and fishing coops.</li> <li>Development of the cooperative movement.</li> <li>In <b>1938</b> worker cooperatives were providing work places for 1150000 workers.</li> </ul>
<b>1924</b>	<ul style="list-style-type: none"> <li>The first Romanian regulation on associations and foundations.</li> </ul>
<b>1947 - 1948</b>	<ul style="list-style-type: none"> <li>The civil society and associative structures susceptible of conflict with communist interests were dissolved (1000 local and national organizations).</li> </ul>
<b>1948</b>	<ul style="list-style-type: none"> <li>Disabled workers' cooperatives were set up.</li> </ul>
<b>1948- 1989</b>	<ul style="list-style-type: none"> <li>Despite democratic appearances, the remaining organizations were an ideological tool.</li> <li>Forced membership; forced volunteering.</li> </ul>

Sources:

1. Research Report on Social Economy in Romania from a Compared European Perspective, MLFSP, Bucharest 2011, p.35
2. [http://www.centrocoop.com/istoric/evolu538ia\\_coopera538iei\\_de\\_consum\\_in\\_538arile\\_romane-53-996-ro.html](http://www.centrocoop.com/istoric/evolu538ia_coopera538iei_de_consum_in_538arile_romane-53-996-ro.html)
3. <http://emiliacorbu.ro/2010/05/ce-este-cooperatia/>, <http://emiliacorbu.ro/2010/05/rezultatele-cooperatiei/>

After 1989 Revolution, we can divide two different contextual periods: 1989 - 2005 and the period 2006 - to date.

The sector of social economy, the part of the economy grouping cooperatives, mutual and non-profit sector had no common identity as social economy in Romania prior to 2005. In the period 1989 – 2005 in Romania we had a declining cooperative sector (number of members of cooperatives going down from over 1 million to below 30.000), a stagnating credit union sector and a thriving non-profit sector which grew exponentially getting in 2010 to over 20.000 active organizations and almost 100.000 employees with distinct identities enjoying limited to no visibility. The legal framework for associations has a number of ambiguities related to the possibility of non-profit entities to conduct economic activities, and the legislation for cooperatives has been reformed in 2005 turning cooperatives closer to commercial

companies while the sector itself is quite far from the internationally recognized traditional principles of cooperatives.

The social economy concept has been launched in the public arena in Romania by the European Social Fund Operational Programme for Human Resource Development OPHRD Romania and by the NGO Sector representatives involved in the programming debates in the period 2005-2006. Previously there were initiatives of “enterprising non-profits” (around 10-15% out of total non-profits had reported income generating-economic activities during 2000-2009) and income generating projects in poor rural and some Roma communities and a number of protected workshops that could fall under the broad definition of social enterprise. As a consequence of these debates the OPHRD has designed a Major Area of Intervention Development of Social Economy allocating 600 mil Euro for grants of significant size for two types of projects – strategic maximum 5 mil Euros, and small up to 500.000 Euros. Around 60 projects have been financed and are at various stages of implementation. Therefore numerous initiatives with a variety of approaches are currently under way providing information / awareness raising, training, start-up advice, creating local/regional resource centres and, in rather few cases, direct financial support for enterprise start-ups. More specifically:

- University studies – at least three projects had a component of university studies involving main universities in Romania, including one Master’s degree.
- Research activities – numerous research activities – on the overall social economy sector at national level and in several regions, on the role these organizations may have for disadvantaged groups, specific research on potential role for Roma and disabled, policy research – at least two policy reports, one for the Ministry of Labor and one on role of social economy in work integration of the disabled.
- Support for start-ups and incubators – training and advice, some start-up funding, local and regional resource centres for social economy entities.
- Fairs – Ministry of Labor, CSDF, Protected Workshops.

These initiatives gave a lot of visibility to the social economy concept and generated debates around the various concepts such as social economy and social entrepreneurship.

In the same time it is remarkable the high participation of social economy organizations (associations and foundations) at European Social Fund Operational Programme for Human Resource Development. As recent research reports developed by Institute of Social Economy (CSDF) show<sup>13</sup>, social economy organizations had a high degree of participation (measured in % in total projects and % in total value) comparing with other types of organizations, in the following programme components: „Promoting active employment measures” (Development and implementation of active employment measures, and Promoting sustainability on long term of rural areas regarding human resources development and working force employment), and in „Promoting social inclusion” (Development of social economy, Improving the access and participation of vulnerable groups on labor market, Promoting equal opportunities). Associations and foundations generated between 39% - 70% from the total number of projects.

## **2. Mapping key types of actors of social economy in Romania**

In Romania, like in some other European countries, the actors of social economy are the engine of a new endogenous economic development model, required by the effects of the first crisis of globalization era. They can build up new synergies for local development, correcting in this way the globalization’s gaps and imbalances, and the crisis effects. The actors of social economy in Romania can revitalize territories, by internalizing externalities, eliminating asymmetrical information and by using and enhancing social capital as a new endogenous resource of great importance. Reviving social economy in Romania – emerging social enterprises in all sectors, surviving communist coops, other traditional actors, means in fact alternatives for subsidiaries of globalization actors, all together in the same global economic system, all of them playing a specific role, and creating as a whole the path towards territorial locally-based development in Romania, towards strong territories as anchors for a real ‘globalization with human face’.

The main key actors of Romanian social economy are: associations and foundations, cooperatives (craftsmen’s cooperatives, consumers’ cooperatives, credit cooperatives) and credit unions

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<sup>13</sup> Constantinescu St. (coord.), *Social Economy and working force employment. Integration of vulnerable groups on labor market*, Institute of Social Economy (CSDF), 2013

(credit unions of employees and of pensioners). Also, Romania has another forms of social economy entities, like authorized sheltered workshops and commercial subsidiaries of NGOs, and new forms in debate: work integration social enterprise (according to the project of Law on Social Economy).

According to the most recent statistics from *Atlas of Social Economy – Romania 2012* (issued by Civil Society Development Foundation – Institute of Social Economy), social economy in Romania includes a number of 31.000 organizations, with fixed assets of around 10 billion lei (around 2,5 billion EUR), annual income of 7,7 billion lei and a number of over 100.000 employees. Main actors of social economy in Romania are synthesized in Table 2.

*Table 2: Indicators of social economy organizations in Romania in 2010*

<b>2010</b>	Number of organizations	Fixed Assets (thousands lei)	Income (thousands lei)	Total Employees	Members (thousands)
<b>Associations and Foundations</b>	<b>26.322</b>	<b>5.800.096</b>	<b>5.674.974</b>	<b>60.947</b>	-
<b>Cooperatives:</b>	<b>2.017</b>	<b>975.050</b>	<b>1.620.129</b>	<b>34.843</b>	-
Craftsmen coops	857	592.123	749.972	25.109	30
Consumers coops	958	199.204	565.039	7.485	20
Credit coops	75	115.723	185.118	2.003	-
Agriculture coops	127	68.000	120.000	246	-
<b>Credit Unions CU</b>	<b>2.983</b>	<b>3.142.642</b>	<b>426.263</b>	<b>4.801</b>	<b>3.237</b>
CU for employees	203	674.163	81.574	2.510	2.000
CU for pensioners	2.780	2.468.479	344.689	2.291	1.237
<b>Total</b>	-	<b>9.917.788</b>	<b>7.721.366</b>	<b>100.591</b>	-

Source: Constantinescu St., *Atlas of Social Economy – Romania 2012*, p.9

*Table 3 Number of active social economy organisations by year and type 2000-2010*

<b>Number of active organisations active /year</b>	<b>2000</b>	<b>2005</b>	<b>2007</b>	<b>2009</b>	<b>2010</b>
Asociations and foundations	10.494	16.532	19.354	22.589	26.322
Cooperatives		1.844	1.819	1.747	1.890
Credit Unions		3.855	3.324	2.425	2.940

Source: National Institute of Statistics Romania - *Prometeus* project, Institute of Social Economy - CSDF

As can be seen in the next graph, the number of cooperatives and credit unions is constantly decreasing since 2000 while the number of associations and foundations is growing.

The revenues have constantly and significantly grown for associations and foundations, and credit unions while cooperatives have hardly managed to stagnate. In fact revenues of credit unions have increased in the period 2005-2010 more than 3,6 times while those of associations and foundations only 2,7 times which may indicate signs of financial consolidations for the credit union movement even in the context of a decreasing membership

*Table 4: Revenues of social economy organizations 2000 - 2010*

<b>Revenues (thousands RON)</b>	<b>2000</b>	<b>2005</b>	<b>2007</b>	<b>2009</b>	<b>2010</b>
Associations and foundations	426.322	2.053.796	3.065.281	3.784.076	5.674.974
Cooperatives		1.415.493	1.514.608	1.484.645	1.500.130
Credit Unions		119.561	159.313	367.653	426.264



Source: National Institute of Statistics Romania - *Prometeus* project, Institute of Social Economy - CSDF

Considered by CIRIEC report 2012 as a country with scant or no recognition of the concept of social economy, Romania has a rather small ratio of paid employment in the social economy compared to total paid employment - of 1,77% of workforce employed in Romania, still comparable to industries such as financial intermediation and insurance but at big difference from the 6,53% average at EU-27 level or 7,41% - average total EU-15, and even from other new member states like Estonia - 6,63%, Hungary - 4,71%, Bulgaria - 3,97%, Poland - 3,71% or Czech Republic - 3,28%<sup>14</sup>.

The social economy may improve its public recognition through the adoption of a long debated draft Law on Social Economy prepared by the Ministry of Labour with some international consultants. This draft follows an initiative strongly contested by the social economy sector, a parliamentary legislative initiative of a social – democrat MP the law on Social Entrepreneur that had numerous flaws confusing social enterprises and enterprises established by traditional companies with a social aim – poorly defined, mainly work creation, with corporate social responsibility and providing fiscal breaks for social investments by companies – among which multinationals where explicitly listed. This draft has shown the lack of clarity surrounding the concepts of social entrepreneurship and social economy to a large extent new to the Romanian society. It has generated an outrage within a broad coalition of mainly NGOs joined by credit unions (more actively by the credit unions of the retired) initiated by IES-CSDF. Following this campaign the draft law was withdrawn by the Parliament in the final phase of the legislative debate. The second draft law - Law on Social Economy was initiated by the Ministry of Labour and generated in consultation with representatives of all three sectors concerned: the NGOs sector, the credit unions federations and cooperatives during 2010-2011. Much of the discussions were around the concepts, definitions and principles. This was the period when new identities of both the “traditional, old economy” sector and of the new sector of mainly work integration social enterprises emerged. This draft was finally launched by the Ministry in the public debate in December 2011. A working group established by CSDF with NGOs and credit unions have proposed numerous amendments to this text. The law is still being debated within the Government.

Using data from the *Prometeus* project<sup>15</sup>, conducted by IES-CSDF in partnership with University of Bucharest and Institute of Research on the Quality of Life of the Romanian Academy, and IES most recent research reports published in August 2013, we map below briefly the main actors of social economy, and the significant evolutions for each category.

### *Associations and Foundations*

In Romania, associations and foundations are organizations whose primary purpose is non-lucrative, but they may conduct economic activities directly or by setting up companies. . The Atlas of Social Economy shows both the current situation and recent developments of the sector of associations and foundations as a whole, as well as the particular segment of associations and foundations with registered economic activities. The associations and foundations sector has undergone a remarkable evolution since the early 1990s. At the end of 2010, there were 66.804 registered organizations (of which three quarters are Associations); the highest annual number of registration of new organisations (in

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<sup>14</sup> CIRIEC – Centre International de recherches et d’information sur l’économie publique, sociale et cooperative (2012): Luis Monzon Campos & Rafael Chaves Avila „The social economy in the European Union”, p. 48.

<sup>15</sup> "PROMETEUS - Promoting social economy in Romania through research, education and training at European standards" (ID 57676) implemented by Civil Society Development Foundation in partnership with the Research Institute for Quality of Life (Romanian Academy), Faculty of Sociology and Social Work (University of Bucharest), European Research Institute on Cooperative and Social Enterprises (EURICSE) and National Centre for Training in Statistics (CNPS) and Co-financed from the European Social Fund through the Sectorial Operational Program - Human Resources Development 2007- 2013 - Investing in People!

absolute value) are recorded after Romania's EU accession (2007) with over 3.000 new organizations registered each year. Among the registered associations, only about 40% are officially active - submit a balance sheet at the end of each fiscal year, indicating a high degree of informality. At the end of 2010, associations and foundations total assets amounted to about 12 billion lei, equivalent of 3 billion Euros, increasing by 83% as compared to 2007 and by 48% as compared to 2009. Noncurrent assets have a high concentration degree, the first 50 organizations (0.1% of total) owning more than 55% of the total assets of associations and foundations.

Associations and foundations employed at the end of 2010 an estimated number of 61.000 employees (with an increase of 27% as compared to 2005). The typical organization has a number of up to 5 employees while, although declining as a share, organizations without employed staff represent 70% of total associations and foundations.

Fields of activity with highest incidence in terms of number of organizations are social / charitable and sports, followed, in approximately equal weights by education and culture.

Organizations in the social / charitable and those in education field are the biggest employers and the highest annual income were achieved by social/charitable organizations, sports and religious organizations. Organizations possessing the most significant assets are those active also in the social / charity field, commons, education and religion.

Organisations in the social sector have been the subject of great interest in Romania in this period, in the context of a developing mixed welfare market in which private non-profit providers emerge as innovators and promoters of a variety of alternative services, in particular non-residential, mainly with private support, have been formally recognised as social service providers by the public system but yet receive very little public funding . IES has recently launched the results of an in-depth research on this topic, based on official and field research data that measure and describe the role, market share, social impact and revenues sources of private non-profit providers of social services in Romania, and also includes a comparative perspective with the public sector providers. In 2011 the associations and foundations represented almost half of total accredited suppliers of social services (47%) in Romania <sup>16</sup>, while local public providers of social services represented 40%.

*Table 5 Beneficiaries of social services in Romania, 2010 - 2011*

Year		Average number of beneficiaries of services provided by organization by sector		Total number of beneficiaries of services provided by organizations by sector	
		2010	2011	2010	2011
Type of provider	Private, non-profit	309	353	126.700	146.298
	Public	762	687	173.322	149.983

Source: Dima G. (coord), Barna C. - *Social services in Romania - the role of social economy actors*, Institute of Social Economy - CSDF, Bucharest, 2013

The study has revealed the most interesting figures: from 2010 to 2011, with an increase of economic crisis and public budget cuts, the public sector has significantly reduced its number of beneficiaries both as a whole sector and by institution, while the private non-profit sector has increased the number of beneficiaries it served both overall and as average by organization. While the public allocations for private providers has actually decreased this proves that non-profit organizations have stepped in “to save” beneficiaries abandoned by the public sector.

These numbers could increase significantly with the condition of opening the public market of social services to private non-profit providers ensuring that social needs are properly met.

### *Cooperatives*

<sup>17</sup> CIRIEC – Centre International de recherches et d’information sur l’économie publique, sociale et cooperative (2012): Luis Monzon Campos & Rafael Chaves Avila „The social economy in the European Union”, p. 42.

An opportunity for small local producers or consumers with no sufficient economic force in the global competition, to act jointly with more success in market failure situations, and gain improved access on oligopolistic markets, an instrument for promoting local development, and for developing agriculture – a strategic sector for Romania, cooperatives could play a significant role in the socio-economic development of Romania, in particular of its rural areas.

Unfortunately, cooperatives are still facing an “identity crisis” marked by the passing from the “state and cooperative property” to the market economy which transformed them from very strong organizations into marginal ones. They are facing a double challenge a big problem of perception from the population, because of the communist period when agriculture coops were based on forced collectivization of lands. (Petrescu C. 2013) and a general ignorance of the advantages of these organization forms for meeting particular type of socio - economic roles and needs . These barriers are still difficult to overcome, and slow down their development.

By law, cooperatives in Romania are independent and voluntary individual associations pursuing the achievement of their members’ common goals, particularly of economic nature, in very different domains such as agriculture, trade, craft, housing, utilities and more recently, social services. This focus on the economic nature makes the leadership of the old cooperative networks to have difficulties in identifying with the social economy, and even some of the traditional cooperative principles – such as concern for the community and limited distribution of surplus. The changes in legislation in the years 2000’ promoted by the group of surviving leaders of the cooperative movement from the communist period has led to a strong demutualization – privatization movement of the cooperative sector, millions of small member shareholders being bought out by a few thousands of the management of cooperatives. This movement was far less democratic than the mass privatization programme of the government that happened more or less during the same period allowing every citizen to get shares in regional investment funds and / or state companies being privatized, or participate in Management Employee Buyouts of state companies. .

Membership in consumer coops has decreased according to the central organization CENTROCOOP (Crisan, 2010 quoted by Petrescu C. 2013) from 6.500.000 members in 1991 to 27.823 in 2009. Consumer coops had an important role in the distribution chain of products of rural economy as they also initially served as centers where agriculture products where collected and further distributed to the urban centers. This function, already lost during the communist regime would have been vital in the last 20 years when, hit by the massive economic restructuring many workers from rural areas returned to farming as a way of living.

In Romania, cooperatives are in many instances assimilated to commercial enterprises, and they are registered in the general Trade Registry along the commercial companies.

Since 1990, cooperatives in Romania experienced a constant involution, more significant in the first years of transition between 1990-2000, not just in memberships, but also in terms of number of organizations, and employees. The decline in the number of members and employees may be due, besides the causes outlined above, to a natural exit process (members and employees in search of better economic opportunities) and also to a strategic process of streamlining business of the cooperative management.

*Tabel 6 . Employment in coops Romania 1992-2009*

<b>Year</b>	<b>1992</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Employment in coops (no. of employees)	313.269	166.411	118.912	68.066	51.825	51.082	49.865
Weight of employment in coops in overall employment %	4,73	2,75	2,56	1,42	1	0,98	1,02

Source: Petrescu C. (coord.) *Miscarea cooperatistă în România 2011 dimensiuni, performanțe, tendințe, provocări. Raport preliminar.*, Institute of Quality of Life - Romanian Academy

At the same time, both non-current assets, as well as income increased and stabilized, reaching in 2010 values of 790 million lei (approximately 200 million Euros) for assets and total income of 1.3 billion lei (325 million Euros); also, comparative data 2010/2009 indicate a possible revival of cooperative at least in terms of number of organizations.

Low share of income originating from sales of products shows that much of the income is achieved from the operation of fixed assets. At the end of 2010, cooperatives had an estimated number of 50.000 members, two of three members being employed and earning incomes of 6,500 Euros per member and about 10 thousand Euros per employee.

### *Credit Unions*

Credit Unions (known in Romania under the name *Casa de Ajutor Reciproc Houses of Mutual Aid - CAR*) are organisations of social economy, legally established as non-profit associations, and having the purpose of providing small interest loans to its members, especially for consumer needs, but also to support or cover special situations (i.e. funeral expenses, marriage costs etc). There are two main types of credit unions – of the employees - CARS Casa de Ajutor Reciproc a Salariatilor (which now include also self-employed persons) and of the retired - CARP Casa de Ajutor Reciproc a Pensionarilor, with two separate laws that regulate them. The credit unions of the employees can only conduct credit related activities while those of the retired may engage in other services for their members.

CARPs play a significant role in the development of associative feeling for ageing people, and they can be viable socio-economic alternatives for covering risks like exclusion from the credit market of people with low income, difficult access to health and proximity services for poor elderly people and support for poor people in difficult situations. In Romania, Pensioners' Credit Unions also provide access to certain types of social services, some CARPs being accredited for this purpose.

CAR operates with its own funds, which, unlike cooperatives, are collective and indivisible, with no capital divided into distinct parts between members. Source of loans granted by credit unions is represented by the deposition of members into a personal account called "social fund", bearing interest, but which does not have a deposit account character. Credit unions are non-bank financial institutions, but they have not a status of institutions engaged in lending activities, on a professional basis. They are financial, but not credit institutions and the legal framework prohibits granting credits to legal entities and collecting deposits. They are required to be registered with National Bank of Romania Register, and their business is supervised by the Central Bank. Activity related to the work performed by the credit unions is exempt from taxes and fees.

In the NBR Register, at the end of 2010 were recorded 2983 credit unions, from which 203 Pensioners' Credit Unions (7% from total) and 2780 Employees Credit Unions. The records of the National Association of Employees' Credit Unions (UNCARS) included a number of 2083 credit unions belonging to UNCARS at the end of 2010 (75%), the rest of 697 credit unions being affiliated to other federations, or no affiliated, and most of them belonging to the employees from military units, police or other structures of central administration.

One of the most remarkable issue regarding credit unions, it is that from all the associative forms of social economy they have the biggest number of members (around 3,2 million persons). A percentage of 36% from total pensioners and 16% from total employees were members in a credit union at the end of 2010 in Romania.

### *Sheltered workshops*

Sheltered workshops are considered to be part of social economy, in particular those functioning in the framework of associations and foundations that thus meet the social economy / social enterprise criteria . They are in many ways similar to Work Integration Social Enterprises - WISE and as such have been also included in CIRIEC report 2012<sup>17</sup> for Romania case (under the name of *authorized protected units*).

Sheltered workshops, organizations with an important role in work integration of people with disabilities, are organizational forms very close to the model of work integration social enterprise. They are established, authorized and function according to the Law 448 / 6 December 2006 regarding the protection and the promotion of the rights of persons with disabilities. According to this law, sheltered workshops are independent organizations or sections with own management in organizations, which has at least 30% employees with disabilities working with individual labor contract in the total number of employees. Sheltered workshops are accessible to different legal forms (for profit companies,

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<sup>17</sup> CIRIEC – Centre International de recherches et d'information sur l'économie publique, sociale et cooperative (2012): Luis Monzon Campos & Rafael Chaves Avila „The social economy in the European Union”, p. 42.

associations, foundations, authorized physical persons, public institutions) on the condition of respecting the quota of 30% disabled workers. As there is no reference regarding the social economy principles in the legal regulations for sheltered workshops, in the recent report issued by Institute of Social Economy (CSDF) in August 2013<sup>18</sup> it is considered that only sheltered workshops organized in traditional forms of social economy (associations, foundations, cooperatives) could be included in the field of work integration social enterprise. The sheltered workshops have the benefit of reserved markets as all employers in Romania have to either hire disabled employees or to buy services of goods from protected workshops.

Sheltered workshops registered in Romania are in great majority for profit companies (69% from total, 391 sheltered workshops), some of the companies being also commercial subsidiaries of non-profit organisations (association or foundations). According to General Direction for Protection of Persons with Disabilities, legal forms assimilated to social economy represented in August 2012 only 23% in total sheltered workshops: 95 associations, 20 cooperatives and 14 foundations. At the end of 2012, sheltered workshops employed an approximate number of 4600 persons, from which approximate 2000 persons with disabilities, representing 42% in total employees for this type of organization, average close to legal condition of 30%.

Besides the role of creating jobs for people with disabilities, according to the research results of IES report 2013, 47% of total sheltered workshops provide supplementary services for employees with disabilities like: professional training (27% from total sheltered workshops, 37% from sheltered workshops developed by social economy organizations), counseling and information services (14% from total sheltered workshops, 25% from sheltered workshops developed by social economy organization).

The draft Law on Social Economy from September 2012 introduces a new category of social enterprises, work integration social enterprises which would lead to an extension of sheltered workshop activities towards work integration of other categories of vulnerable groups than the disabled and also incorporating the social economy principles in their operation, and without the benefit of the reserved markets.

### **3. Case study of a pilot rural territory where a comprehensive social economy start-up project has been developed Horezu Romania Idealis project. What would be the role of social economy in a territorial development in Horezu? Value chain analysis.**

#### *The territory: general description and resources*

The territory - five localities from the South West Carpathian region in Romania – Horezu – a market town, and four rural municipalities Costesti, Vaideeni, Maldaresti and Slatioara as a strategic partnership “Oltenia at the feet of the Mountains – Partnership for Local Economic Development”. The Horezu micro region lies at 200 km away from Romania’s capital Bucharest, between the Căpățâni Mountains to the north, and little mountain rivers to the other parts. It is mainly a highland region, with mountains reaching altitudes of up to 2.124 m in the Ursul Peak, two rows of hills and depressionary corridors, among which stands out the Horezu Valley.

Horezu, the market town around which the network of localities has evolved has a population of approximately 7,000 living in an area of 118 square kilometers. Horezu is reputed as an ethnographic centre and as an age-old folk ceramics centre, famous for well preserved traditions and crafts, rich cultural, spiritual and architectural heritage (old churches and monasteries, most famous traditional pottery centers in Romania)

Traditional occupations include fruit production, animal rearing (bovines, goats, and sheep), ceramics/pottery, and wood-processing industry. Horezu is also a traditional commercial centre; a market area for farming products and (household) utilities exchange. Finally, the name of Horezu is linked with the Monastery of Hurez, which is a monastic complex erected at the end of the XVII-th century, and which is listed in the UN World Heritage Site, a masterpiece of orthodox religious architecture, and also a cultural centre that influenced the development of crafts such as tapestry and ceramics in the region. The Horezu ethnographical area blends elements specific of several civilizations: the clay civilisation – famous potters, the wood civilization – talented wood-carvers and the pastoral civilization –on the alpine

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<sup>18</sup> Constantinescu St. (coord.), *Social Economy and working force employment. Integration of vulnerable groups on labor market*, Institute of Social Economy (CSDF), 2013

meadows and authentic pastoral folklore. These are also the three chains – filieres around which the development of the region is planned.

The market town Horezu is an administrative centre of this network of villages, being focal location for health - hospital care, education with high school and vocational training, justice court, banks and traditional markets. The territory is a combination of urban and rural habitat within the same administrative unit, with the market town taking a leading role in generating ideas for economic development. The area is rich in natural resources - significant surfaces covered by forests, beautiful mountain landscapes, two natural sites part of Natura 2000 network of natural parks and protected areas (Buila Vanturarita Natural Park [www.buila.ro](http://www.buila.ro) and Northeast Gorj Natural Park of Parang Mountains). These *mountain areas* are also considered disadvantaged in the National Rural Development Plan and in the European policies.

The localities have as a main characteristic the fact of being situated at the very foot of the mountains, their inhabited part consisting only of a small portion in the south, much of the area being occupied by uninhabited forest or alpine regions. The localities expand their administrative territory up to the main peak of the Căpățâna Mountains, reaching altitudes of more than 2000 m with highest peaks.

Locality	Horezu	Costești	Vaideeni
Average altitude (m) :	1.011	1.048	1.120
Average slope (%):	25,9	30,6	29,4
Locality total area (ha):	11.786	10.903	15.811

and are therefore included in the mountainous area, which is considered, according to the methodology of the European Union, a less-favored area (according to the *Regulations (CE)1257/1999*) on account of the unfavorable environmental conditions – high values of the altitudes and slopes – that considerably diminish the conditions of use of the agricultural land and thus lead to a decreased agricultural productivity, face obstacles in the practice of agriculture, obstacles that are materialized especially in the reduction of the vegetation period and in supplementary expenses connected to the slope conditions.

In this region there are several deep valleys that have a gorges-like aspect. The most developed of them are the gorges of the Bistrița, that measure 1,2 km and whose course perfectly matches the structural lines of the southern slope of the Arnota mountain. The Gorges of the Costești brook measure 2 km, have a straight structurally imposed course, with the left slope carved into crystalline schist. In this region there are several protected natural areas Protected or Major Ecological Interest Areas.

The main protected area, both from the point of view of its importance (category II IUCN – a national park) and from that of its surface (approximately 4500 ha) is the Buila-Vânturarița National Park, Romania's 12th national park. It partially lies on the micro region's territory, namely on the territory of the Costești and Bărbătești communes. In addition to it, in this region have been declared or are about to be declared other protected areas.

Most of the communes register *large areas of pasture lands and hay fields* ( even more than 75% of the entire land used for agriculture). The total area covered by hay fields and pasture lands, approximately 240 sqkm representing 74% of all the agriculture-land of the region, generates prerequisites for the development of activities of the animal breeding (cattle, sheep, goats). The fact that the areas suitable for vegetal cultures, particularly cereals, that are then used to produce concentrates, are not sufficient, endows livestock breeding activities with ecological valences, which is a scarcely exploited side of this activities nowadays. Alpine grasslands, as well as the meadows of the sub-alpine area or the hay fields of the lower regions, are flecked with millions of flowers, dispersed amongst the grass and straw that are of great value to the pastoral economy. Semi-natural meadows represent the most valuable ecosystems of the agricultural land category. Giving up the traditional agricultural activities (haymaking, grazing) might lead to the decay of the habitats and to landscape alteration. In the mountainous area there is a tendency towards the abandonment of the agricultural activities, especially in the case of the semi-natural meadows.

The Horezu micro region disposes of an important *forest fund*, covering an area of over 26.000 ha, representing 38% of the entire micro region (the average at the national level is of 27%) in some localities this amount increases up to 51% in Horezu, 57% in Vaideeni and 77% in Costești. The area faces a

continuous process of deforestation caused by a complex of factors that often manifests itself in an aggressive manner. Forestry furnishes the firewood necessary for the heating of most dwellings.

Owner groups	Locality total (ha)	Property of the state and communes (ha)	Public property of the state (ha)	Property of the commune (ha)	Private property of the natural persons (ha)	Property of the commons (ha)
Costești	8449	8299	8285	14		150
Horezu	6620	2808	2808	-	362	3451
Vaideeni	8133	4500	4500	198	250	3185
Total	23202	15607	15593	212	612	6786

It comes out that ROMSILVA – state owned forestry company - still remains the greatest forest owner (64%), closely followed, nevertheless, by the commons (27%). In some localities, the commons represent more important forest owners than ROMSILVA (for instance, on the territory of Horezu town, the community owns 52% of the forest).

The main threat, the illegal cutting of timber appears as a result of objective causes: the small income of the inhabitants of the areas where abusive winning of timber has been identified and their lack of alternatives, which led to their choosing the illegal winning and selling of timber as an income source, and the desire of immediate acquiring of illegal or undeserved income.

Although the inhabitants own in common important surfaces of forest and pastures, the commons whose members are mostly in an advanced poverty state do not have the capacity of controlling the administration and exploitation of the natural resources (wood, mushrooms, berries, pastures), the area being subject to massive deforestations, which affect the biodiversity and perspectives of sustainable development - the low income of the inhabitants and the lack of employment alternatives making the situation even worse. The few local associations of the livestock breeders and commons are unable of creating jobs and contributing to the development of the economic activities on account of the lack of expertise and managerial capacities.

Most of the villages composing these administrative entities have not gone through forced communist cooperative system of agricultural land and significant parts of the forest and mountain pastures are held in traditional collective property of forests commons – restituted slowly since 1989.

Like other parts of Eastern Europe, the region faced in transition from a centralized economy to market economy. In Horezu, during the centralized economy of the second half of the 1900s, the town was a local products processing centre, as a result of investments made in several branches of furniture, food industries and textiles. After 1990, during the process of transition to a market economy, industrial and constructions activities witnessed a significant regress epitomized by the closing of a local textile factory. Many of the citizens went back to their traditional work to survive and the current town economy is dependent on these traditional activities as well as trade and tourist activities. Factories closed 20 years ago and no significant economic investments were made ever since to support local industry - all major industrial activities such as milk or fruit processing, furniture, light industry, and mining have collapsed or registered major decline.

These mountain areas face many challenges: decreasing and dispersed population, a mainly rural character, a reduced capacity of endogenously generating “businesses” and jobs generated by a relatively low level of education and the small number and limited capacity of the local entrepreneurs. The most common occupations- livestock breeding, apiculture and fruit production- are generally made in subsistence farms.

### *Population*

The area faces a dramatic decrease of the population which reached 4% in 18 years, higher in rural areas than in the town market of Horezu.

Locality	Population Reference year 2002 - census data	Estimated population 2010	<u>Under 20 of age</u>	Over 60 of age	Active population	Unemployed
Horezu	6.807	6.701	1.386	1.364	2.672	426
Costești	3.699	3.342	642	925	1.426	110
Slătioara	3.633	3.466	665	1.017	921	139
Măldărăști	2.069	2.001	364	559	816	98
Vaideeni	4.235	4.090	888	1.083	1.489	122
<b>Total</b>	<b>20.443</b>	<b>19.600</b>	<b>3.945</b>	<b>4.948</b>	<b>7.324</b>	<b>895</b>

Source Census data INS, regional statistical office Valcea

The economic dependency rate of the population (the rate between the active and inactive population) was on average 1791, above the national average of 1.449 inactive inhabitants for 1.000 active, with some localities as high as 2.945. The region is also confronted with high unemployment rates, in the context of employment rates far lower than the national average (employment rate 10,5% of the total population). Most of the economic activity is in sub-sistence and semi-subsistence agriculture.

Some of the communities have significant Roma populations (estimated at approx. 10%), involved in activities based on crafts or forestry. Partial data show that some persons are in more than one of these difficult situations, e.g. out of 1.608 Roma people and Roma woodworkers, 37% benefit of the social income support and are reluctant to enter the employment services system lest they should lose this income.

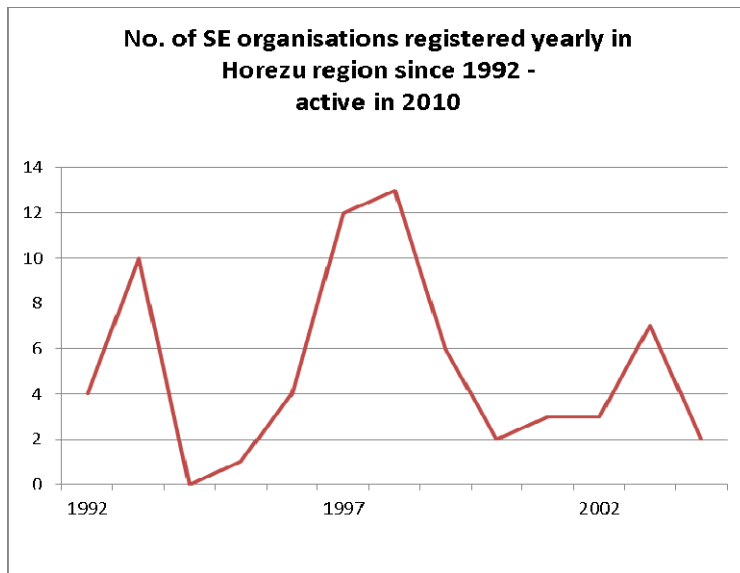
Tourism in many forms rural, ecologic, cultural and religious seems to have a significant potential but is not a major source of income for the local population.

#### *Social economy organisations*

The demographics of social economy organisations was quite fluctuating. The total number of active social economy organisations active in the period 1992-2009 was of 67, while in 2009 only 51 of these were still active.

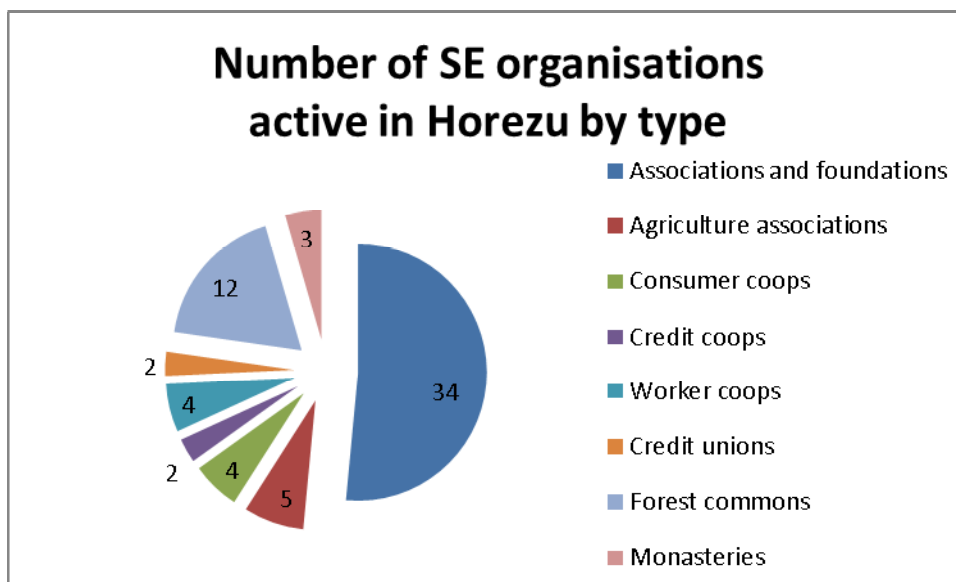
Year	199_							200_						
	2	3	4	5	6	7	8	9	0	1	2	3	4	
No. of organisations registered	4	10	0	1	4	12	13	6	2	3	3	7	2	





Source Ministry of Finance data processed by the author

Most of the organisations were associations and foundations, followed by forestry commons and cooperatives 10 in total. There were 3 credit unions. Most of the cooperatives 8 out of 10 were registered before 1993, no new cooperative was registered since 1999.



With 34 active associations and foundations for 19.600 inhabitants has an association rate around the national average, far higher though if we consider only rural areas.

Local economic development (LED) process. The role of social economy.

1. Phase 1 – Participatory strategic planning of the Local Economic Development LED of Horezu town 2003.

The local government in Horezu in cooperation with a foundation embarked in 2003 on a local economic development process which is now a case study for UN Habitat Local Economic Development training programs.<sup>19</sup>

Before undertaking this process, during 2003-2004 the predominant concept of local economic development among the locals was to pursue external capital to rejuvenate the defunct factories, or to chase investors that would settle in an industrial park to be established with public funding. Through a process of participatory planning of local economic development the local stakeholders started generating other options. The strategic objectives they have set for the period 2004-2010 were the following:

1. Develop tourism which makes effective use of Horezu's natural and cultural resources;
2. Establish associations that can support local partnerships for the benefit of the community;
3. Increase value added in the areas of agriculture, forestry, crafts and small industry;
4. Increase capacity of the local government to take a leading and proactive role in local economic development.

Among the strategies devised on the occasion of the strategic planning exercises under these four objectives, many took the form of social economy initiatives such as :

*Table 7 : Extract from the Strategic Plan of Horezu 2004-2010<sup>20</sup>*

<b>Strategic objective 2004-2010</b>	<b>Social economy strategy – programme to be pursued</b>
1. Develop tourism which makes effective use of Horezu's natural and cultural resources.	Creation of an action group "Tourism in Horezu" and create an association/chamber of tourism.
2. Establish associations that can support local partnerships for the benefit of the community.	<ol style="list-style-type: none"> <li>1. Organise training sessions on how to establish an association.</li> <li>4. Organise training courses to increase local capacity in leadership, partnerships, community work and facilitate exchange of experience and good practice.</li> <li>5. Evaluate existing associations, create a database of these associations, develop and submit projects, which support development of civic spirit.</li> <li>6. Develop formal partnership between local government – school-business community to organise social and sports events.</li> <li>7. The city hall should create a new job with dedicated responsibilities of cooperation with civil society organisations.</li> <li>8. Establish the International Association Friends of Horezu.</li> </ol>
3. Increase value added in the areas of agriculture, forestry, crafts and small industry.	<ol style="list-style-type: none"> <li>1. Increase effectiveness of agricultural activity by establishing agriculture associations.</li> <li>2. Organise systems for collection, processing, selling on new markets according to EU requirements.</li> </ol>

*2. Phase 2 - Participatory Local Economic Development process of the micro-region - Horezu and network of villages 2004-2008*

Starting with 2004, by implementing this local economic development strategy, local stakeholders embarked in training programmes meant to build their management, leadership and local economic development capacity and expanded the process to their neighboring villages. The stakeholders realized that there is a need for a wider territory in order to ensure the economic resources necessary to a development process.

The LED integrated development strategy, foresaw infrastructure projects, increased the effectiveness of the management of town assets, e.g an industrial park project, the social inclusion of the Roma people communities, the development of the cultural and artistic activities through the bringing to life of the Culture House collections and traditional music and dance groups, the valorization of the architectural

<sup>19</sup> United Nations Human Settlements Programme, 2005 ISBN 92-1-131722-3HS 735//05E Promoting Local Economic Development through Strategic Planning – Volume 2: Manual 92-1-131721-5 (Series)

<sup>20</sup> idem

heritage through urbanity and restoration works, encouraging of small businesses, especially the potters through the Cocosul de Horezu Fair, the woodworking Roma people, promotion of tourism including through real estate developments in the alpine areas. The LED participatory processes were furthered through entrepreneurship training for the young people of the community, ecological agriculture and rural tourism lectures for the entrepreneurs of the locality, local contests for promotion of the economic initiative, financing of mini-projects, elaboration of a tourism strategy for the „Oltenia at the feet of the Mountains” territory for the valorization of the natural, historical and cultural heritage unanimously recognized in the country and abroad. Some of the results of this phase can be seen at [www.olteniadesubmunte.ro](http://www.olteniadesubmunte.ro).

### 3. Phase 3 - Formalizing the inter-regional cooperation for LED 2008-2010 in an association

One of the town's strategic priorities was the development of its territorial role (ever since the 19th century, there was the Horezu region, with 34 villages, and nowadays there are public services attending to 20 localities). Horezu associated with the neighboring communes in the “*Depresiunea Horezu*” Association (ADH),, with a joint, integrated social and economic durable development strategy 2009-2013, which envisages the development of enterprises in traditional fields using modern technologies, e.g. ecological, through the association of the local providers or by the local associations, human resources and social services development and the conservation and promotion of the natural and cultural heritage and of the local traditions.

In 2010, two main development options have emerged and consolidated in the mindset of the local stakeholders:

1. *Tourism - The alpine area* of the Horezu micro region is the object of development plans for “*holiday village and ski tracks*”. Vârful lui Roman, an area located on the administrative territory of the Horezu town, at the altitude of 1800 m, within 20 km from the centre of the locality, covering a total of 100 ha, owned by the Horezu agricultural community has a lease plan of 1000 house lots with the size of 1000 mp each for individual holiday homes, and the setting up of three ski tracks. Similar projects have been drafted for the neighboring localities (Vaideeni, Polovragi).
2. *The project Idealis – Social economy in mountain regions of Romania* - A partnership of ADH – Fundatia Parteneri pentru Dezvoltare Locala (Foundation Partners for Local Development).

### 4. Phase 4 - Social economy as a LED Strategy – Idealis project<sup>21</sup>

In the areas there are many social economy organizations (cooperatives, producers, Roma people, young people associations, commons, etc), some of them having important assets such as the commons, still having a minor role in the work integration of the disadvantaged groups. In the localities there are 40 such organizations, but they only offer a few jobs to the members. The boards and staff of the existing organizations have no abilities and experience in the field of social economy and social enterprises. Very few of these organizations are financially sustainable on the long term and have the capacity of constantly generating their own income.

Idealis project assessed the management of the local social economy organizations (cooperatives, young people associations, craftsmen, Roma people, environmental, etc.) and concluded that they have a low level of professional and managerial training (financial, human resources and project management). The weak local managerial and entrepreneurship activity makes that these areas with an important cultural and natural heritage stay undeveloped and poor. The lack of knowledge limits the possibility of adopting the green technologies needed for the superior valorization of the natural resources, even though the existing associative structures offer the adequate economic and legal framework. In the targeted areas there are craftsmen specialized in various traditional crafts and occupations, without having certified qualifications.

During the assessment in 2011 we found 5 cooperatives still operating on the territory:

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<sup>21</sup> SOPHRD project number POSDRU/84/6.1/S/56527 I-DEALIS Incluziune si Dezvoltare Economica in zonele Alpine (montane si sub-montane) din Romania prin Intreprinderi Sociale – Inclusion and Economic Development in alpine areas in Romania through social enterprises

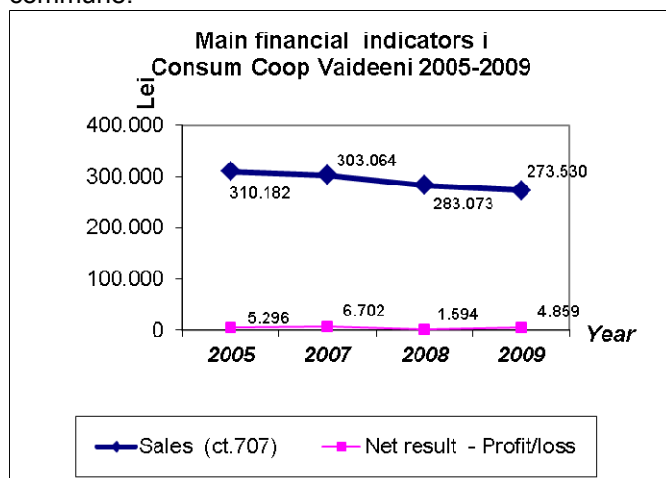
<b>Cooperative</b>	<b>Description</b>
CERAMICA SOC. COOP. MESTESUGAREASCA	Crafts Coop Horezu – Worker coop
CONCORDIA ROMANA COOP. DE CREDIT HOREZU	Credit Coop Concordia Horezu
CONSUMCOOP HOREZU SOC. COOPERATIVA	Consumer Coop Horezu
AUTO GRUP SERVICE SOC. COOP. MESTESUGAREASCA	Crafts Coops
CONSUMCOOP SLATIOARA SOCIETATE COOPERATIVA	Consumer Coop Slatioara
CONSUMCOOP VAIDEENI SOCIETATE COOPERATIVĂ	Consumer coop Vaideeni

The economic and social indicators of these coops were not very good.

Thus, *Ceramica Coop* had a stable turnover in the period 2005-2009, following a period of bad financial results during 199-2004. The number of employees had constantly decreased. Data on membership is not available but it is expected that membership has dramatically decreased.

This coop has presented two business ideas in the Idealis competition and none has been retained – it failed under both economic and social criteria of the assessment.

Another coop which was assessed is *Consumer coop Vaideeni*. This coop mainly sub-rented the shops owned and opened a bakery. It managed to stay afloat. The management was interested in getting involved in a community business such as a milk processing unit to serve all producers in the commune.



Source: Infirme – database of company balance sheets

The strategic objective of the project was the creation of at least 6 social enterprises in the Horezu micro region as an alternative for job creation on the local market. In addition it was proposed to build the capacity of social economy organizations (cooperatives, social enterprises, foundations and associations, other non-profit organizations, initiative groups) to create jobs and to contribute to the social inclusion of the disadvantaged groups and consolidate a regional partnership for local economic development between all the relevant community actors in the area. Idealis was a mechanism to put in place a complex system necessary to support start-up and existing social economy organizations.

Since January 2011 Idealis team is running an *incubator of social enterprises* and so far it is supporting the start up of *thirteen social enterprises*. The teams starting up the enterprises received training on strategic planning, project and organizational management, training and consulting on business planning, marketing, the social role of the enterprise. ADH is now associating as an investor with some of the most complex ventures. Only one of the enterprises is pre-existent, all others are start-ups supported by the project.

We provide below details on some of these enterprises:

- *Foundation Saints Brancoveni*, a non-profit entity already registered and operating for some years before Idealis project, mainly raising funds for restauration of a XVII century old monastery with a unique Romanian architectural style Brancoveni. Through the project, the Foundation embarked on its first economic activity, setting up a workshop of traditional jams and sweets of mountain fruits from the region to generate revenues for monastery preservation and restoration. Some of the younger sisters in the monastery and women from the village will have permanent jobs with health and old age insurance.
- *Manufactura Horezeana* is a start-up traditional weaving cooperative of women that are trying to make their old age craft into marketable products. Registered as a worker coop, sponsored so far by Idealis, the weaving workshop has launched products quite new for the local market and fairs,

hired five workers – one home worker, a mother with two daughters - and is currently engaged in marketing its products.

- *Tarpetis*, a worker coop has won the competition of social enterprises with a PET recycling project and will collect and recycle the waste from the micro region and engage in waste management education for the public.
- *Mecanizare Util* is a worker coop of agriculture machinery that provides agriculture machinery work to farmers and local governments around the micro region.
- *Giromaris*, another worker cooperative groups construction workers and civil engineers in a company of their own that will allow local qualified human resources to compete for works on the local market and have convenient work contracts with social and health insurance plans, as opposed to the current black market arrangements which do not provide workers with necessary security.

Other coops are working on the final details of their implementation plans – *cow and goat milk and honey processing coops* grouping farmers from the region that will test the value of joint action of selling and marketing as a way to improve prices for their products and access to markets, and modernize their traditional ways of milk producing and processing. A *Roma group of mountain fruits pickers and little wood workers* has also started working together through a coop.

Local market is the first target for these small social enterprises which tested the interest of their customers on the occasion of the first regional fair *Pleasure to Live* June 2012 in Horezu.

Understanding the challenges for development and the resources they have, local governments in three of the localities Horezu, Costesti and Slatioara supported the creation of social enterprises through *Idealis* project. Costesti Municipality provided facilities in a rundown former pig farm which was not used for almost 20 years for a new goat farm set up by a group of unemployed who will turn into farmers. They established a cooperative and proposed a business plan in a competition of social enterprises business ideas run by *Idealis* project and won a prize that will allow them to buy goats, refurbish the farm and provide 4-month start-up running costs. Also the municipality will provide facilities for a workshop of small traditional wood work for a Romani traditional community. Vaideeni municipality worked in partnership with the parish house for the commune which agreed to lease at a very low costs ground for the setting up of cow and goat milk processing units for approximately 10 goat farmers and over 500 cow farmers from the micro region. They will thus have modern milk collection and processing facilities according to the sanitary-veterinary standards.

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