

## ROMANIA COUNTRY REPORT

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In Romania social innovation and social economy are relatively new concepts, mainly embedded in NGO sector and in civil society. Social innovations seen as new ideas or ways of working that meet social needs more effectively than existing traditional approaches, could be seen in Romania in many social economy organizations (associations, foundations, credit unions, cooperatives) dealing with child care, social services, work integration of disabled people, rural community development, formal and non-formal education, waste management, health-care services etc.

### *Historical view*

Looking back in Romanian history, we want to begin with an outstanding crowd source investment applied by Literary Society ‘Romanian Athenaeum’ in 1885 (at initiative of Constantin Esarcu, Vasile Alexandrescu Urechea, Nicolae Kretzulescu). Not having the necessary funds for building the Athenaeum – a modern concert hall, and lacking state support or involvement, this Literary Society lunched a national public subscription campaign, in what is known today as a ‘crowd source investment’, a recognized social innovation approach. In this way the Romanian Athenaeum was finalized in 1888 by the architect Albert Galleron, and ...restored in 2000 – 2004! Two times ‘Give a Leu for Athenaeum’ initiative! Two times, Romanian people solved a problem through social innovation!

Romania has a long tradition in social economy, 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 Table.1).

*Table.1 History of social economy in Romania*

<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>

<p><b>1903 - 1935</b></p>	<ul style="list-style-type: none"> <li>• First Cooperative Law – already 700 popular banks in existence at the time – in 1903. The Law on popular rural banks and their Central Caisse, which through later modifications will regulate all other types of cooperatives.</li> <li>• Romanian King Ferdinand attends the Congress of Cooperatives 1925</li> </ul>  <ul style="list-style-type: none"> <li>• 1929 - "Law for organization of cooperatives", which is revised several times. In 1935 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 1938 worker cooperatives were providing work places for 1 150 000 workers.</li> </ul>
<p><b>1921</b></p>	<ul style="list-style-type: none"> <li>• The first Romanian regulation on associations and foundations</li> </ul>
<p><b>1947 - 1948</b></p>	<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>
<p><b>1948</b></p>	<ul style="list-style-type: none"> <li>• Disabled workers' cooperatives were set up</li> </ul>
<p><b>1948- 1989</b></p>	<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>
<p><b>After 1989</b></p>	<p><b>Context before 2005:</b>  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, 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.</p> <p><b>Context: 2006 – to date:</b>  Social economy, an emerging concept in a European financed programme - Preparation and launch of the European Social Fund financed grant-schemes for social economy <b>period 2006- to date</b>  The social economy concept has been launched in the public arena in Romania by</p>

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 advise, 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 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 Labour and one on role of social economy in work integration of the disabled
- Support for start-ups and incubators – training and advise, some start-up funding, local and regional resource centres for social economy entities
- Fairs – Ministry of Labour, 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 as we will see below.

**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/>

***Legal framework***

Social economy – social entrepreneurship – are subject of conceptual debates and regulatory initiatives since **2010**.

As a consequence of above developments and an emerging need among the sector and policy-makers for clearer definitions, policy debates have started. Worth noting two legislative initiatives: one parliamentary initiative of a social – democrat MP the law on Social Entrepreneur and a draft law prepared by the Ministry of Labour with some international consultants.

- The first draft law - *Law on Social Entrepreneurship* had numerous flaws confusing social enterprises and enterprises established by traditional companies with a social aim – poorly defined, mainly work creation, confusing it with corporate social responsibility and providing fiscal breaks for social investments by companies – among which multinationals were 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 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 was generated in consultation with representatives of all three sector 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 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. Given the current political situation in Romania (resigning government, elections in November) it is not clear what legislative steps could be taken.

### **Statistics**

In present, the main key actors of Romanian social economy are: associations and foundations, cooperatives (craftsmen’s cooperatives, consumers’ cooperatives, credit cooperatives) and credit unions (credit unions of employees and of retired people). 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 (Law of Social Economy).

According to the most recent statistics from *Atlas of Social Economy – Romania 2012* (Civil Society Development Foundation – Institute of Social Economy) social economy in Romania includes a number of 31.000 organizations, with immobilized assets of around 10 billions lei (around 2,5 billions EUR), annual incomes of 7,7 billions lei and a number of over 100.000 employees (1,7% of remunerated total Romanian labour force). 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>	<i>Number of organizations</i>	<i>Immobilized Assets (thousands lei)</i>	<i>Incomes (thousands lei)</i>	<i>Total Employees</i>	<i>Members (thousands)</i>
<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>	-
<i>Craftsmen coops</i>	857	592.123	749.972	25.109	30
<i>Consumers coops</i>	958	199.204	565.039	7.485	20
<i>Credit coops</i>	75	115.723	185.118	2.003	-
<i>Agriculture coops</i>	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 retired people	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>	-
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Source: *Atlas of Social Economy – Romania 2012*, author Constantinescu Stefan, p.9 (data according to National Institute of Statistics, other sources of secondary data)

#### ***Future view***

Trends within social economy in Romania are encouraging. The development of social economy in Romania in next years could have significant positive consequences: local development and increased social cohesion, linking economic activities to the local needs, sustaining activities at risk (e.g. crafts, agriculture) and generating social capital, social services of general interest, environment protection and green industries, social innovation and corrections of the three major labor market imbalances: unemployment generated by economic crisis and public sector reform, job instability, social and labor market exclusion of unemployed people.