

ESF Funding for the Development of Romanian Social Enterprises – Regional Distribution

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Abstract

Social enterprises have been proved to be important actors in the regional development through market approaches to societal problems. The development of the social entrepreneurship sector in Romania was supported in a great measure by the European Social Fund (ESF), which granted funds within the “Development of social economy” calls for proposals in the period 2007–2014. These actions were taken before legislation regarding social entrepreneurship or social economy would come into force. The research presented in this paper is based on data provided by the Romanian authorities managing grants for the development of social enterprises and the Romanian Ministry of Public Finances. Data were further analysed, classified and transposed in visual maps. The correlations made with the GDP/development regions showed a lack of perspective regarding the distribution of funds depending on the development needs. The paper wishes to emphasize the importance of strategic planning in the European funds distribution.

Key words: social enterprise, social economy, regional development

J.E.L. classification: L31, Y91, R11

1. Introduction

European Commission’s priorities have included during the last programming periods, among others, issues like supporting European businesses, developing skills and investing in education, increasing employment, fight against poverty and social exclusions (European Commission, 2010, 2019). A solution for these issues is thought to be the concepts of social economy, social entrepreneurship and social enterprises, which represent rather new activities which combine market economy solutions and non-profit strategies to solve social, cultural or environmental problems. That is why the European Union has shown a continuing interest in the development of social entrepreneurship, by including social enterprises in public enterprise policy, stimulating social investment, modernizing public funding, launching development programs for social enterprises and raising awareness and building confidence in social enterprises (Rodert, 2011).

One of the first steps taken in the European Union’s 7th Framework Program was the development of pilot projects to research and promote social inclusion and the social economy. Many of these projects dealt directly with the social inclusion of the various groups excluded from the labour market, the development of the social economy and social innovation. In 2010, the European Commission proposed a new policy strategy called "Europe 2020" which aimed to support increased employment, productivity and social cohesion (European Commission, 2010). The Europe 2020 strategy included interests in social inclusion, innovation, business support and employment, which reflect social entrepreneurship’s core values. Moreover, in the framework of the European Union Regulations on cohesion policy for the 2014-2020 programming periods, the social economy has emerged as a priority for investments in the European Regional Development Fund, the European Social Fund and the European Union Program for Social Change and social innovation.

In Romania, the European Social Fund dedicated a field of intervention for the development of social enterprises, through the Sectoral Operational Program Human Resources Development (POSDRU) 2007-2013, Priority Axis 6, Major field of intervention 6.1. "Development of the social economy."

Since data regarding the Romanian social entrepreneurship sector is still very limited, and an important part of the sector by large is represented by organizations founded through POSDRU projects, we considered of great importance a detailed research of the status of these organizations in the sustainability and post-project phase at large. More than that, our research analysed the distribution of the number of funded organizations by development regions of Romania.

Out of the total of 8 development regions of Romania, in 2009, 6 regions were included in the Top 20 regions of Europe with the lowest GDP per capita (Eurostat, 2012). Only the Bucharest-Ilfov and West regions did not enter this top. Until 2018, only the North-East and South-West Oltenia regions remained in this top 20 regions with the lowest GDP per capita in the EU27 (Eurostat, 2020). The classification is made according to the GDP per capita, calculated in the Purchasing Power Standard (PPS) as a variation from the European Union average. PPS is a common currency used to compare living standards, consisting of the ratio of the price of a package of goods and services to national income (Uniunea Europeană, 2020).

2. Theoretical background

Even if no common definition regarding social entrepreneurship has been developed, the sector of social entrepreneurship has found its development at different paces in most economies (Cagarman et al. 2020). It is based on the same pre-conditions necessary for the development of classical entrepreneurship: the existence of an opportunity, of some characteristics necessary to take advantage of opportunities and the desire to obtain a series of results. It is often said that classic entrepreneurs are marked by the desire to make solely money, and social entrepreneurs are driven by altruism. But classic entrepreneurs do not act exclusively from the desire of a financial entrepreneur, both the classic entrepreneur and the social entrepreneur being motivated by the opportunity they discover, constantly pursuing the vision they have. What differentiates them are the values they learn. Classic entrepreneurs serve the markets through the product or service they offer and which is created for financial profit, while social entrepreneurs want to create a larger added value, serving the neglected, disadvantaged and all those who lack the means to obtain the benefit of social transformation on their own (Martin & Osberg, 2007).

Social enterprises, as organizational form under which social entrepreneurship functions, have a similar theoretical background. They lack a general definition, but have been agreed to be characterised by a set of cumulative elements: they are part of the non-profit or civil society sector, mainly the social economy sector (Pearce, 2003, 2009), they act in the interest of the community they represent and they reinvest part of their profits in their social purpose (Carlo Borzaga et al., 2020).

In Romania, various researches in the field have tried to perform analyses of several segments of the social enterprise sector:

- Definition of this type of organizations (Boeru, 2011);
- General presentation of the sector (ICF Consulting Services, 2014; Lambriu & Petrescu, 2019);
- POSDRU 2007-2013 Major field of intervention 6.1. "Development of the social economy" evaluation report (Ministry of Investments and European Projects, 2021).

However, related to the size of the social enterprise sector, only approximations were made, which numbered approximately 7,000 social enterprises in 2012 (ICF Consulting Services, 2014y) and 6,317 social enterprises in 2017 (Lambriu & Petrescu, 2019). As the legislation providing for the creation of a single Register of Social Enterprises was implemented at the end of 2016, and it provides for voluntary registration and is not sufficiently stimulated, even now we do not detect the premises for a realistic sizing of the social enterprise sector.

Knowledge over any sector of activity, and respectively the effects it can have on the socio-economic framework of a country requires a detailed analysis of each element of that sector. Thus, in the case of the social enterprise sector in Romania, the identification and analysis of social

enterprises is essential for any research, such as: presentation of the composition of the social enterprise sector and its characteristics; analysis of dependency / interdependence relations with the legislative, social and business environment; analysis of the effects that social enterprises can have on the Romanian social and economic environment; analysis of the evolution of social enterprises in the socio-economic market; analysis of the potential of social enterprises in solving social problems that have not been effectively addressed.

3. Research methodology

Our research initiative over the Romanian social enterprises created with the support of the European Social Fund was supported by a series of vital factors: the funded projects are public; the results of the funded projects, i.e. the number of social enterprises and related information are largely easy to identify, through the beneficiary's websites, press releases and activity reports published in the context of the project's visibility; information from the central databases of the Ministry of Public Finance on the registration of legal entity taxpayers, tax liability declarations (VAT, excise duties) and company balance sheets are available on the online platform www.mfinanțe.ro.

Within the European Social Fund's Romanian Sectoral Operational Program Human Resources Development (POSDRU) 2007-2013, Priority Axis 6, Major field of intervention 6.1. "Development of the social economy" have been approved 278 projects within the 6 launched calls for proposals (Table no. 1).

Table no. 1 Calls of proposals within POSDRU Major field of intervention 6.1. "Development of the social economy"

Period	Call for proposal	Call type
2007-2010	No. 14	Strategic project proposals
	No. 69	Strategic project proposals
	No. 84	Strategic project proposals
	No. 53	Grant project proposals
2014	No. 168	-
	No. 173	-

Source: own synthesis based on POSDRU Major field of intervention 6.1. "Development of the social economy" calls for project

A particular case is that of the call for grant project proposals number 112, launched in 2011, in which 1,806 projects were submitted and which was cancelled by a Government Memorandum approved on August 14, 2012 following the registration of appeals on the public procurement procedure for project evaluation services.

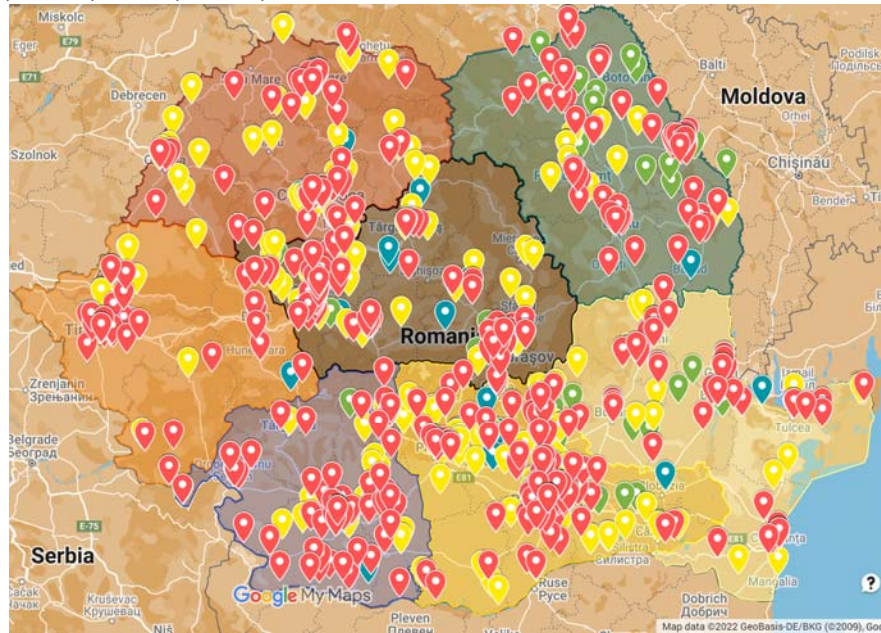
To identify the results of POCU funding projects, Major area of intervention 6.1. "Development of the social economy", we followed a laborious research process that consisted in identifying each project and the social enterprises set up within the project.

For these social enterprises, using the project websites, press releases and information provided by the Ministry of Public Finance, we collected the following data for the period 2014-2021: name, location of the registered office, unique registration code, year of establishment, the legislative form chosen for its establishment, the last registration with ANAF of the balance sheet, Revenue / Turnover at latest record, CAEN, Staff at latest registration.

4. Findings

Data regarding the address of the funded and registered organizations developed within the 6 rounds of financing of the Major field of intervention 6.1. "Development of the social economy" was used to create a visual map of their geographical location (Figure no. 1). The map was enriched with the representation of development regions, in order to initiate a geographical distribution of the social enterprises.

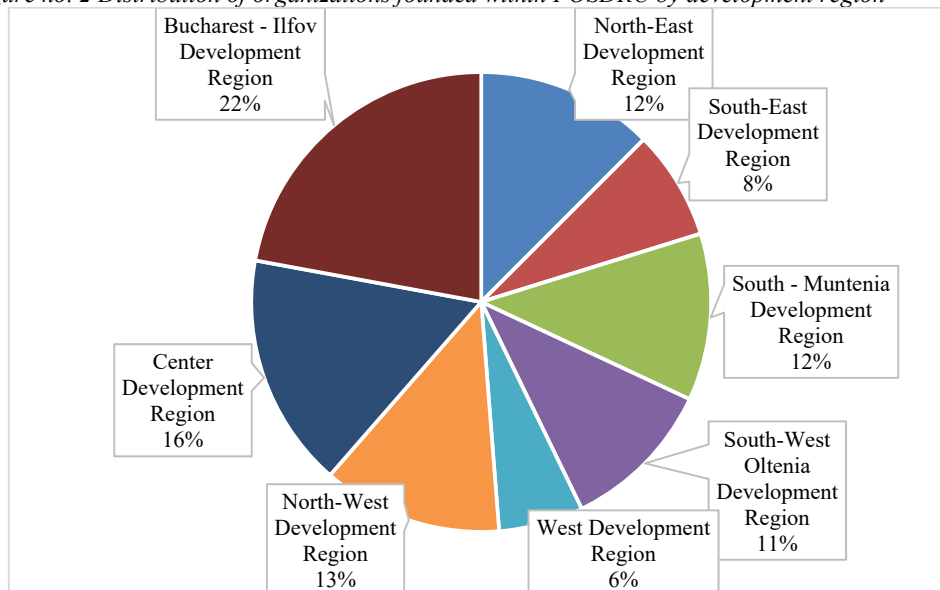
Figure no. 1 Representation of social enterprises founded within projects implemented as a result of CPP14, CPP53, CPP69, CPP84, CPP168 and CPP173



Source: author's representation in Google My Maps

Analysing the geographical distribution of social enterprises founded within projects implemented as a result of CPP14, CPP53, CPP69, CPP84, CPP168 and CPP173, we have identified the regions with the lowest number of funded social enterprises: West Development Region with 6% of the funded social enterprises, South-Est Development Region with 8% of the funded social enterprises and South-West Oltenia Development Region with 11% of the funded social enterprises. Bucharest - Ilfov Development Region had the highest percentage of the funded social enterprises (22%), followed by Center Development Region with 16% and North-West Development Region with 13%.

Figure no. 2 Distribution of organizations founded within POSDRU by development region



Source: author's representation

The database of social enterprises developed through the 6 POSDRU calls for project proposals, contains 1208 organizations (Table no. 2). Of these, 70.70% were active on December 31, 2021, ie they submitted a balance sheet or declaration of non-performance of activities. Only 20.86% of the total of 1208 organizations reported income only from non-profit activities, which would mean that these lost their social enterprise status. It is important to mention that the social enterprises included in this database are set up in the period 2009-2015, which means that they have overcome the minimum sustainability period of 2 years provided in the SOP HRD financing contract, which means that they have confronted already the free market conditions.

Table no. 2 Status of the organizations founded within the projects implemented as a result of CPP14, CPP53, CPP69, CPP84, CPP168 and CPP173 on 31 December 2021

Romanian Development Regions	Founded organizations	Active organizations	% of active organizations	Active organizations with only non-profit activity	% of active organizations with only non-profit activity
North-East Development Region	151	113	74.83 %	31	20.53 %
South-East Development Region	93	76	81.72 %	20	21.51 %
South - Muntenia Development Region	142	94	66.20 %	28	19.72 %
South-West Oltenia Development Region	131	78	59.54 %	39	29.77 %
West Development Region	72	47	65.28 %	15	20.83 %
North-West Development Region	153	112	73.20 %	28	18.30 %
Center Development Region	199	167	83.92 %	47	23.62 %
Bucharest - Ilfov Development Region	267	167	62.55 %	44	16.48 %
Total	1208	854	70.70 %	252	20.86 %

Source: own synthesis

Regarding the distribution of organizations founded within the projects implemented as a result of POSDRU major area of intervention 6.1. “Development of the social economy”, at the level of development regions, we can see that most organizations are located in Bucharest - Ilfov Development Region and Center Development Region, which are also the highest GDP per capita in the EU27.

5. Conclusions

The Sectoral Operational Program Human Resources Development 2007-2013 had a major role in introducing the concept of social enterprise in the Romanian society and in offering the premises of offering knowledge regarding social entrepreneurs. Thus, in the period 2007 - 2010, the process of pioneering the development of a sector of social enterprises in Romania was initiated.

Our paper wished to analyse data provided by the Romanian authorities managing grants for the development of social enterprises and the Romanian Ministry of Public Finances, in order to identify correlations between the distribution of the number of social enterprises developed within the major

area of intervention 6.1. "Development of the social economy" of the Sectoral Operational Program Human Resources Development 2007-2013 and the Romanian Development Regions' need for support.

Within the objectives of major area of intervention 6.1. "Development of the social economy" within the Sectoral Operational Program Human Resources Development 2007-2013, the reduction of economic and social disparities in the regions of Romania did not occupy any position in the implementation program. This aspect can be found even in the conclusion we drew, namely the fact that we noticed the lack of a strategy regarding the distribution of European funds according to their need at a regional level. Within the North-East, South-East, South – Muntenia and South-West Oltenia Development Regions which are the regions with the lowest GDP / capita in Romania, 42% of the analysed enterprises were established.

We believe that the potential of social enterprises, stated in the literature to help increase the economic and social status of the communities they serve, can be exploited by channelling non-reimbursable funds to the least developed regions, thus supporting their economic and social growth. regions.

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