

REPORT
on the Situation of
Social Economy Structures (SES)
in the ROMACT municipalities in
Romania

2018



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Acronyms

- AJOFM – County Agency for Workforce Occupancy
- DMI – major intervention field (Domeniul Major de Interventie)
- PO CU - Operational Programme Human Capital
- POR - Regional Operational Programme
- POS DRU - Sectorial Operational Programme Human Resources Development
- SES - social economy structures

1. Introduction

The necessity of this Report came in the context by means of the activities performed by the ROMACT team in Romania in the field of housing. It was debated during different work sessions of the ROMACT team as well as with the representatives of the relevant institutions in the country that the necessity of ensuring the material means to comply with the costs related to the use of social housing or the rent for accommodation by the members of the most deprived communities. The topic of social housing provision was correlated with the necessity of developing social economy or social insertion structures, a mechanism that is insufficiently used in Romania. The perspective of granting funding through the Regional Operational Programme (POR) 2014-2020 (Priority Axis 9) to address the need for social housing constituted an opportunity to conduct an analysis at local level to assess the situation of the social economy structures (SES) created in the programming period of 2007-2013.

It is important to mention the fact that, while granting funding for the SES started during the programming period 2007-2013, the legislative framework for such structures was created only in 2015, through the Law no 219/2015 on social economy, as the existing provisions from Emergency Ordinance no 34/2006 on public procurements (abrogated in 2016) were collateral and insufficient.

Moreover, it must be noted that, on medium and long term, the SES financed by the Sectorial Operational Programme Human Resources Development (POS DRU) 2007-2013 did not benefit neither from a specific legislative framework nor from further support, fact which determined their shorter-term life span.

The legislative framework of this field, initiated in 2015, and the continuation of the funding within the Operational Programme Human Capital (PO CU) 2014-2020 and the POR 2014-2020 (for social enterprises of insertion) establish the context for drafting this Report. Based on the topics explored by the report, several measures are proposed to enhance the role of the SES in ensuring income generation for deprived persons so they can improve their quality of life, as well as to ensure that they have the possibility to cope with the obligations deriving from the use of (social) housing.

The scope of this analysis is to provide an overview on the situation of SES activate(d) in the ROMACT municipalities. The conclusions generated by the responses received from the 20 SES (out of the existing 26) surveyed could support the sustainability of investments, to lead to maintaining jobs and ensuring necessary resources for the vulnerable persons employed in these structures.

2. Legal implications of national regulations regarding the SES

At the European level, creating a distinctive enterprise model, namely the social enterprise, represented a constant concern which consolidated the concept of "**social economy**" and contributed to the sustainable and inclusive growth, having in mind that numerous position papers at EU level emphasize the fact that the richness of a society comes from its diversity.

Thus, beyond the legislative considerations, social economy is focused on persons, not on capital, and contributes to the creation of an inclusive society designed to provide innovative solutions for the excluded groups and to generate jobs for vulnerable persons, as stated in the Resolution of the European Parliament P6_TA(2009)0062 entitled "Social economy".

The working documents and the proposals launched for debate over time by the EU institutions to the member states lead to the generally accepted idea that the social economy entities create jobs, provide socially innovative products and services, facilitate social inclusion and promote a more durable economy, locally anchored, based on the principles of solidarity and responsibility.

However, although the EU institutions acknowledged, on a large scale, the social benefits of creating and promoting the social enterprise model, legalizing a unitary model at European level has not been successful, as the realities of the member states are different, and the legal status of these entities has been regulated by taking into consideration the applicable legal frameworks at national levels.

For this purpose, the Memorandum of the Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of Regions entitled "Initiative for Social entrepreneurship- Building an ecosystem for promoting social entities within the social economy and innovation", SEC(2011) 1278 final, states that *"In approaching this diversified sector, the Commission does not intend to provide a normative definition applicable to all, and which would lead to a strict regulatory framework. It proposes a description based on principles common to the majority of member states, whose diversity of political, economic and social options it observes, as well as the innovation capacity of social entrepreneurs."*

Consequently, at national level, in Romania, the main regulations regarding social economy and social entities are found on the Level of Law no 219/2015, , subsequently amended, and of Governmental Decision no 585/2016 for the approval of the Methodological norms for the application of the provisions of Law no 219/2015. In this context, it is obvious that funding the SES in the programming period 2007-2013 was performed in the absence of a specific framework, which generated several problems both in the implementation of the projects and their sustainability aspects which we present in the following section.

After passing the aforementioned legislative measures, in full correlation with the directions and measures proposed at EU level in the field of social economy and social enterprises, the national authorities and institutions with regulation attributions in this field passed subsequent administrative measures, creating instruments and setting measures to monitor these entities.

Out of these, as an example, we remind the Order no 2034/2016 issued by the Ministry of Labor- Family- Social Protection and the Elderly regarding the approval of the Procedure for organizing, updating and using the Single Registry for social enterprises, and Order no. 406/2017 issued by the same ministry for the approval of the Guidelines regarding result

indicators, immediate performance / output and impact indicators, to be used by social enterprises / social enterprises of insertion in their annual reports.

The main definitions, principles, criteria and obligations instituted in relation to social economy and social enterprises are found in the Law no 219/2015, as further amended and supplemented. Regarding the definition of this law as provided in art.2 on social economy, it can be emphasized that it reflects the magnitude of the debates social enterprises generate at European level only partially because the benefits generated by them can be significant, insofar as this concept is correlated with social innovation, fighting social exclusion and instituting mechanisms that facilitate the access in to the competitive market for these entities.

Therefore, according to Law no 219/2015, as further amended and supplemented, *social economy represents all the activities organized independently by the public sector, whose goal is to serve the general interest, the interests of a collectivity and/or non-patrimonial interests, by increasing the degree of employment of persons belonging to the vulnerable group and/or manufacturing and supplying goods, providing services and/or performing works.*

The European principles that govern social economy are found in art.4 of the same law and refer to:

- the priority granted to the individual and social objectives in relation to increasing profit;
- collective solidarity and responsibility;
- the convergence between the interests of the associated members and the general interest and/or the interests of a collectivity;
- democratic control of the members, exercised on the performed activities;
- voluntary and free nature of association in the organization forms specific to the field of social economy;
- distinct legal status, autonomy of administration and independence in regard to public authorities;
- allocating the largest part of the profit / financial surplus to achieve the objectives of general interest of a community, or which are in the non-patrimonial personal interest of the members.

As already mentioned, despite numerous endeavors performed at European level to achieve a single legal status for *social and solidary enterprises*, the latest attempt through the Resolution of the European Parliament of July 05, 2018, which contains recommendations addressed to the Commission regarding such a status for social and solidary entities (2016/2237(INL) P8_TA-PROV(2018)0317¹, these entities do not yet benefit from harmonized legal regulations, the diversity of the legal forms in which they operate at the level of the member states being also reiterated by the European Commission and consolidated by the legal environment at national levels.

According to the provisions of art.3 of Law no 219/2105, social entities can be:

* **1st degree cooperative entities;**

¹ The text of the Resolution may be amended.

- * credit cooperatives;
- * associations and foundations;
- * mutual aid organizations of employees;
- * mutual aid organizations of pensioners;
- * agricultural entities;
- * any other category of legal entities that follow, cumulatively, according to their legal establishment and organization rules, the definition and principles of social economy provided in this law.

Nevertheless, the corroborated analysis of the provisions of art.3 of Law no 219/2015, as further amended and supplemented with those of art.8 and 10, respectively, shows that despite the diversity of legal forms in which they can be constituted, the status of "*social enterprises*" and of "*social enterprises of insertion*" are conditioned by the compliance with the criteria presented below.

The social enterprise	The social enterprise of insertion
<ul style="list-style-type: none"> • acts for social purposes and/or in the general interest of the community; • allocates at least 90% from the profit obtained to the social goal and to the statutory reserve; • undertakes to hand-over its assets to one or several other social enterprises, after liquidation; • ensures fair remuneration levels, based on principles of social equity, among which not allowing for differences that can exceed the 1 to 8 ratio. 	<ul style="list-style-type: none"> • Has, on permanent basis, at least 30% of its hired personnel belonging to the vulnerable group, so that the cumulated work time of these employees would represent at least 30% of the entire work time of all employees; • Has as a goal the fight against exclusion, discrimination and unemployment through the social and professional insertion / integration of deprived persons.

Although they benefit from regulations based on the same law, there are significant differences between *social enterprises* and *social enterprises of insertion*, shown by the provisions of art.6 of the above-mentioned law.

While a social enterprise performs social economy activities that indirectly serve general interests, a social enterprise of insertion directly contributes to the achievement of a general interest and/or to the improvement of the situation of a vulnerable group.

The difference in legal status between the two social economy structures resides in the facilities they can benefit from during the performance of the activities registered in their articles of establishment in order to achieve the social economic objectives, namely:

- consolidation of economic and social cohesion;
- workforce occupancy;
- development of social services.

The facilities that the social enterprises of insertion benefit from are listed under the art.19 from Law no 219/2015, as further amended and supplemented, and can consist of:

- assigning premises and/or plots of land that are on the public domain of the administrative-territorial units/subdivisions, by complying with the provisions of Law no 215/2001 on local public administration, republished, as further amended and supplemented, in order to perform the activities for which the social brand was assigned;
- support in promoting the products manufactured and/or supplied, the services provided or the works performed in the community, and in identifying their market;
- support in promoting tourism and its related activities, by capitalizing on the local historical and cultural patrimony;
- other facilities and exemptions of taxes and duties granted by the authorities of the local public administration, according to the law.

However, granting such facilities is conditioned by the availability of the necessary financial resources in the local budget, and by being aware of such legal possibilities, both by the local public administration and by the social economy structures.

The social impact of the activities of social enterprises should be significant at local level, as the European stipulations mention that they should not be affected by delocalization, given their specificity. Therefore, the stimulation of their establishment and subsequently granting different facilities for their sustainability, concretely contributes to the efficient resolution of important social issues at local level.

However, despite the aforementioned facilities, the legal effectiveness of the norms by which the social enterprises are defined is closely conditioned by complementary and coherent measures and actions dedicated to some sectors, such as the sector of public procurement and state aid which, most times, takes the form of grants allocated through the Operational Programs of the European Commission for the periods 2007-2013 and 2014-2020.

Therefore, a brief comparative analysis of the provisions of this law and of the documents that include the official position of the European Union institutions suggests that the benefits generated by these structures can be considerable. That is if the legislation in this field is accompanied by measures aimed at addressing the deficiencies that affect the activity of social enterprises, so that they can actually contribute to the reduction of major inequalities regarding unemployment, job instability and social exclusion, ensuring social profitability and creating solidarity networks.

The improvement of the legal environment in which social enterprises operate represents a constant concern reflected both in the resolutions of the European Parliament, and the communications of the European Commission. In this regard, the Memorandum of the Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of Regions entitled "*Initiative for Social entrepreneurship. Building an ecosystem for promoting social entities within social economy and innovation*", {SEC(2011) 1278 final}, reiterates that, from a regulatory perspective, both at European and at national level, the rules regarding public procurement do not sufficiently consider the specificities of social enterprises, which complicates the mobilization of

investors, the access to subventions or public procurement contracts and sometimes force them to use complex legal structures.

Although provisions to stimulate the access of social enterprises to public procurement contracts were envisaged to be included in the relevant legislation since 2011, the effectiveness of the Directive 2014/24/EU of the European Parliament and Council regarding public procurement and the repealed Directive 2004/18/EC did not resolve all the issues identified over time, as also illustrated by the Resolution of the European Parliament of July 05, 2018, which contains recommendations addressed to the Commission for a Charter for social and solidarity-based enterprises (2016/2237(INL)) P8_TA-PROV(2018)0317. Through this Resolution, the Parliament asked the Commission to submit, as the case may be, *"legislative proposals aiming to institute a more coherent and more complete legal framework for supporting enterprises based on social economy and solidarity, specifically, but not exclusively, in the field of public procurement and competition law, and fiscal matters, so that enterprises of this type to be treated in a manner that is compatible with their social nature and would consider social cohesion and economic growth"*. Moreover, the Resolution reiterates the fact that *"it is very important that member states effectively implement the reform package regarding public procurement in order to increase the level of participation of these enterprises in tender procedures for public procurement contracts, by a better dissemination of the rules regarding public procurement, and of the criteria and information regarding the tender procedures and by improving the access to contracts for such entities, including social clauses and criteria, by simplifying the procedures and drafting tenders in a way that would make them more accessible to smaller operators"*.

At national level, the concern related to stimulating the participation of social enterprises in the procedures for public procurement contracts is mentioned in the provisions of art.17 of Law no 219/2015, as further amended and supplemented, according to which *"The contracting authority, as defined in the Emergency Ordinance no 34/2006² regarding the granting of public procurement contracts, public works concession contracts and service concession contracts, approved with amendments and supplemented by Law no 337/2006, as further amended and supplemented, is entitled to impose, within the granting documentation, special conditions, aiming to obtain results of a social nature, to be achieved by the economic operators for the implementation of the contract"*.

Beyond the regulatory aspects of the Law no 219/2015, the analysis on the effectiveness of the provisions of the legislation in the field of procurement for stimulating the participation of social enterprises in the procedures to grant public procurement contracts must be related to the provisions of Law no 98/2016 regarding public procurement, which transposes Directive 2014/24/EU.

The accessibility of grant procedures for social enterprises is ensured by the provisions of Law no 98/2016 on procurements, further amended and supplemented, which regulates aspects regarding:

² Emergency Ordinance no 34/2006 on granting public procurement contracts, public works concession contracts and service concession contracts was abrogated, after Law no 98/2016 on public procurements became effective on May 26, 2016 and transposes the provisions of Directive 2014/24/EU.

- ✓ *providing details - in the granting documentation of contracts – about mandatory regulations regarding the fields of environment, social and work relations, as well as the correlative obligation to inquire economic operators to indicate in the tender files the fact that they considered these in the drafting of their tender;*
- ✓ *reserving the right to participate in certain tender procedures for protected entities authorized by Law no 448/2006 on the protection and promotion of the rights of persons with disabilities, republished, further amended and supplemented, and for social enterprises of insertion mentioned by the Law no 219/2015 on social economy;*
- ✓ *setting, within the granting documentation, of some criteria of assessment for the submitted tenders which address the issues of accessibility, the concept design for all users, social characteristics etc.;*
- ✓ *including clauses in the public procurement contracts, to ensure the achievement of social gains.*

However, the efficiency of legal norms designed to stimulate the participation of social enterprises in the public procurement procedures is conditioned by the contracting authorities in Romania which are not aware of the benefits that the actual implementation of these provisions could have on the communities, as well as by their lack of capacities to draft the tender documentation that would capitalize on these aspects.

Additionally, the low capabilities and knowledge of the social enterprises in the field are serious impediments against their participation in the tendering procedures launched by the contracting authorities. In this regard, concrete actions could be implemented to increase the visibility of social enterprises on the market as well as to raise awareness on the importance of the use of socially responsible procurements.

3. Financing the SES during the programming period 2007-2013 and the relevant aspects for programming period 2014-2020

The social economy structures were financed through the Priority Axis 6 “Promoting the social inclusion” of the "Development of Human Resources" Sectorial Operational Program POS DRU 2007-2013.

The analysis of the Annual Implementation reports for 2007-2013 available on the website of the Ministry of European Funds and of the assessment reports drafted by the economic operators contracted by the same Ministry led to the following conclusions:

- a) The interest on social economy has been high since 2008, when the first calls for projects were launched, and 44% of the project proposals for grant proposal applications were for the major intervention field (Domeniul Major de Interventie) DMI 6.1;
- b) The financial allocation was high, namely 154 million euros (for 2007-2009), based on the experience registered at European level. In 2009, Romania had a low value of contracting and, subsequently, a problem regarding its capacity to assess the high number of submitted projects. For this reason, technical assistance to assess the proposals was contracted in 2011. This was one of the reasons for which the Annual Implementation Report of 2011 shows that there was a risk of not complying with the indicator regarding the “Number of created social economy structures”;

- a) The novelty of the field and its innovative character also generated examples of success, such as the creation of new networks (e.g. the network of Authorized Protected Units); centers (e.g. Assistance and Dissemination Multimedia Center) or social economy incubators;
- b) The absence of a stimulating legislative framework has been identified as one of the factors of risk identified for some programme indicators, namely referring to the lack of interest in submitting projects;
- c) Although there were interventions assessed as being useful for the target groups identified for the DMI 6.1, the reports mention the fact that the "sustainability and impact of the interventions financed by POS DRU remain problematic" and that the absence of a clear and coherent legislative framework cannot lead to sustainable measures;
- d) Priority Axis 6 was characterized by the disparity between the correlation of objectives, operations and eligible activities (DMI 6.1 referred to SES development, while the other two DMI addressed social services, namely the development of adequate instruments and methods for social services provision and training development for specialists in this field). The same lack of correlation can be encountered for the activities eligible for funding.

The *Lessons Learnt* section of the Second Intermediary Evaluation (p.187) mentions the following: "The correct and timely identification of the need to ensure the legislative framework necessary for the implementation of the operations proposed by the Operational Programme as well as the initiation/implementation of the necessary demarches for its implementation. This lesson learnt refers particularly to the legal framework necessary for the implementation of social economy projects for which the related legislation was not passed in the period of POS DRU 2007-2013 and which made it difficult to implement projects and principles of social economy in Romania".

The same document also mentioned (p.333) the fact that the "sustainability of the results largely depends on the availability of social partners at local, regional and national level, to continue the efforts for supporting social inclusion activities by identifying resources and promoting policies and legislative measures that would create a framework favorable for this endeavor (e.g., incentives for employers, measures for increasing economic growth etc.). Generally speaking, the sustainability of the POS DRU interventions depends on the degree in which the activities of the structures created by these interventions can be integrated in the activities for implementing the national or regional strategies on employment and social inclusion and, of course, the success of implementing such strategies by social partners".

During the current programming period 2014-2020, the "Human Capital" Operational Program includes the Investment Priority 9v titled "Promoting social entrepreneurship and vocational integration in social enterprises and social and solidarity economy in order to facilitate the access to workforce occupancy" and its specific objective 4.16 "Consolidation of the capabilities of social economy entities to operate in a self-sustainable manner" which refers to the expected result regarding the *Increase of the number of social economy entities / development of existing entities*. The actions envisaged will aim at ensuring the necessary support **both** for the establishment **as well as for the development of social enterprises, including** the social enterprises of insertion. The differentiation between the social economy

actions among Priority Investments 9.v and 9.ii - 9.vi is ensured through the fact that the **social enterprises of insertion** from marginalized areas that benefit from Priority Investments 9.ii, and those from the territories that benefit from Priority Investment 9.vi (*strategies of local development placed under the responsibility of the community*) will be excluded from funding within Priority Investment 9.v.

A Call for proposals offering support for the establishment of social enterprises (Priority Axis 4/Priority Investment 9.v/Specific Objective 4.16) was launched on August 27, 2018, with deadline on November 27, 2018.

4. Analysis of SES from ROMACT municipalities

The aim of this analysis was to provide an image on the social enterprises established in the ROMACT municipalities. The investigated aspects primarily focused on the identification of the factors of success and the long-term development needs of these entities.

The ROMACT team identified 26 SES in the municipalities in where it is active. Out of the 26, 6 did not wish to answer questions. Out of the 20 participating in the survey, 4 are no longer active, which means that 80% are still operational. This fact can be considered a success in the current context.

SES known to be established in the ROMACT municipalities	26
SES that did not wish to answer questions	6
SES that participated in the survey	20
SES still active	16

Questionnaire was used as an instrument to survey the 20 SES that agreed to participate. The main topics of the questions referred to: work field description and development, team management, financing, market, factors of success and the social impact. The results and conclusions of this research cannot be extended beyond the ROMACT municipalities, as the aim of the survey was to assess the situation of SES only in these communities. This document contains elements and conclusions that are similar also to other studies with a much larger research sample. Notwithstanding, the goal of our research was qualitative, not quantitative.

The fields in which the SES from the ROMACT municipalities activate are very diverse: PVC product assembly and sale, restaurant / event organizing, waste collection, constructions, cultivation and sale of vegetables, manufacturing games and toys, manufacturing and selling bakery products, maintaining and repairing vehicles, hair styling and beauty services, photographic services, service provision in the musical field etc. This diversity proves the fact that the association between the traditional occupations of the Roma community and the establishment of economic structures that would help their development is not validated in many cases. The social and economic dynamics is different, and the economic activities performed by the Roma community respond, most probably, to the local economic context.

Most of the SES were established in 2015, through the Priority Axis 6.1 of the POS DRU 2007-2013. Only 3 SES were established in 2016 (by the same funding programme) and one in 2008 by the PHARE 2006. Out of the 4 SES that are no longer active, 1 was incorporated in 2008, and the others were developed starting with 2015.

Out of the 16 SES that are active, half of them obtain a monthly profit between 500-1000 euros, 6 of them obtain a profit less than 500 euros per month, one obtains a profit between 1000 - 3000 euros per month, and one has zero profit. Irrespective of the obtained profit, half of the respondents stated that they were content with their profit while the other half stating the opposite. If we consider financial expectations as a success factor of a SES in our case, we can say that only half of the businesses were successful. For 10 persons out of the ones that have SES that are still active, the revenues obtained from this source are not the only revenues of the family, and for the other 6 this business represents the only source of income. The analysis does not prove a correlation between the size of the profit and the degree of satisfaction regarding the profit; and the fact whether the SES represents the only source of income for families or not. Out of all the active SES, 13 are self-sustainable, and 3 are not self-sustainable.

None of the respondents took loans from banks to develop or to support their business. In the case in which 13 SES are self-sustainable, it means that the additional loans were not necessary. Also, in the case of the 3 SES which stated that the business was not the only source of income for the family, it appears likely that loans were not necessary.

None of the SES takes part in public tender procedures.

The factors of success identified by the respondents:

- Quality of the products and services provided to clients;
- Promoting the services provided by the enterprise;
- Increased demand for the type of products produced;
- Location and diversity of the services;
- Lack of companies offering similar products on the market / Absence of competition;
- Large product distribution network;
- Support provided to the staff and their motivation;
- Employees' professionalism and dedication;
- Business specificity;
- Product novelty;
- Personal relationships / networking;

The main elements for success that were emphasized by the people responding to the questionnaires were the quality of employees and of the supplied products, as well as the positioning on the market (uniqueness or new market). These elements are most certainly considered during the process of business planning and can represent elements to be taken into account for analysis by potential donors to make sure that a high degree of sustainability is possible.

Facilities / Support needed by SES, as expressed by the respondents:

- Fiscal facilities;

- Wider promotion of social economy and the acknowledgment of the importance of SES activities;
- Easier access to credits / loans or to a form of financial support at local level;
- Promoting the SES products at local level over other companies that do not have a social component;
- Support from local authorities for involvement in local cultural events with the aim of local promotion;
- Support for the manager also after the completion of a project;
- Network for similar initiatives;
- Access to public procurements, continuous training of hired personnel;
- Possibility of purchasing the premises of SES activities, through the project budget;
- Training programmes for managers on all the documentation and legal provisions relevant for the organization and operation of SES;
- Exemption from taxes and duties for the hired personnel immediately after the completion of the project and for a period of at least 6 months;
- Involving public authorities in promoting the concept of social economy;
- Possibility to participate in tenders / procurement specifically designed for SES;
- Possibility of accessing loans with very low interest rates;
- Subsidies for salaries (50% from AJOFM – County Agency for Workforce Occupancy), product / services promotion facilities (exemption from paying mass media ads);
- More fiscal facilities and help from local public authorities for the promotion / publicity of the products and services provided by SES;
- Gratuity for renting premises and other administrative costs or the possibility that these are supported by the local public administration;
- Higher subsidies for employees in order to motivate them and a reserve of raw materials for a period of around 6 months after the completion of the project;
- Mentoring programs for entrepreneurs. The existence of an association of all SES or of regional information centers.

The interviews show that the financial burden of these social economy structures is rather high. Consequently, most proposals target a form of easing this burden, either for personnel costs (exempting taxes and duties, subsidizing the salaries) or for administrative costs (mainly regarding the registered office), as well as the possibility of accessing loans under more advantageous conditions.

Other relevant aspects illustrated by the questionnaires

Only 4 of the SES surveyed had Roma as beneficiaries of social economy, while 10 did not (out of which 9 in the N-W region), and 6 SES had both Roma and non-Roma as beneficiaries.³

³ It should be noted that the DMI 6.1, within which most SES were established, included as target group multiple categories of vulnerable persons: Roma population; persons with disabilities; youth over 18 who leave the childcare state system; supporting members of families with more than two children; including single-parent families; children in risk situations; persons who abandoned school; incarcerated persons; persons who were previously incarcerated and juvenile offenders, drug and alcohol addicts, persons with mental health problems / mental disabilities; homeless people; victims of domestic abuse; persons affected by diseases that influence their professional and social life; immigrants; women (in risk situations); refugees and persons demanding asylum; persons who live off the minimum wage; persons who live in isolated communities; victims of human trafficking; persons affected by work-related diseases.

For most SES from the S-E region, the evolution of the number of employees did not have a negative trend (either they remained at the initial number, or they increased) - which can be considered a factor of success, moreover since, at least partially, the employees belonged to vulnerable groups. Out of the SES from the N-W region of the country, a single SES managed to increase its number of employees (from 2 to 4).

Most SES did not have distinct persons who would handle the economic and respectively the social parts of the business, after completion of the project. This happened only during the funding period by POSDRU.

The most difficult period for most respondents was after the funding from the EU programme was over. Therefore, a phase of support (which can come in various forms) is necessary after the funding ends.

For most SES, the social part of the business meant hiring persons from vulnerable groups or from the unemployed. There are also SES that regularly donate their profits (one donated more than half of its profit or helped during special situations that occurred in the community such as death), but these are exceptions. The connection with an NGO structure which would support the performance of activities for the benefit of the community was very rare.

The initiators and implementing entities were, generally, associations and foundations, or city halls. The involvement of already existing economic agents, experienced in business, is still missing.

Although the possibility of training and obtaining qualifications for persons from vulnerable groups exists, few situations allow in reality the qualification of persons who do not have the necessary minimal studies (8 years education).

The main cause of failure for SES was represented by the impossibility of being successful on the free market, either because of the competition, or because the service/product was not in high demand, which casts doubt on the quality of the business plans. The absence of service contracts for reasonable periods of time also caused a high fluctuation among the SES personnel, and in the end, it led to bankruptcy.

5. Conclusions / Proposals

The scope of this analysis was to provide an overview on the situation of SES that activate(d) in the ROMACT municipalities. The conclusions generated by the responses received from the 20 SES (out of the existing 26) surveyed refer only to the targeted municipalities.

The targeted SES were established with European financial aid and generated jobs for vulnerable persons, jobs which were maintained also after the termination of funding, that is in the case of the SES that remained active. The main problems occurred after the end of funding cover the several fields that needs support varying from fiscal-banking to professional capacity building.

Generally, the long-term impact, in terms of number of vulnerable persons who remained employed after the end of EU funding, is not considerable (the respondent SES belong to the small enterprise category). A more detailed impact analysis would be necessary to

correlate the invested amounts with the number of beneficiaries also after the end of funding period, as part of the investment sustainability.

In this regard, the main proposals would be:

- To have a transition period after the end of funding, in which the SES would have access also to other type of financial aid (not only grants), that would include fiscal facilities, taking into account the existing legal provisions. In this way, the impact of the investment would not exclusively depend on the capacity of the management team to deal with the competition on the free market, therefore ensuring the sustainability of the social effects of the investment.

To have an intervention at the market level for the development of the sector, for example, by creating an obligation for public institutions to assign a percentage from the public procurements to social economy enterprises (considering the specificity and relevant field of activity).

- The legislative framework currently includes such a possibility. However, the absence of clear criteria and of an annual percentage of social procurements puts the public authorities in the position of almost never capitalizing on the existing regulations and not offering public procurement contracts to these structures.
- To elaborate specific vocational training schemes for the potential employees of SES who do not fulfill all conditions regarding the imposed minimal level of studies, but who prove to have the required professional abilities / skills (e.g.: craftsmen with the right to practice / being employed by SES even if they do not have the mandatory minimal studies).

6. References

Directive 2014/24/EU of the European Parliament and Council regarding public procurements and for the abrogation of Directive 2004/18/EC, published in the Official Journal no. 94 of March 28, 2014

Resolution of European Parliament P6_TA(2009)0062 entitled "Social economy", www.europarl.europa.eu

Resolution of European Parliament P8_TA-PROV(2018)0317 of July 05, 2018, Statute of social and solidarity-based entities, www.europarl.europa.eu

Memorandum of the Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of Regions "Initiative for Social entrepreneurship. Building an ecosystem for promoting social entities within the social economy and innovation", SEC(2011) 1278 final, www.eur-lex.europa.eu

Law no. 219/2015 on social economy, as further amended and supplemented, published in the Official Gazette no. 561 of July 28, 2015;

Law no. 98/2016 on public procurements, as further amended and supplemented, published in the Official Gazette no. 390 of May 23, 2016;

Law no. 448/2006 on protecting and promoting the rights of persons with disabilities, republished, as further amended and supplemented, published in the Official Gazette no. 1 of January 03, 2008;

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