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Social economy – added value for local development and social cohesion

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Abstract

This paper addresses *the social economy* and its importance for the local development and social cohesion. Note should be taken that the social economy arises at confluence between *the business* field and the *social* field, insofar the social economy's primary aim is not the profit making but the stakeholders' welfare and socio-economic inclusion. This paper shall tackle primarily *the added value of social economy*, which shall be considered in terms of social and economic benefits for local development and benefits related to systemic and institutional modification. *Documentary research* shall be used as a method in order to assess the added value of social economy for local development and social cohesion. The social economy contributes to developing a social cohesion-generating economy forming new mentalities for the *local social-economical environment*. Main definitions proposed for social economy and main financing sources relevant for the Romanian social economy development shall be reviewed. The three main categories of social economy stakeholders shall be analysed: public authorities, third sector, and businesses. Conclusions shall be drawn related to social economy's implications for society and general economy.

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1. Definitions of social economy

Because there is a multitude of national and regional approaches in EU member states, there is no clear, precise and unanimously accepted definition for the social economy.

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Professor Jacques Defourny proposed the following definition of social economy adopted by the European Social Enterprise Research Network (EMES): „social economy includes cooperative enterprises, mutual and insurance corporations, foundations and all the other non-profit organisations which hold principles that correspond to the ‘third sector’ of the modern economies (Barna, 2014, p. 9).

The most comprehensive definition of this sector was elaborated by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC) who proposed a definition suitable to national accounting systems: „*The set of private, formally-organised 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. The Social Economy also includes private, formally-organised organisations 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*” (CIRIEC, 2012, p. 21).

Whilst the components that define social economy differ from country to country, the profile literature acknowledges the meaning according to which social economy draws together cooperatives, mutual corporations, associations and foundations.

“The social economy organisations are active economic and social players characterized principally by goals and specific entrepreneurship type. Those enterprises are particularly active in such fields as social protection, social services, health, banking, insurances, education and training, culture, sport.” (definition CEP – CMAF).

2. Financing social economy

The financing of social economy in South-Eastern Europe (OECD, 2007) presents some institutional features.

As for the Romanian case, the social economy is financed by means of public and private funds. The private financing is provided by the organisations involved in the field, through specific activity, sponsorship, donations, grants. The public financing is represented mainly by the Sectoral Operational Programme Human Resources Development (SOP HRD), which consists of European non-reimbursable funds (European Social Fund) and national co-financing. The orientative financial allocation, according to the Framework Document for Implementation of SOP HRD 2007-2013, for the programming period is 294.153.700 euro, of which 234.289.498 euro represent ESF and 51.281.18 euro represent national state contribution. There is no national contribution from the local budget.

The almost EUR 300 mil. allocation for the social economy field – within a specific key area of intervention (KAI) – through the SOP HRD constitutes a proof of the importance the Romanian authorities understand to give to this field and of the capitalization of the opportunities to convert social disadvantages into modes of sustainable living.

The insertion of the social economy addressing into the Priority Axis 6 of SOP HRD – the axis dedicated to social inclusion – thus primarily orients the Romanian main financing source to the social inclusion field rather than the business field.

3. Social economy stakeholders

According to Constantinescu (2013), the preliminary analysis of the impact of the European Social Fund financing shows that the main stakeholders of the employment and social inclusion policies are the social economy organisations, especially associations and foundations, which access more than 50% of the available financing, therefore the central role awarded to social economy within these policies is entirely justified.

Three main categories of stakeholders contribute to the social economy development: public authorities and institutions, civil society and businesses.

Public authorities and institutions have a defining role in promoting social economy. Some of the organisations which implemented projects financed through SOP HRD concluded partnerships with public authorities and institutions in order to reach the target groups, vulnerable persons respectively.

Public authorities are able to contribute to achieving a legislative framework for the social economy, as far as the defining of principles and the scope is concerned. Institutionally, the central authorities’ involvement ensures the

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