

An Exploratory Mapping of the Social Economy Organizations Active in Circular Economy in Romania

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Abstract

The paper's primary focus is the prevalence of the circular economy model in social and solidarity economy as a paradigm shift for current global solutions. The social economy was a circular economy pioneer in reusing and recycling waste, energy, and agriculture. The main research objective is to elaborate a first exploratory mapping of the social economy organizations active in the circular economy in Romania based on a secondary research method (online research). The paper provides useful information focused on the Romanian emergent social economy sector and the initiatives related to the circular economy. Due to various limitations, 37 circular social economy organizations were finally included in the mapping exercise. They are active in the field starting with 2009. Almost half of them do not hold a certificate of social economy enterprise issued by the Romanian Ministry of Labor and Social Protection. In terms of the legal form of organization, they are companies and NGOs active mostly in the urban area. Social entrepreneurs are the initiators of such enterprises, followed by NGOs and companies. For almost two-thirds of the analyzed circular social enterprises, the initial funding was independent. The circular business model is mainly based on recycling and recycling and use. Overall, the paper contributes to understanding the potential that circular economy enterprises could have in the Romanian social economy sector.

Keywords

Social economy; social enterprise; circular economy; Romania.

Introduction

Sustainability is a universal concern considering the actual challenges. In this global context, the circular economy model is a paradigm shift for global solutions, gaining increasing support around the world by proposing a different model leading to growth and jobs without compromising the environment (Albaladejo, Franco Henao, & Mirazo, 2021). Undoubtedly, social economy and circular economy are different concepts, but

they have numerous meeting points, such as both models place individuals and sustainable development at the center of their concerns, and a key factor of their success consists in strengthening creative and innovative capacity at the local level (Chaves & Monzón, 2017).

As highlighted in the CIRIEC report 2017, in Europe, the social economy was a pioneer of the circular economy in reusing and recycling waste, energy, and agriculture. The European Commission, in its EU action plan for the circular economy, recognized that social economy enterprises will make "a key contribution to the circular economy" (European Commission, 2015, p. 19). On the other hand, we can observe that recently, there is a new EU level commitment about the potential of the social economy, which is a pioneer in job creation linked to the circular economy that will be further leveraged by the mutual benefits of supporting the green transition and strengthening social inclusion, notably under the Action Plan to implement the European Pillar of Social Rights (European Commission, 2020). Also, the current EU SME Strategy for a sustainable and digital Europe recognizes the role of the social economy as a driver of the sustainable transition: "Almost a quarter of SMEs in Europe already enable the transition by offering green products or services and many SMEs (including social economy enterprises) are already doing a lot for the communities where they are based" (European Commission, 2020, pp. 2-3). Referring more specifically to circular economy initiatives, important stakeholders of the sectors stated that social enterprises have the potential to become an integral part of the fair, green, and circular transition in Europe Green Deal and Sustainable Europe Investment Plan (Caritas Europa, 2019). The unique characteristics of social economy organizations to ensure that the green and digital transitions leave no one behind are also highlighted in the current public debates concerning the European Action Plan for the social economy 2021 – 2026 (Schmit, 2020). This new European Action Plan is understood as a key tool to systematically incorporate the social economy into the different socio-economic policies of the European Union, as well as into its actions to achieve the Sustainable Development Goals, creating good premises for new advancements and transformations of the social economy sector also in the direction of the circular economy.

Considering the above framework, the current paper explores the connection between social economy and circular economy in Romania, investigating the actual dimension and providing a basic diagnosis of the circular social economy sub-sector.

Research objectives and methodology

The main research objective of this paper was to elaborate a first exploratory mapping of the social economy organizations active in the circular economy in Romania. We have systematically reviewed the social economy initiatives in this field, using mainly secondary research methods (online research).

For achieving the research objective, the first step consisted in identifying the available online relevant sources of information: The National Register of Social Enterprises (February 2020 Version) the online presentations of the finalists of the various social economy competitions (Social Impact Awards Romania 2012 – 2021, the competition

for developing social enterprises “Fabricat în Țara lui Andrei” (2015 – 2017 and 2013 – 2015 editions), online information about NESsT social enterprises competitions, Ashoka Fellows in Romania competitions, various projects financed under the specific social economy European Structural Funds calls of the Development of Human Resources Operational Program and Human Capital Operational Program, and other relevant sources, such as the Romanian Circular Economy Stakeholders Platform.

In the mapping exercise, we considered the following criteria for including the social economy organizations:

1. The organization must be a social enterprise in the sense of respecting the principles of the social economy provided in art. 4 of the Law on Social Economy 219 /2015 (other alternative terms used: social economy organization, social economy structure). We have not considered a mandatory condition for the social enterprise to have a social enterprise certification from the Ministry of Labor and Social Protection because currently, not all social enterprises have obtained this certification. However, the mapping exercise differentiates between different statuses of the organizations: social economy organization (without certification), certified social enterprise, certified social insertion enterprise, or not available information about certification.
2. The social economy organization can have any kind of legal form (association, cooperative, credit union, limited liability company, etc.), but they must respect the principles of the social economy provided in art. 4 of the Law on Social Economy 219 /2015.
3. The economic activity of the social economy organization must be related to the circular economy model (reduce, reuse, or recycle).
4. The social economy organization must be active, with verifiable coordinates (website, address, contact, etc.).

This mapping exercise represented a first exploratory research conducted to have a better understanding of the dimension of the circular social economy in Romania. The paper is continuing our research concerning social economy enterprises contributing to the circular economy and the green transition in Romania (Barna, Zbucea, & Stănescu, 2021), presented at the 8th CIRIEC International Research Conference on Social Economy, by focusing and deepening strictly on circular social economy. Even our research is not providing conclusive results, it is opening the way for further research in the field of this challenging sub-sector of social economy, such as further case study research.

State of the art: the Romanian emergent social economy sector and the initiatives related to the circular economy

In Romania, the social economy is still an emerging sector compared to other European countries. According to CIRIEC Intl Report 2017, Romania's social economy sector is enjoying only a moderate level of public recognition, coexisting alongside other concepts, such as the non-profit sector, the voluntary sector, and social enterprises (Chaves & Monzón, 2017). According to the Law of Social Economy 219 / 2015, the Romanian social economy is based on the following principles: priority given to the individual and social objectives over the increase of profit; solidarity and collective responsibility; the convergence between the interests of the associated members and

the general interest and/or the interests of a community; democratic control of the members, exercised over the activities carried out; the voluntary and free character of the association in the forms of organization specific to the field of social economy; distinct legal personality, management autonomy and independence from public authorities; and the allocation of the largest part of the profit / financial surplus to achieve the objectives of general interest, of a community or in the personal non-patrimonial interest of the members.

CIRIEC Intl. report 2017 presents a series of recent data on the social economy sector: the Romanian social economy provides under 2% of the working population (136.385 paid employment); the associations, foundations, and other similar accepted forms count 99.774 jobs, 42.707 entities, and the cooperatives and other similar accepted forms sum up 31.573 jobs, 4.934 enterprises and 3.032.000 members (including credit unions).

The Romanian Law of Social Economy No. 219, adopted in July 2015 recognized the social economy sector in Romania, even if it is still about an emergent sector that is still facing many challenges. The Methodological Norms for applying the Law of the Social Economy were adopted by Government Decision no. 585 in August 2016. According to the legislative text, in Romania, the following categories of entities are recognized as part of the social economy (can obtain the certificate of social enterprise): cooperatives, associations and foundations, credit unions for employees or pensioners, agricultural societies, and other organizations that comply with the principles of organization and operation stipulated in the law. The certificate of social enterprise is granted to those social enterprises that meet the following criteria: act for social purposes and/or in the general interest of the community, allocate at least 90% of the profit made to the corporate purpose and the statutory reserve, undertake to transfer the assets remaining after the liquidation to one or more social enterprises, and apply the principle of social equity to employees, ensuring fair pay levels, between which there can be no differences exceeding the ratio of 1 to 8. Also, the Law of Social Economy recognized the social insertion enterprises, a popular type of social enterprise in Romania. The social insertion enterprise is the social enterprise that has, permanently, at least 30% of the employed staff belonging to the vulnerable group, so that the cumulated working time of these employees represents at least 30% of the total working time of all employees; and it aims to fight against exclusion, discrimination, and unemployment through the socio-professional insertion of disadvantaged people.

The recent Barometer of Social Economy 2021 shows that Romania currently has 1642 certified social enterprises, from which only 45 are certified as social insertion enterprises. Commercial companies are the dominant juridical form (88%) of the certified social enterprises, mainly because this type of entity needs a certification of its social mission (Vameșu, 2021).

Overall, even it is an emergent sector, in Romania, there is a diversity of organizations and business models of social enterprises, also including models that have pioneered the circular economy paradigm. A recent study investigating the understanding of the social economy and circular economy practices by social organizations in Romanian

shows the most preferred environmental practices to apply in social enterprises are the use of renewable energy (26%), recycling (24%), and selective waste (19%), social entrepreneurs being aware of the opportunities that bring the circular economy (Danciu et al., 2019). Currently, we can find in the Romanian social economy landscape initiatives related to various dimensions of the circular economy model: Reduce (less packaging), Reuse (Refill and Repurpose), and Recycle – a vital component of the circular economy. By way of example, we can mention some well-known circular social economy initiatives in Romania: Recicleta (developed by Viitor Plus Association), Remesh and Educlick (developed by Ateliere Fără Frontiere Association) or Redu (developed by Mai Bine Association).

Even if not specifically dedicated to the circular social economy, the implementation of the European Structural Funds grants financed under the social economy calls Human Resources Development and Human Capital Operational Programs also created good premises for pioneering circular social economy in Romania. We mention as good practice examples two projects. The first project is "Increasing the opportunity for social inclusion by creating social economy structures for vulnerable groups of the population in three development regions of Romania," a project financed under a social economy call of the Human Resources Development Operational Program 2007 – 2013 and implemented by RoRec Association (the Romanian Association for Recycling), The Maltese Aid Service in Romania and Alba Iulia Municipality. This project created 8 structures of social economy with activity in the field of waste collection, sorting, and recycling of electrical and electronic, and contributed to the development of the National Collection Network and, consequently, to the increase of the amount of electrical waste collected in Romania. The expected benefit was to reach the target of 4 kg of WEEE collected per capita imposed by the EU in 2015.

Another good practice example is the recent project "ASSIST - Social Entrepreneurship and Social Enterprises in Transylvania", SMIS code 126610, and implemented by ProXpert Consulting, in partnership with the Institute for Ernest Lupan Research in Circular Economy and Environment (IRCEM) and the Fidelitas Association for Youth Miercurea Ciuc, the main target is represented by social enterprises start-ups with a focus on the circular economy. This project is financed by Human Capital Operational Program 2014-2020, European Structural Funds, and created 21 circular social enterprises. The project has also created and financed ROCESP platform (Romanian Circular Economy Platform), which is promoted by IRCEM as a mirror initiative and integrated into ECESP (European Circular Economy Stakeholder Platform), intending to disseminate knowledge about the circular economy, mapping good circular economy practices and encourage dialogue. One working group of this platform is specifically dealing with Social Business for Circular Economy (WG9) and includes some important social economy stakeholders in the field, such as Mai Bine Association from Iasi, Eco Club Timisoara Association, Divers Association, or the Local Action Group Oamenii Deltei (People of the Danube Delta).

Besides the above specific social economy projects focused on the circular economy, we can also exemplify outstanding, punctual initiatives developed in recent years. By way of example, we mention OilRight, which is a social enterprise established within the project "Accelerator of Social Enterprises" ID 127384, co-financed from the

European Social Fund through the Human Capital Operational Program 2014-2020, a project implemented by the Alaturi de Voi Foundation from Iași, in partnership with Fonduri- Structurale.ro. OilRight is an eco-inclusive social business in Timisoara, which offers a clean and handy alternative for collecting and reusing used cooking oil. The collected oil is processed and transformed, with the help of vulnerable employees, into an eco-chic product - quality candles, with a simple and attractive design, for sustainable relaxation and responsible interior decoration.

Mapping circular social economy organizations in Romania

Information sources

Identifying the social enterprises involved in the circular economy was a challenging process, considering that many social economy organizations are not certified as social enterprises or insertion social enterprises, so they are not included in the National Register of Social Enterprises, even if they respect the principles of social economy. Therefore, we have used additional sources of information apart from the National Register of Social Enterprises. These additional sources were clearly related to the social economy - European Structural Funds projects targeting social economy, well-known social economy funding competitions, online information which included both social economy or social entrepreneurship, and circular economy terms in searching.

The main databases used in this process are presented in Table 1.

Table 1. Databases explored

No.	Name of database/source of information
1.	National Register of Social Enterprises (February 2020 Version)
2.	ESF project of ROREC "Increasing the opportunity for social inclusion by creating social economy structures for vulnerable groups of the population in three development regions of Romania
3.	ESF project of ADV "Accelerator of Social Enterprises" ID 127384, co-financed from the European Social Fund through the Human Capital Operational Program 2014-2020
4.	ESF project "ASSIST - Social Entrepreneurship and Social Enterprises in Transylvania", SMIS code 126610, implemented by SC Pro Xpert Consulting SRL, in partnership with the "Ernest Lupan" Institute for Research in Circular Economy and Environment (IRCEM) and the Fidelitas Association for Youth Miercurea Ciuc
5.	Social Impact Awards Romania 2012 - 2021
6.	Made in Andrei's Country Competition (ed. 2015 - 2017 and 2013 - 2015)
7.	Ashoka Fellows in Romania
8.	Database of green and social enterprises developed by authors for the study elaborated for 8 th CIRIEC International Research Conference on Social Economy, San Jose (Costa Rica), 08-10 September 2021

Findings and discussions

The data mining of the sources specified in Table 1, complemented by additional information obtained from online searches and from exploring the websites and social media platforms, as well as various media outlets, led to the identification of 37 organizations that operate following a circular business model and observing the principles of social enterprises. We specify that the investigation determined a larger database, but we rejected from the final corpus the organizations that have stopped operating. For example, many social enterprises developed in the framework of various projects co-financed by European Structural Funds are not sustainable anymore or do not have funding for keeping their online visibility. We have identified an interesting Roma project that created social enterprises for the recycling of packaging materials "ROMA-RE", within the European Social Fund, Sectoral Operational Program for Human Resources Development 2007-2013, implemented by PAEM ALBA Foundation, in partnership with the PAKIV Romania Association and Techniki Ekpedeftiki Kentro Epagelmatikis Katartisis S.A. (Greece). However, it was not possible to include in our research these social enterprises, as we could not find actual information about them. On the other hand, some current projects such as the project "ASSIST - Social Entrepreneurship and Social Enterprises in Transylvania" are still being implemented, so many new circular social enterprises are not yet fully operational and did not develop websites, so they could not be included in this stage of our research.

Figure 1 presents the evolution in time of the operating social enterprises involved in the circular economy. The largest increase was observed in 2015. Part of the increase is due to the project developed by ROREC, a recycling company operating at the national level, which implemented an EU-funded project establishing 8 collecting systems operating nationwide. The second-largest increase is being registered for 2021, being also in relation to available European funding. Some projects developed in the past 2 years are not over; therefore, we expect a further increase in the near future. However, further investigations should be done to assess the actual operational model of these social economy structures and the extent to which they respect the principles of the social economy.

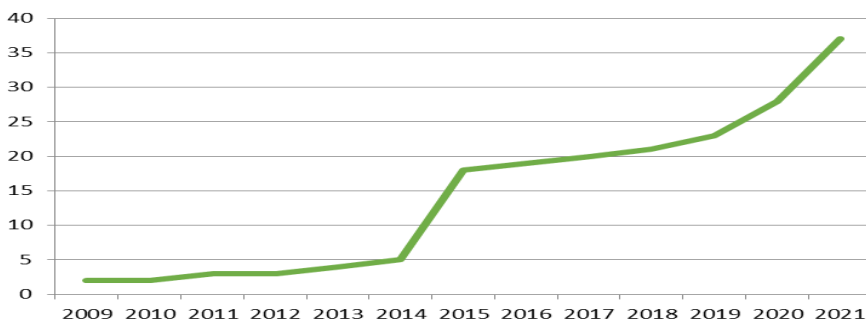


Figure 1. Total circular social economy initiatives in operation
(own elaboration)

It also seems to be a positive trend of establishing new such social enterprises, which might show that social and circular business models are considered increasingly more viable in Romania. Still, the data we have is too narrow and fresh to be able to validate such evolution.

Figure 2 shows that around half of the organizations do not have the legal status either of social enterprises or of insertion social enterprise. A previous study (Barna, Zbucea, & Stanescu, 2021) shows that social entrepreneurs, although highly dedicated to the principles of social economy, do not perceive any advantage in having this certification, but they would opt at some point to get it. We also mention that the number of certified social enterprises is higher also due to their establishment underlines of funding dedicated to the social economy. Otherwise, the lack of actual advantages related to this legal status, as well as the need to observe some limitations, would probably have determined a lower percentage of these organizations.

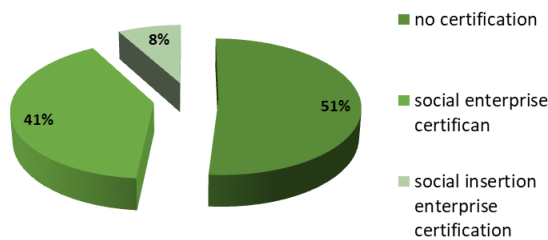


Figure 2. Social enterprise status
(own elaboration)

Two-thirds of the identified organizations are companies, as presented in Figure 3. 24 out of these organizations are operating in the urban area (see Figure 4). 9 of the organizations are based in Bucharest.

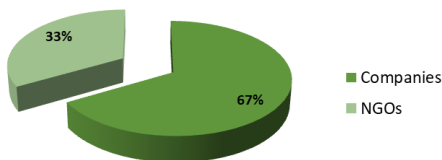


Figure 3. Legal status
(own elaboration)

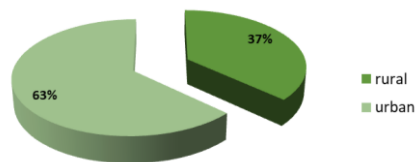


Figure 4. Geographical profile
(own elaboration)

A significant number of these organizations are the initiative of social entrepreneurs, followed by NGOs (see Figure 5). In terms of specific organizations having such initiatives, we have already mentioned ROREC with 8 recycling points. Three nonprofit organizations also stand out. Mai Bine (Better) Association from Iași has 2 such initiatives, as well as Viitor Plus (Future Plus) from Bucharest, while Ateliere Fără Frontiere (Workshops without Borders) from Bucharest has 3 social enterprises based on circular models (one of them partially circular, but a green business nevertheless).

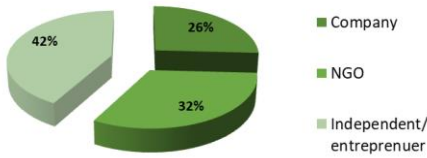


Figure 5. Mother organization
(own elaboration)



Figure 6. Initial financing
(own elaboration)

In terms of the source of financing, almost half of the projects are based on EU funding, dedicated to social entrepreneurship. As we have previously explained, the actual number of such initiatives is larger, but some did not prove sustainable over time. Similarly, the social enterprises developed in the past 2 years under the umbrella of EU funding might also cease to operate after the implementation period.

The last aspect investigated is the circular business model adopted (recycling, reuse and/or reduce).

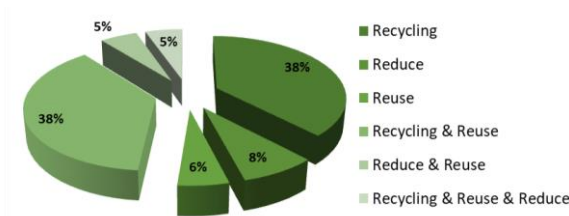
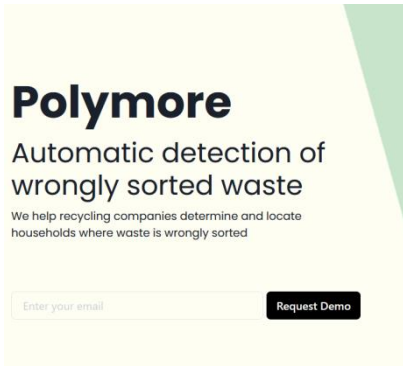


Figure 7. The circular business model
(own elaboration)

As Table 7 shows, most of the operations are based on recycling. Around half of the recycling organizations also reuse (they produce plastic or textile bags, for instance). 10 of the identified initiatives collect and recycle WEEE, 6 are valorizing clothes and textiles, 4 are collecting oil. Other initiatives are in the field of food (a Zero Waste shop as well as two restaurants), jewelry design, waste management, publishing, bicycle recycling, and design, and others. Figure 8 presents part of the products and services developed by these organizations; all of them awarded distinctions in social impact competitions.



Polymore



Recicleta



Precious Circuit



Sacosh

Figure 8. The offer

The geographic coverage of these initiatives is presented in Figure 9. The brown marker represents WEEE collecting and recycling, the orange marker represents textiles-related circular models, the blue marker refers to recycling and reusing various materials, the yellow one marks oil recycling centers, while the green marker indicates creative design initiatives. One observes that in Southern Romania, Bucharest attracts all initiatives, while in Transylvania, the endeavors are relatively even spread.

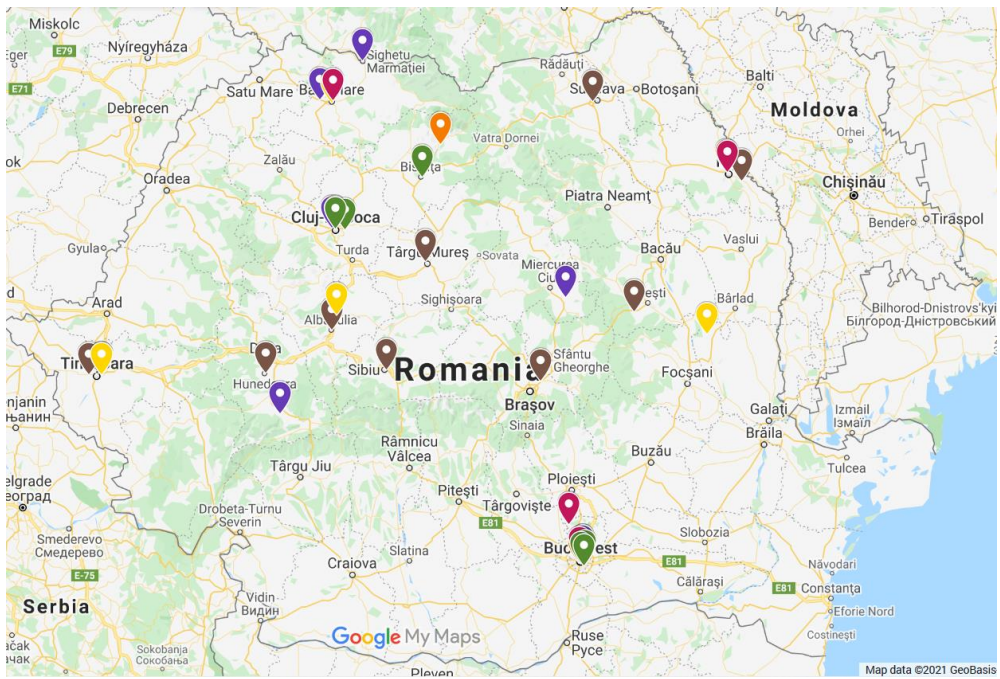


Figure 9. Map of the Romanian social enterprises based on circular models
(own elaboration using Google Maps)

Conclusions

Nowadays, the circular economy is gaining increasing support around the world. Regarding the connection between social economy and circular economy, the paper considers the first one as the pioneer of the second, as highlighted in the EU reports (European Commission, 2015, 2020). Another document reflecting this connection is represented by the European Action plan for social economy 2021-2026.

In terms of research objectives, the paper elaborated a first exploratory mapping of the social economy organizations active in the circular economy in Romania in order to understand the phenomena better. Various specialized sources of information were consulted, and based on selected criteria, 37 social enterprises were included in the final mapping. Despite the adoption of Law 219/2015 on the social economy, this sector remains not so well known to the public. According to the methodological norms, a social entity can apply for a social enterprise certificate or a certificate of social insertion enterprise. In line with the Barometer of Social Economy 2021, there are 1642 certified social enterprises in Romania, among which only 45 are certified as social insertion enterprises (Vameşu, 2021).

The main challenge in mapping the circular social economy in Romania was represented by the fact that many social economy organizations are not certified as social enterprises or insertion social enterprises and therefore not included in the National Register of Social Enterprises. Due to this reason, additional alternative

information sources were accessed (Table 1). Finally, 37 organizations following a circular business model and respecting the principles of social enterprises were identified. They are active in the field starting with 2009. Around a half among them do not hold a certificate of social enterprise or social insertion enterprise. Two-thirds are organized as companies. They are mostly active in the urban area. In terms of initiatives of analyzed social enterprises on the first top is independent entrepreneurs followed by companies. As initial financing, for half of them, this was an independent source. In terms of the circular business model adopted, most of the operations are based on recycling.

The paper contributes to understating the circular economy in Romania towards a better exploration of its constructive potential in line with promoting sustainability and social innovation. This first exploratory research on the topic has revealed that we can begin to talk about a new sub-sector of the social economy in Romania: circular social economy. This new sub-sector has significant importance in the actual context of the new European Green Deal. Consequently, it deserves greater attention in the academic and research world and among the social economy practitioners. Future research directions in the topic are arising, such as enlarging the social impact definition proposed by the public authorities by also considering the environmental impact of the circular social enterprise; defining a specific circular and social impact measurement framework for better highlighting the importance of this new social economy subsector; or calculating the weight of this subsector in the whole social economy sector, in terms of revenues and employment.

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