



Book Review:
**FINANCING THE ACTIVITIES
OF THE SOCIAL ECONOMY**

Coordinators:

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Before approaching the technical details of this book, we need to mention the fact that the activation of the social economy in Romania is a recent occurrence, boosted by the co-financing provided by the European Social Fund through the Sectoral Operational Program Human Resources Development 2007-2013. We also have to emphasize the constant endeavour of the coordinators of this book to approach the rather new theme of the social economy by publishing reference papers.

Within the context of a social framework affected by the deep economic crisis, it seems that “there is no universal panacea that can be applied by national policies in the attempt to limit the crisis and to end the recession” (Cace C., Cace S., Cojocaru Ș., Nicolăescu V., 2012, p. 51). The current economic crisis overlaps the consequences that are reflected at the level of society’s vulnerable groups: social tensions generated by the higher rate of poverty, the fear of losing job loss, the increased number of families having serious financial problems, restrictions on consumption credits, as well as the effects of workforce mobility (Bostani I., Grosu V., 2010, p. 20). It seems that the financial crisis bears stronger on specific groups of the population, and that any measures should target those groups that are living at the brink of social exclusion, and cannot provide for their own bare necessities (Cace C., Cace S., Nicolăescu V., 2011b, p. 34). It is thus obvious that the social economy can effectively contribute to social cohesion and that it can be one of the major players in the struggle against social exclusion (Cace S., Nicolăescu V., Scoican A. N., 2010, pp. 192-193).

The efforts of social economy organisations to develop social economy initiatives are confronted by major institutional problems, including the inability to access modern or traditional instruments and mechanisms/means for financing. In some European countries, social economy organisations which run commercial activities start and end

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their life cycle without even using the usual, conventional means of financing a small business, by consuming the stock of free subsidies from a range of national and international sources.

In the EU countries, in general, the problems experienced when attempting to access sources of financing are not the exclusive “privilege” of the social economy. The problem of difficult access for small companies to bank loans is as acute and incurable as during the period after the activation of guaranteed financing and of risk capital. Economic sociology made attempts to organise the different theoretical approaches of social enterprises (Nicolăescu, 2011), highlighting several debates which are relevant for the definition of the social economy at the local level.

This book has been compiled within the framework of the project “INTEGRAT – resources for socially excluded women and Roma groups”. This project is co-financed by the European Social Fund through the Sectoral Operational Program Human Resources Development 2007-2013, and is implemented by the Association for Socio-Economic Development and Promotion, Catalactica, Bucharest branch, in partnership with the Research Institute for Quality of Life (ICCV) and Bolt International Consulting – L. Katsikaris – I. Parcharidis O.E. (Greece). The targeted regions of development are Bucharest-Ilfov and South-East (Bucharest, Ilfov, Buzău, Brăila, Galați, Constanța, Vrancea, Tulcea). The coordinators of this manual – Victor Nicolăescu, Corina Căce and Dimitris Hatzantonis – present the critical problem of financing the social economy and its business/enterprises in a comprehensive manner, intending to create a useful guidebook for the organisations that design policies and instruments for the development of the social economy.

The book has five chapters: it starts with the conceptual description of the social economy and of social entrepreneurship and continues with two chapters which present the traditional sources as well as the alternative sources of financing this sector; it continues with a section dedicated to micro-crediting as a challenge for the social economy and finishes with the expanded categories of financing identified across Europe. The compilation of this manual uses established patterns which, however, are insufficiently experimented with in Romania, as well as some patterns which are in their early stages of development in other EU member states. From this perspective, the book brings added value by drafting a comparative space for the application of financial exercises used for the social economy, acknowledging that the “*Process of financing cannot mean just an effort to organise better events and lotteries to raise funds; rather, it means the management of strategic instruments which will ensure the long-term existence of the organisation so that it can accomplish its mission.*” (p. 74).

The first chapter of the book analyses the social economy and social entrepreneurship in Europe, and approaches the definition of the sector: “*The definition of the social economy is not, therefore, a simple matter, because this expression is used to define a complex world and a system of relations which govern the third sector and the non-profit enterprises: creation of flexible jobs, active citizenship, services for people, decentralised social work, safety of human rights, consolidated policies of local development and social cooperation*” (p. 18). The approach of the social economy sector from the perspective of conceptual clarifications is correlated with the significance of social capital and with the distinction of the social enterprises on the economic market.

The integration of the different streams recorded within this sector is structured around the five European patterns of social economy: Scandinavian, Continental-European, South-European, Anglo-Saxon, Central and Eastern-European. Within this chapter, social entrepreneurship is revealed theoretically by depicting the general framework of functioning and by describing the practical operation of a social organisation entity from Greece (Klimax Plus). As an observation, we mention again that particular stress is put on the present relations of the associative organisations – associations and foundations – with the social economy, and on knowing the interference of private and public areas with the economic sector (Căce S, Nicolăescu V., Anton A.N., Rotaru S. (2011, p. 89). The problem of financing small enterprises and, obviously, social enterprises, will probably be the most important dimension to be considered by policies that aim to develop entrepreneurship as a whole, taking into consideration that entrepreneurship can be applied both in the economic field (business) and in the social field, referring to a behaviour that can be displayed in multiple ways (Căce C., Căce S., Nicolăescu V., 2011a).

In Romania, the significance of social entrepreneurship is developed by the practitioners in the social field, and academic rigour often misses the presentation of good practices (Popoviciu I., Popoviciu S., 2011, p. 43). The present stream of promoting the social economy seems to be revolving around the social enterprises that are, in many ways, caught in the trap of the context which often limits their access to the public and private resources (Nicolăescu V., 2011, p. 114). While in Europe, except for the United Kingdom, the social enterprise refers to a cooperative or to a social association established with the purpose of providing employment services or specific care through participative ways, in the United States, it includes any type of non-profit activity involving income-generation (Pîrvu D., Ungureanu E., Hagi A., 2009, p. 53).

Chapter two of the book shows the traditional sources of financing the social economy sector, within the context in which *“the major goal of a social enterprise and of non-profit organisations is not to generate income for the stockholders, but to return – via its activity – the social values and benefits to the favour of their members, employees and of the whole society”*. (p.69)

The existence of inherent obstacles and constraints in the management of traditional resources prompted the identification of specific financing alternatives for social economy organisations, as presented in Chapter 3. Thus, the challenge that these entities with social activities experienced in obtaining funds for their activities resulted in the adoption of working mechanisms similar to those from the business environment; this requires more and more often evaluating the social worth of the investments made by social economy organisations. This new direction is fully justified: *“Knowing the yield of the enterprise it is much easier to address the market in order to raise funds and to offer profit to the potential investors”* (p.88). As a consequence, it is worthwhile to note that various forms of dividing public funds have been noticed in Western Europe, these public funds being transformed into benefits for the community (Nicolăescu & Nicolăescu, 2012, p. 741).

Chapter four of the book focuses on the **techniques of micro-crediting** by describing the compulsory premises for them, the proposed services and the line which differentiates them from traditional banking and financing. Taking into account the fact

that “there are many and diverse practices of micro-credits, from projects of poverty control in Asia and Africa, to the initiatives for controlling social exclusion in the suburbs of the European capitals” (p. 112), this section shows some relevant aspects which point towards a new, expanded social entrepreneurship, much more adapted to the current economic conditions. First, the practices of micro-financing are presented, with the intention to explore all the possible ways, from **micro-credit** to the **mobilisation of the local economies**, by which social economy initiatives can be financed. Micro-crediting is substantially represented in the book by **social vouchers**, a rather widespread technique among the services outside the field of social economy, which stimulate the consumption of services supplied by social enterprises, while facilitating commercial activities (confronted with the problem of liquidities). A rather common error in many countries is the limitation of this discussion just to the mechanisms of collaterals for bank loans. However, what is usually lacking is the inclusion of a guaranteeing instrument within a full set of financial services which can take into consideration the needs for instruments and the parallel means of businesses, such as risk capital, the access to small business financing, etc.

The final section of the book reviews the framework for social economy financing developed throughout Europe following various initiatives to achieve the set objectives or following the option to support the public acquisitions of public interest.

Therefore, it is clear that, in view of planning/preparing policies for the social economy and entrepreneurship, one has to make a thorough analysis of the policy of small business financing, of the access to bank loans and to other methods of financing.

The countries with a recent tradition of the policies which support the entrepreneurial initiatives recorded a large number of small businesses which managed without bank loans and which ensure their participation in business by covering the risks with additional guarantees. Definitely, this uncovered need reaches all the types of commercial activities from the sector of the social economy.

In Romania, the positive dynamics of the social economy during the recent years, in terms of the acquisition of knowledge, is due to financing through structural instruments, but is nevertheless shadowed by the perspective of discontinuities in project operation and in maintaining a constant flow of non-reimbursable funds for these innovating actions. In this respect, it is important to evaluate the endogenous capacities to manage European co-financing (Cace C., Cace S., Iova C., Nicolăescu V., 2009, p. 94), or to generate new ways of absorption of structural funds (Cace C., Cace S., Nicolăescu V., 2010, p. 100). Given the major stress on transposition in practice of the Europe 2020 Strategy, the need to monitor and evaluate social economy initiatives is acute (Nicolăescu V., Cace C., Cace S., 2012, p. 535). It also is extremely important to present the mechanisms which allow the establishment of a healthy and vibrating ecosystem through this form of economy that supports innovative social entrepreneurs (Cace S., Arpinte D., Cace C., Cojocaru Ș., 2011, p. 65; Neguț A., Nicolăescu V., Preoteasa A.M., Cace C., 2011).

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