

# SOCIAL ECONOMY STATISTICS IN ROMANIA

## Public Policy Proposals

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### CONTEXT

In order to better identify the contribution of social economy to the national economy, the European Commission promotes gathering statistics on social enterprises, including by drawing up national satellite accounts for the social economy. During the period 2013-2014, the European Commission – Directorate General for Enterprise and Industry, by the call to projects “Economic impact of social enterprises”, financed pilot projects to contribute to the availability of reliable statistics on social enterprises at national and European levels. The aim is to provide policy-makers and relevant stakeholders for credible, comparable and systematic information and indicators on the role of the social enterprises in national economies and to offer usable and practical information to stakeholders for their decision making. Romania is one of the five countries where such methodology was tested which involved the identification of the entities which can be considered part of the social economy, the creation of a Statistic Record of the social economy in Romania and drawing up the satellite accounts of social economy, part of the national accounts system.

This document summarizes the conclusions of MSERV project (Making Social Economy Visible in Romania) conducted by the **Institute of Social Economy** within the Civil Society Development Foundation, in partnership with the **Ministry of Labor, Family, Social Protection and Elderly** and the **National Statistics Training Centre**. Following this experience a series of recommendations emerged, which could contribute to the continuation and improvement of statistics related to the sector of social economy in Romania.

The data used have been selected and processed by the methodology of the European System of Domestic and Regional Accounts (ESA 95), defined in the Regulation (EC) no. 2223/96 of the Council from June 25, 1996 regarding the European System of Domestic and Regional Accounts in the Community (JO L 310, 30.11.1996, p. 1) and that provided for in the Manual for Drawing Up the Satellite Accounts of Companies in The Social Economy: Co-Operatives and Mutual Societies drafted for the European Commission by CIRIEC (Centre Internationale de Recherches et de l'Information sur l'Economie Sociale et Cooperative) in 2006.

## CONCLUSIONS AND RECOMMENDATIONS

For the first time in Romania, within MSERV Project, the social economy indicators were calculated. Data sources have been annual financial statements of legal entities part of the social economy sector for the years 2011 and 2012. During the project development, experts met several difficulties in the data collection and processing process which are summarized below. For each of the problems faced a solution is also proposed.

### 1. Identification of the entities which are part of the sector of social economy – Statistical Record of Social Economy

The institutional units part of social economy, are not found in one single institutional sector. Moreover, no institutional sector exclusively consists of institutional units pertaining to social economy.

Therefore, for the purpose of this project, we had, first of all, to draw a Statistic Record of Social Economy which included the selection of the entities which belong to this sector. The statistic record was drawn by statisticians of CNPS (National Centre for Statistics Training) based on the data supplied by the National Statistics Institute, National Union of Credit Unions of Employees – who has around 2000 affiliates and submits a sector consolidated balance sheet, and the Register of Companies to identify companies controlled by social economy entities based on information on shareholders. The record was delivered to the Ministry of Labor, Social Protection, Family and Elderly, that will provide its update. The various categories of institutional units use different balance sheet forms – sometimes even the same type of units use different forms which complicate further data processing and analysis. Moreover these change from one year to the other.

#### Recommendation 1

For the regular calculation of social economy accounts, we need to adopt administrative measures at the level of competent authorities and that is, the Ministry of Finance, Ministry of Justice – Register of Companies Office, National Statistics Institute, National Bank which may enable the annual update of the Statistic record of Social Economy with data from the financial situations of such entities, once the registration of the annual financial statements were filed with the tax authorities.

### 2. Entities for which there is no statistical information

There are entities like housing owners' associations, for which no information could be included as they do not have the obligation to file the balance sheet with the national tax authorities.

According to **Order no. 1969/2007** of the Ministry of Finance for the approval of accounting regulations for non-profit legal entities printed in the *Official Gazette, Part I no. 846 from 10/12/2007*, the housing owners' associations without business activities may manage

single-entry bookkeeping. The associations which choose the single-entry bookkeeping must file the situation of assets and liabilities balance only with the local councils. Therefore these records are not officially available and so far have not been included in the national accounting system.

The owners' associations which choose the double-entry bookkeeping file accounting balance sheet, according to the legal provisions. Only a very small number of housing owners' associations chose the double-entry bookkeeping and to file the balance account with the general tax authorities, the official source of statistical data.

### Recommendation 2

We recommend the amendment of the **Order no. 1969/2007** so that all housing owners' associations are obliged to file the balance account like all other legal entity with the national tax authority and thus be included both for national accounts and for the accounts of social economy, as we consider that this segment creates added value and also work places.

### 3. Social economy business groups

Drawing the social economy accounts assumes the identification of **social economy business groups** – enterprises or coalitions of enterprises which are managed and controlled and activities of which are in the benefit of one or several social economy organizations, without taking into account the legal type the group adopts<sup>1</sup>. We considered in Romania that the social economy business groups are found as trading companies held by social economy organizations. Their identification assumes the knowledge of data related to shareholding. Such data were available by the direct collaboration of the Register of Companies, otherwise, there being no possibility to identify them.

### Recommendation 3

We recommend the creation of a different section of the Register of Companies which shall group the institutional units which are part of social economy: cooperatives and trading companies with majority shareholding consisting of associations, foundations, cooperative companies.

### 4. Calculation of financial accounts

The calculation of financial accounts assumes the existence of detailed information related to financial companies which are part of the social economy that is for Romania, credit unions and credit cooperatives. Such information is not available for all credit cooperatives – some of them file balance sheet in the format specific to credit institutions, while others are active according to the balance sheets registered with the Ministry of Finances but are no longer registered in the register of the National Bank of Romania and file financial statements in the

<sup>1</sup> Centre Internationale de Recherches et de reformation sur l'Economie Sociale et Cooperative (CIRIEC), December 2006, Jose Barea, Jose Luis Monzon, "Manual of drawing up the satellite accounts of companies in the social economy: co-operatives and mutual societies", p. 49

format destined to trading companies. Similarly, for the credit unions, many pieces of information are not available. The credit unions in Romania file balance sheets in NGO format, they are not subject of the supervision by the National Bank – their federations for employees union have also some control functions and they submit aggregated data on their credit activity to the National Bank. This is not the case for the credit unions of the retired, and for about 30% of the credit unions of employees which are not affiliated to a credit unions federation.

The calculation of the financial national accounts is only to be made by the National Bank of Romania.

#### **Recommendation 4**

We recommend the extension of the accounting procedure to the National Bank of Romania both of the non-affiliated credit unions of employees and of credit unions of the retired or the establishment of other types of systems - federations, unions which may centralize information related to the financial activity of such financial companies. As well, we need to clarify the status of credit cooperatives which are not found in the register of the National Bank of Romania and do not report their financial activity. We recommend the initiation of a new project which may enable the calculation of financial national accounts of social economy as well with the participation of the National Bank of Romania.

#### **5. Errors in the accounting balance sheets registered with ANAF (National Agency for Fiscal Administration)**

There were found many errors in the accounting balances registered with ANAF – e.g.. very high values of the number of employees at organizations with high number of members, the filling in of other forms than those indicated for the concerned type of legal organization. There seems not to exist control keys for the removal of abnormal values, as for example, in case of the number of employees which may be automatically correlated to remuneration expenses.

#### **Recommendation 5**

ANAF should foresee a validation system of accounting balance sheets before their registration with the tax authorities – control keys for the form used if it is according to the legal type, of the registered indicators and their values.

The proposals and recommendations synthesized in this document are mainly based on the following studies and working documents drafted within the MSERV Project (Making Social Economy Visible in Romania)

- *Preliminary Report Related to Institutional Units Part of Social Economy and Their Legal and Financial Accounting Frame*, Ancuta Vamesu, Social Economy Institute – Civil Society Development Foundation, November 2013
- *Satellite Accounts Related to Social Economy in Romania for 2011-2012*, Coord. Adriana Ciucea, Liliana Pintilia, Mihaela Nuta, Mariana Brebulet, National Centre of Statistic Training, 2014
- *Social Economy Atlas 2014*, Cristina Barna, Social Economy Institute – Civil Society Development Foundation, June 2014