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Comparative Success Rates in Fund Allocation for Social Enterprise Subsidies in Romania: Rural vs Urban Dynamics in 2024

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A R T I C L E   I N F O

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A B S T R A C T

The allocation of funds for social enterprise subsidies is a critical mechanism in advancing social entrepreneurship, particularly in countries like Romania, where social enterprises play a significant role in fostering community resilience and economic inclusion. In 2024, Romania continues prioritizing these subsidies, with a growing focus on equitable development across rural and urban regions. However, the dynamics of fund allocation differ considerably between these settings due to varying economic structures, infrastructure, and the capacity of social enterprises to attract and manage funding. This article examines the comparative success rates in fund allocation for social enterprises in rural versus urban areas. The study shows a coordinated effort between EU and national funds to support various development projects in Romania. The analysis highlights the need to address regional and sectoral disparities in fund allocation, better support rural projects, and improve the overall quality of projects to maximize long-term social and economic impact. Investments in the social economy must continue, given their crucial role in reconciling economic, social, and financial dimensions. However, increasing attention to sustainability and equity in resource distribution is essential.

1. Introduction

The social economy concept is comprehensive. Still, it generally refers to various economic and social activities in different legal forms within the private and public sectors. Also referred to as the "solidarity economy" or the "third sector," the social economy emerged from the need to find innovative solutions to communities' social, economic, or environmental issues. It aims to meet the needs of community members that are overlooked or insufficiently addressed by the public or private sectors. Social entrepreneurship merges traditional business practices with creating a significant social impact. These enterprises exist to "do good" and to achieve measurable results in this regard. Social entrepreneurship emphasizes well-being in all its dimensions, from the business's internal operations to its influence on all stakeholders and, ultimately, the end goal of creating a positive social impact. The analyzed projects aim to increase investments in the development of social entrepreneurship, with a particular focus on sectors that generate high-added value. The European Social Fund (EFS) actively supports social enterprises as a source of employment, particularly for people facing challenges securing a job. Member states allocated over 1 billion euros to this sector during the 2014-2020 period, and several member

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states used the ESF to boost the social investment market (European Commission, 2021). The measures supported by the Education and Employment Program aim to certify that the social economy is a resilient model that continues to develop while other economic sectors face challenges.

Social economy enterprises reflect the need for an economy that reconciles the social, economic, and financial dimensions, creating well-being measured in terms of its financial capital and social capital.

In the present research, data published by the Ministry of Investments and European Projects were analyzed, focusing on the priorities set in 2024 upon the completion of calls for the two priorities: P03 "Protecting the Right to Social Dignity" and P4 "Entrepreneurship and Social Economy." The project call Support for the Establishment of Social Enterprises in Urban Areas - Less Developed Regions primarily aims to encourage and support social entrepreneurship initiatives in urban areas of less developed regions. These initiatives seek to create jobs and generate economic and social value, thus contributing to the sustainable development of local communities. The call targets social enterprises that can address social needs by providing innovative solutions and promoting social inclusion. Similarly, the project call Support for the Establishment of Social Enterprises in Rural Areas - Less Developed Regions focuses on fostering the development of the social economy in rural areas, particularly in less developed regions. The main goal is to stimulate social entrepreneurship within rural communities, offering employment opportunities and improving the living conditions of residents.

The development of social enterprises aims to address the economic and social challenges these regions face, promoting sustainability and social cohesion. In the long term, such an analysis helps reduce economic and social disparities between more developed and less developed areas. A better understanding of how funds are distributed and used can guide authorities and funders to promote equitable and sustainable development. It can also help strengthen the institutional capacity of regions that have not sufficiently benefited from funds, thus helping to increase competitiveness and welfare in less developed areas.

2. Literature review

The European Commission (EC) advocates for promoting the social economy and inclusive entrepreneurship due to their significant contributions to job creation, work integration, and fostering sustainable, inclusive growth. These initiatives support the implementation of the European Pillar of Social Rights and are aligned with the 2021 Action Plan and the key targets set for 2030. Additionally, the social economy plays a crucial role in advancing the United Nations Sustainable Development Goals (European Commission, 2021). The social economy supports the measures of Member States regarding the cost-effective provision of high-quality social services. Recognizing the importance of the social economy, the European Commission adopted 2021 an Action Plan aimed at developing this sector (Achiţei, 2021). Organizations' objectives are no longer strictly focused on economic aspects but increasingly include social and environmental dimensions. This shift reflects the growing awareness of these entities' impact on the surrounding environment. Consequently, more and more organizations prioritize vital issues such as social equity, working conditions, environmental protection, health, and safety (Socoliuc et al., 2018). The concept of social enterprise in Romania has steadily evolved since 2006. Currently, the social enterprise sector in Romania is characterized by diversity and dynamism, including legally regulated organizations and informal entities, created either with external support or through bottom-up initiatives, which strive to survive and grow in a challenging socio-economic and political context (Lambru, 2021). Incubation and acceleration programs dedicated to social enterprises in Romania offer a range of services, such as training and support for basic entrepreneurship concepts, assistance in marketing and research, financial management support, access to resources, and even consulting for establishment. However, these programs are underdeveloped or do not provide services such as access to bank loans or support for compliance with legal regulations specific to social enterprises (Petrescu et al., 2021). The social economy is a priority not only in Romania but also at the European level, being a field of interest for academic research and the subject of numerous studies. Access to funding for providing goods and services to vulnerable populations and the professional integration of individuals facing difficulties finding employment facilitates achieving social enterprises' objectives (Stanciu et al., 2019).

The economic activity of a social enterprise often becomes financially sustainable after an extended period, during which the parent organization relies on grants for partial subsidies for operating costs. In other cases, achieving profitability is difficult or even impossible, especially for work integration social enterprises, where social costs must be fully or partially covered through subsidies to maintain the jobs created for vulnerable individuals (Oprean, 2021). Past economic crises have shown that social enterprises are more resilient, inclusive, and sustainable. Despite economic challenges, these organizations preserve jobs and continue their mission of addressing the social issues for which they were established. In rural areas, entrepreneurial initiatives are crucial in enhancing economic competitiveness, increasing regional attractiveness, and tackling communities' social problems (Vasiliu, 2021).

The absorption of non-reimbursable community funds must be a priority for the upcoming period. Additionally, Romania must revise and strengthen its strategy for accessing these funds, aligning it with the European Union's documents, directives, and strategy. Attracting community funds remains an important goal and an opportunity for Romania to achieve sustainable economic growth (Avram et al., 2019). Romania's administrative and fiscal apparatus is facing a high level of financial stress, which requires management through realistic and sustainable measures while also having an obligation to protect the security and health of the population (Mirica et al., 2020).

3. Results

The study analyzed the following aspects: budget allocation for rural and urban projects, the distribution between LLCs and NGOs in submitted projects, and the statistical analysis of project distribution by region. This combined indicator analysis is relevant as it provides a clear perspective on allocating resources between legal entities and geographical areas, thus highlighting the equity and efficiency of funding across various regions and the economic and social impact.

Budget allocation for rural and urban projects

The purpose of the detailed analysis of budget allocation for rural and urban projects is to highlight how funds are distributed across different types of projects and regions and the impact of this distribution on economic and social development. The analysis aims to identify disparities between rural and urban areas regarding funding and offer insight into these projects' long-term sustainability.

Through this evaluation, a better understanding of the efficiency of investments and their potential to contribute to social cohesion and reduce inequalities between more developed and less developed regions can be achieved. Table 1 provides an overview of the total budget allocation for rural and urban projects, presenting details about the total eligible budget, non-reimbursable budget, contributions from the European Union and the state, and the beneficiaries' contributions.

The P3 Rural projects have a total eligible budget of 35,298,187.64 euros, with the majority—29,882,757.79 euros—coming from European Union funds. This amount represents 85% of the non-reimbursable budget, while the state's contribution is 5,270,300.20 euros, approximately 15%. The beneficiaries' contribution is minimal, at just 145,129.65 euros. Similarly, the P3 Rural B-IL projects have a smaller eligible budget of 1,806,398.64 euros, of which EU funds cover 722,559.45 euros, while the state contributes 1,083,839.18 euros, with no beneficiary contribution. Urban projects benefit from significantly larger budget allocations.

For instance, P4 Urban has a total eligible budget of 59,435,573.33 euros, with 50,299,499.89 euros (approximately 85%) covered by EU funds and 8,864,809.95 euros (15%) contributed by the state. The beneficiaries' contribution is 271,263.49 euros, reflecting a minimal investment. Specific regional projects, such as ITI Delta Dunării and Țara Făgărașului, have smaller budgets but follow the same funding structure. The ITI Delta Dunării projects benefit from 1,217,195.56 euros from European funds and 214,586.04 euros from state funds, while for the Țara Făgărașului projects, EU funds represent 240,187.30 euros, and the state's contribution is 42,385.99 euros.

Overall, the total eligible budget for all projects amounts to 98,258,447.86 euros, of which 82,362,199.99 euros (approximately 84%) come from European funds, and 15,475,921.37 euros (approximately 16%) represent the state's contribution (table 1.

The total beneficiary contribution is just 420,330.12 euros, indicating a significant reliance on non-reimbursable funds to implement these projects.

Table 1. Budget allocation for rural and urban projects

Total	Total eligible budget [euro]	Total non-reimbursable budget (AFN) [euro]	EU budget [euro]	State budget (BS) [euro]	Own contribution [euro]
P3 Rural	35,298,187.64	35,153,057.99	29,882,757.79	5,270,300.20	145,129.65
P3 Rural B-IL	1,806,398.64	1,806,398.64	722,559.45	1,083,839.18	0.00
P4 Urban	59,435,573.33	59,164,309.84	50,299,499.89	8,864,809.95	271,263.49
P4 ITI Delta Dunării	1,435,714.96	1,431,781.61	1,217,195.56	214,586.04	3,936.98
P4 Țara Făgărașului	282,573.29	282,573.29	240,187.30	42,385.99	0.00
TOTAL	**98,258,447.86**	**97,838,121.37**	**82362199.99**	**15475921.37**	**420330,12**

Source: Author, using data from the Ministry of Investments and European Projects

The budget analysis in Table 1 reveals a significant dependence on non-reimbursable funds, mainly from European sources. This trend reflects efforts to support economic and social development in less developed regions but raises questions about the long-term sustainability of these projects. The significant investments in urban projects compared to rural ones suggest a greater focus on urban infrastructure development, which may lead to disparities between urban and rural areas.

Additionally, the lack of substantial beneficiary contributions may reflect either a reduced financial capacity or strong support from funders to encourage implementing these initiatives.

LLC vs. NGO distribution

Figure 1 shows the distribution of entities approved for funding based on the priority funding axis, namely P3 Rural and P4 Urban, divided between limited liability companies (LLCs) and non-governmental organizations (NGOs). The data highlights the total number of projects approved for each funding axis and their distribution between the two types of entities.

For Priority Axis P3 Rural, 59 projects were approved for funding, of which NGOs and only 17 by LLCs proposed 42 (figure 1). This distribution indicates a greater involvement of NGOs in rural projects, reflecting the need for social and community solutions, where NGOs are better positioned to intervene. In the case of Priority Axis P4 Urban, 99 projects were approved, of which NGOs manage 75 and 24 by LLCs. This difference underscores the central role of NGOs in urban areas. However, the involvement of LLCs is slightly higher, possibly due to economic opportunities and the need for sustainable business models.

The distribution of entities approved for funding shows that NGOs play a crucial role in accessing funds for social projects in rural and urban areas, with a more substantial presence in rural communities where social needs are more pressing. In urban areas, the greater involvement of LLCs may be linked to a more diversified economic environment, which provides opportunities for developing financially sustainable projects. However, NGOs continue to dominate the funding approval process for social projects due to their ability to address community needs and generate direct impact.

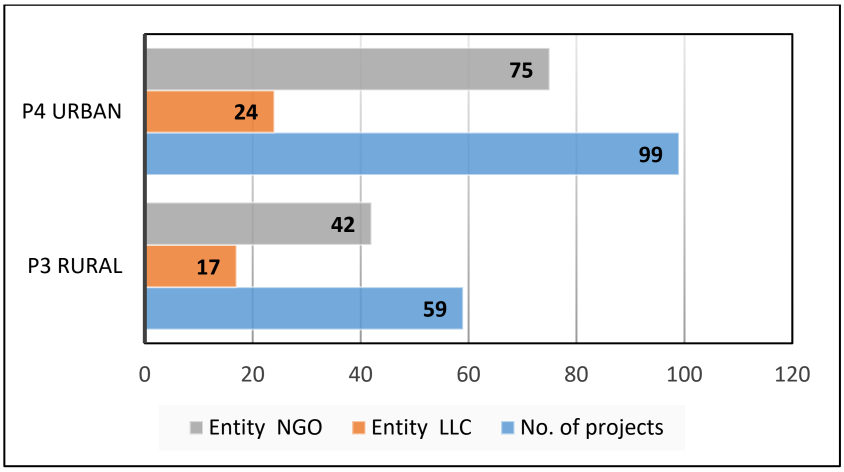

Figure 1. LLC vs. NGO distribution

Source: Author, by using data from the Ministry of Investments and European Projects

Figure 2 shows the distribution of projects approved for funding based on the scores obtained for the priority axes P3 Rural and P4 Urban. The projects are classified according to their evaluation score, and the data provide a detailed overview of the number of projects that reached various evaluation thresholds. For Priority Axis P3 Rural, most approved projects scored between 97 and 99. Specifically, 31 projects received a score of 97, representing nearly half of the P3 Rural projects. Additionally, 19 projects scored 98 points, indicating a high concentration in this score range. Only a few projects received higher scores, with just six projects achieving 99 points and two scoring 98.5 points. This data suggests that most projects within the P3 Rural axis were relatively well evaluated but with a slight predominance in the lower segment of high scores. In the case of Priority Axis P4 Urban, the distribution of projects is similar in terms of concentration in the 97-99 score range. The most significant number of projects, 73 in total, received a score of 97, indicating a predominance of projects that achieved the minimum threshold required for funding. Additionally, 11 projects scored 98 points, and 10 received 99 points, showing a more balanced distribution than P3 Rural but with a significant concentration on the lower end of the score range.

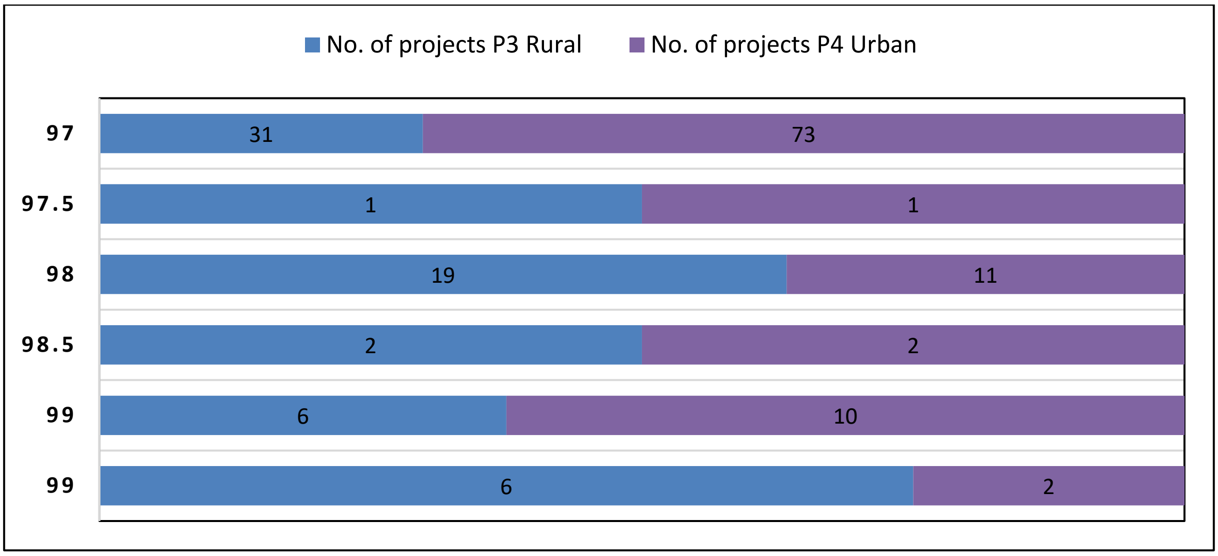

Figure 2. No. Of Projects vs. Score

Source: Author, by using data from the Ministry of Investments and European Projects

From a statistical perspective, Figure 2 suggests that, in both priority axes, most approved projects reached relatively high evaluation thresholds but with a slight tendency to cluster around the lower end of the high scores (97 points). This may indicate intense competition for funding, where many projects were favorably evaluated but achieved scores close to the minimum. In the case of P3 Rural, the predominance of projects with lower scores may reflect the greater complexity of rural projects or a less precise alignment with the evaluation criteria compared to urban projects. This trend suggests a challenge in achieving excellence in rural projects, although many were still approved for funding. For P4 Urban, although the situation is similar in the concentration of projects with a score of 97, the higher number of projects that achieved 99 points suggests a slight superiority in the quality of the approved urban projects. This could result from better alignment with funders' requirements or better-managed resources. Overall, the score distribution in both priority axes indicates a slight polarization toward projects with scores of 97-98, suggesting that while the projects are of good quality and approved, there is room for improvement in maximizing scores to achieve excellence in implementation.

Statistical analysis of project distribution by region

Figure 3 presents the distribution of projects approved for funding in Romania's less developed regions for the two priority axes: P3 Rural and P4 Urban. It is also important to note that some projects span multiple areas, affecting the total number of projects associated with each region, reflecting a more integrated regional approach in their implementation. For P3 Rural, the Centre Romania region attracts the most significant number of projects, with 36 projects including this region. The following regions are North-West and South-Muntenia, with 25 and 24 projects, respectively.

This distribution suggests that these regions had a higher capacity to propose eligible projects or showed more significant demand for rural development funds. On the other hand, the North-East and West regions attracted the fewest projects, with 22 and 20 projects, which may indicate difficulties in accessing available funds or lower demand for this type of funding in these areas.

For P4 Urban, the projects are more evenly distributed across the regions. Centre Romania remains the leader, with 44 projects including this region. Other areas, such as South Muntenia and South-West Oltenia, are also well represented, with 40 projects each. This indicates a significant demand for urban funding and infrastructure development in these regions. The South-East region recorded 37 projects, and North-West 34, showing steady interest in urban projects in these areas.

The North-East and West regions again have fewer approved projects, with 24 and 29, respectively, like the trend observed for rural projects. The distribution of projects by region highlights several significant trends. First, the Centre region attracts the largest number of projects for both P3 Rural and P4 Urban, which may indicate a higher project management capacity or a greater need for social and economic interventions. On the other hand, the North-East and West regions are consistently underrepresented in both priority axes, signaling a potential need for additional support to stimulate engagement and access to funding in these regions.

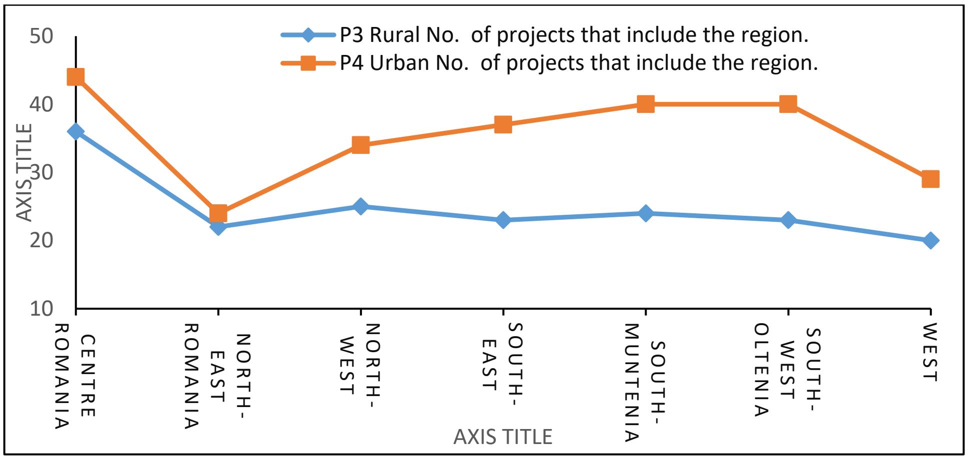

Figure 3. Regional project curves

Source: Author, using data from the Ministry of Investments and European Projects

Another important aspect is that some projects span multiple regions, suggesting an integrated approach to project implementation, which could enhance the overall impact on economic and social development.

Therefore, the observed distribution reflects regional needs and collaborative and regional integration strategies. The higher projects for P4 Urban compared to P3 Rural across all regions indicate a stronger focus on urban development. This may reflect challenges in accessing rural project funding or a preference for urban projects, which have the potential to generate a more rapid and visible economic impact.

Additionally, a balanced distribution of projects across various regions can reduce regional disparities and support economic development in Romania's less developed areas.

5. Conclusions

The detailed analysis of budget allocation and project distribution reveals several relevant aspects for developing the social economy and supporting rural and urban communities. Firstly, there is a significant reliance on non-reimbursable funds, particularly those provided by the European Union, indicating the strong involvement of European institutions in supporting the development of less-developed regions. However, this reliance raises questions about the long-term sustainability of these initiatives, given that many of them have contributed very little from their resources. This underscores the need to support beneficiaries in generating local resources to ensure the continuation of projects even after external funding ends. Another important aspect is the greater concentration of investments in urban projects in terms of the number of projects and the budget size. This reflects a preference for developing urban infrastructure and economies, which may contribute to deepening disparities between urban and rural areas.

Although rural projects are well represented, primarily through the involvement of NGOs, there is a need for a deeper assessment of rural needs to ensure equitable and sustainable development of rural communities. The distribution of projects by region also shows a significant concentration in the Centre, South-Muntenia, and North-West regions, while the North-East and West regions are underrepresented. This suggests that certain regions need additional attention regarding access to funding and development resources.

A potential solution could be the development of regional support mechanisms to encourage and facilitate participation in such projects in underrepresented regions. In terms of project evaluation, the distribution of scores shows a concentration toward the minimum threshold required for funding, indicating high competition and the need to improve project quality. This aspect is more evident in rural projects, where challenges related to project complexity or lack of precise alignment with evaluation criteria appear more pronounced.

Such an analysis can be helpful for various actors involved in economic and social development at the national and European levels. It has significant implications for public policy, local communities, and economic actors. NGOs and social entrepreneurs can use this analysis to understand funding trends better and adapt their strategies based on regions and types of projects with better chances of receiving funding. The study can also guide organizations to identify areas and regions that require further interventions, allowing them to develop relevant projects for those communities.

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