Prietenia Association: BioHrana Social Enterprise

Adapting a Swiss Model of Work Integration for People with Disabilities to the Romanian Context

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Introduction

According to the December 2012 data from the National Authority of People with Disabilities, there are 618,000 adults with disabilities in Romania and only 4.6% of them are included in the labor market. In contrast, over 50% of disabled adults are employed in Switzerland, according to the OECD. The unemployment situation is even worse for people with mental disabilities, with less than 1% of them employed in Romania.

Social inclusion and employment for people with disabilities is an important part of the EU’s 2020 policy. According to the European Parliament, people with disabilities within the European Union face an increased risk of poverty, higher dependency on benefits, and lower employment rates.¹

Although more developed European countries such as Switzerland are willing to share best practice models as well as their experience and know-how, differences between countries make it difficult to replicate such models. One of the biggest challenges in Romania is the lack of financial resources, specifically government resources, available to support the integration of disabled people into the workplace. According to Eurostat², governmental expenditure for social protection in 2011 was 35.9% of the total expenditure in Romania (an average cost of 868 euro per inhabitant per year), whereas in Switzerland social protection made up 38.9% of the total governmental expenditure (an average cost of 964 euro per inhabitant per year).

Prietenia Association, an NGO established in Romania in 1996 with the help of its Swiss partner Sonnhalde Gempen, has been struggling to replicate the Swiss model of social and work integration of people with mental disabilities in Romania. This case study describes the experience, lessons learned and challenges that Prietenia had to overcome to adapt the model to Romania.

Developing a social enterprise was part of Prietenia’s strategy to strengthen its financial sustainability and further its mission by offering dignified work integration opportunities for its beneficiaries. Balancing the social impact and business sides of the social enterprise proved to be different from the experience of its Swiss partner. Lacking in funds and human resources, Prietenia had to come up with a social enterprise idea that had a high market potential but still aligned with the organization’s mission to give assistance and support to children, teenagers, and adults with special needs. In 2011, Prietenia, with the support of NESsT, established the social enterprise BioHrana, entering the niche market of organic farming in Romania.

Their experience in planning, implementing, and financing a social enterprise in organic farming demonstrate some useful lessons for other organizations who want to follow a similar strategy.

¹ European Parliament - IZA Research Report No. 29 - The Mobility and Integration of People with Disabilities into the Labour Market, 2010
² http://epp.eurostat.ec.europa.eu
Section A: Social Enterprise Sector in Romania

Due to the social, economic, and political transformations Romania has undergone since the fall of communism in 1989, the civil society sector has grown rapidly in recent years, reaching approximately 62,000 NGOs in January 2010. This is a result of “the newly acquired freedom to associate” and of the foreign financial support given to post-communist Eastern European countries to foster civil society from international NGOs partners, embassy funding programs, and the European Union (EU) pre-accession fund Phare.

Although Romanian NGOs have been engaged in income-generating activities for years, the term social enterprise (“într-ună instituție socială”) began to receive public interest only after its accession to the EU. Since 2007, this concept has received considerable attention in public discourse mainly due to its proven functionality in other EU countries.

EU accession brought changes to the NGO sector in Romania due to shifts in national priorities and funding methods. In one sense, it caused a decline in available external financing due to the withdrawal of the donors that had been supporting Romania since 1989. As a result, many NGOs needed to identify new potential sources of financial support. In addition, the post-accession switch from Phare funds to Structural Funds meant that resources were mainly being directed towards employment models rather than social services. Thus, the financial resources available for certain traditional NGO programs declined, while new alternative social responses began to emerge. One such response is the social enterprises which were developed to ensure the social and professional integration of vulnerable groups such as disabled people, the Roma population, young people older than 18 who are no longer entitled to the state-run child protection system, women, families with more than two children, single-parent families, convicts, drug addicts, victims of domestic violence, and homeless people.

Numerous international examples confirm the ability of social enterprises to promote social inclusion. Social enterprises generate jobs for vulnerable groups, ensuring their financial independence and allowing them to be active citizens. In addition, they help to reinforce the financial sustainability of NGOs, creating a foundation for the development of effective social services. The qualities of entrepreneurship, professionalism, and sustainability are what ultimately differentiate social enterprises from inclusive social programs or self-financing strategies that can generate revenue for NGOs.

EU structural funds play an important role in increasing awareness of social economy and social enterprises, stimulating a large number of important figures to get involved in social enterprise activities. Sometimes, however, the lack of a clear common understanding of what a social enterprise is can cause the concept to be misconstrued. In general, the social enterprise concept only appears in public

Footnotes:
4 NESST – The self-financing of the organizations of the civil society in Romania: an assessment of the situation at the national level, 2007
5 The term “PHARE” - Poland and Hungary Assistance for the Restructuring of the Economy - initially described as the international efforts to provide economic support to the emerging Polish and Hungarian democracies - is the EU’s main financial instrument for accession of the Central and Eastern European countries. It was launched as a specific EC programme, initiated by Council Regulation No. 3906/89. Its funding is used to channel technical, economic and infrastructural expertise and assistance to recipient states. The aim is to help these countries achieve market economies based on free enterprise and private initiative. (Source: http://www.europarl.europa.eu/) 
6 NESST considers a social enterprise to be a business created to solve a critical social problem in an innovative way, by providing valuable products or services to its customers.
discourse regarding NGO initiatives aimed at creating jobs for disadvantaged people. Rarely does the social enterprise concept surface in discussions of organizations that fall into a different legal category or that target other areas of social impact. With over 15 years of experience in this field (see description below), NESsT maintains that a social enterprise can be initiated by an NGO, SME, or by an individual, taking any legal form that best suits its objectives and business model. The main goal of a social enterprise is to create social impact, whether it be by creating jobs so that individuals can earn a sustainable source of income, by making positive changes to our environmental impact, by increasing access to education and basic services, or in responding to critical social problems specific to the enterprise’s surrounding community. With this broader definition in mind, the social enterprise field may still be considered in its infancy in Romania, in terms of its impact on the NGO sector and on the sustainability of individual organizations.

In NESsT’s experience, the biggest challenge for NGOs in creating social enterprises in Romania seems to be that they lack the necessary entrepreneurial knowledge and experience to make their products and services competitive and responsive to the real needs of the market. Of course, in order to be successful and to appeal to customers, social enterprises must compete in a market. One method by which to overcome this challenge is to conduct a realistic feasibility study that includes market analysis and an assessment of operational needs required for the launch (or development) of the social enterprise, a study demonstrates the potential of the social enterprise to respond to market demand and ultimately to reach both its financial and social objectives. This study becomes the basis for a solid business plan which provides a blueprint for the implementation of the social enterprise. With this plan, the potential success identified by the feasibility analysis study can start to become a reality. This implementation phase is most likely to success when it is supported by tailored capacity-building in the planning, start up, and management of the social enterprise.

NESsT

NESsT invests and develops social enterprises that solve critical social problems in emerging market countries. It uses a rigorous selection process to identify social enterprises. Those selected become NESsT Enterprises and receive the necessary support to successfully launch and replicate their businesses through the following:

- Investments: Seed capital in the form of grants and soft loans from $50,000 to $150,000.
- Capacity support: Mentoring and training to increase entrepreneurial skills and strengthen management capacity.
- Social capital: Connection to a vast network of corporate professionals who provide pro-bono consulting support.
NESsT Enterprises receive support for a period of 3-7 years, a necessary long-term commitment to become scalable and investment-ready.

NESsT has been supporting civil society organizations to develop social enterprises in Central Europe since 1997 and in Romania since 2007. In 2011, NESsT invited Prietenia to go through a planning process and develop a social enterprise that would help provide employment opportunities for people with multiple disabilities while generating revenues for the organization’s programs. After a thorough evaluation of the business plan, NESsT invited the social enterprise Biohrana to become a NESsT Enterprise and join its incubation portfolio.

Section B: Organizational Background


Prietenia Association is a nongovernmental organization that was founded in 1996 for the purpose of giving assistance and support to children, teenagers, and adults with special needs. The organization works towards the social integration of children and adults with learning disabilities, a group that has difficulty thriving in the system of education and work in Romania. The organization uses a work method that includes curative pedagogy and social therapy developed by Rudolf Steiner. Members of the association are parents, teachers, and other people eager to help children, youth, and adults with disabilities. Of the children and youth assisted by the program, 80% suffer from severe mental disorders associated with neuromotorical deficiencies (Down syndrome, autism, epilepsy, severe mental retardation, speech disability, conduct disorder, spastic paresis).

Prietenia Association’s long term partner is Sonnhalde Gempen, an organization from Switzerland that has been working with disabled persons since 1971. Sonnhalde Gempen joined Prietenia’s efforts in 1996 with the goal of replicating its model in Romania. It played an important role in the initial financial support of Prietenia activities (providing direct financial support and subsequently facilitating international fundraising in the form of private donations), and continues to help Prietenia to achieve long-term sustainability through an ongoing transfer of knowledge and experience.

Prietenia delivers a wide range of services. The activities that the association developed aim to help the local community and to give support both to adults and to disabled youth in three main areas:

a. Programs for children with disabilities and their families within the Curative Education and Social Therapy Centre Corabia, an alternative education school using the curriculum of the Waldorf education model.

7 Born on February 27, 1861, in Donji Kraljevec, Croatia, Rudolf Steiner was a lecturer and founder of anthroposophy, a philosophy which attempts to synthesize science and mysticism. The Waldorf School movement was inspired by his works, and by 1969 had some 80 schools attended by more than 25,000 children in Europe and the U.S. Steiner’s writings include The Philosophy of Spiritual Activity, Occult Science: An Outline and Story of My Life. He died in Dornach, Switzerland, on March 30, 1925. (Source: http://www.biography.com/)

8 Centrul de Pedagogie Curativa si Terapie Sociala CORABIA (CPCTS)
In August 1996, Prietenia Association, Sonnhalde Gempen, and the Ministry of Education signed a cooperation agreement in which all three parties pledge to support the school, with Sonnhalde given the role as advisor. Initially, the Centre had 20 students, while in 2007-2008 it reached 76 students in 1st through 8th grade and as well as those with 3 years of professional schooling. In 2011-2012, the centre had 54 students.

Corabia Centre is an alternative education school that offers children with disabilities the possibility to learn and develop as a learning and developing individual and gives support for integration into schools, as well as programs for families that aim to reduce school dropout and institutionalization rates. It also organizes camps and other recreational activities for children with disabilities and their families.

b. Programs for adults with disabilities and their personal assistants within the Centre of Socio Therapy Pantelimon.9

After three years of construction, The Pantelimon Centre opened in November 2006 with the main goal of offering a place for work integration of Corabia graduates. The Pantelimon Center offers social and professional integration for 33 young people with mental disabilities in Bucharest and Ilfov County; occupational therapy - weaving, carpentry, handicraft, tailoring, housekeeping and gardening; complementary therapy - painting, music, dance, gymnastics, eurhythmia; transportation; counseling; exchange programs and recreational activities; Day Care Centre and Assisted Living facility.

Sonnhalde Gempen has contributed financially (directly with its own financial resources and indirectly, by facilitating fundraising abroad) to the construction of the centre and to its operational costs. In addition, it has provided ongoing support in training Prietenia specialists in various types of therapy, including occupational therapy.

c. Education and training programs for professionals working with people with disabilities (i.e. training in curative education and social therapy for over 150 participants from six special schools over the country, nine NGOs sites and state institutions; exchange programs).

Prietenia’s long-term vision and strategy is to create a stable and sustainable environment in which at least 50 people with disabilities are integrated and able to live with “maximum autonomy, minimum social support.” The long-term strategy also aims to increase financial autonomy by attracting new and diversified sources of income and by increasing self-generated revenues.

To help disabled children, youth, and adults, the Prietenia Association planned and achieved the following accomplishments:
- Established an alternative education school and supported its activities with the aim of promoting curative pedagogy and social therapy using an Anthroposophical orientation - in 1996 the association set up CPCTS Corabia in partnership with the Ministry of Education and Sonnhalde Gempen Switzerland. So far, over 150 children with disabilities have attended the school.

- Established a vocational school – in 1998, they developed and implemented a vocational school in carpentry and tapestry within the CPCTS Corabia.

- In 2001 they bought a house in Slanic Prahova for the purpose of organizing camps for groups of four disabled children and three-four personal assistants.

- In 2006 they established the Centre of Socio Therapy Pantelimon in order to offer social and professional integration opportunities to adults with disabilities. This is currently one of the organization's main activities, giving its beneficiaries the chance to shed the labels placed upon them as “disabled people,” and instead allow them to establish themselves as autonomous individuals capable of helping both themselves and those around them.

- In 2011 the association started the work integration program through the collaboration between BioHrana and the Centre of Socio Therapy. The first greenhouse was acquired and started to produce organic vegetables.

- In 2012, a tractor was bought to increase productivity in organic vegetable production.

- In 2012, Prietenia Association initiated three other social enterprise activities:  
  - a micro farm with chickens producing eggs (mainly for internal use, but the surplus is sold)  
  - obtained certification for recycling pallets and started this activity  
  - started the construction of a bakery to sell baked goods

- In 2012, two beneficiaries were employed in the BioHrana social enterprise with a short-term contract.

- In 2012, BioHrana increased production capacity after buying the second greenhouse.

- The main objective for 2013 is to finish the construction for the bakery and to fully equip it so that it can begin producing and selling baked goods in 2014.

The programs created and offered by Prietenia aim to help children, teenagers, and adults with special needs to integrate into a group and to enjoy social life. The social services for disabled adults are given within the Day Center and the Assisted Living facility located in Pantelimon area, near Bucharest. The programs organized
for children take place in Bucharest and are designed to complement the education programs given by the Curative and Social Pedagogic Center Corabia.

In 2012 the budget of the organization was 250,000 USD and it had 17 employees (12 full-time and 5 part-time) and 11 volunteers.

The financial situation of the organization has changed over time. In 2000, 90% of their income consisted of donations from their main partner, Sonnhalde Gempen Switzerland. In 2009, foreign donations made up 63% of the budget, national/local corporate grants represented 21%, members’ contributions amounted to 7%, in-kind support made up 5%, self-financing activities were 3%, and support from local authorities amounted to only 0.6%.

The lack of constant and sustainable funds needed to maintain and develop services is a critical problem for NGOs such as Prietenia Association. Most sources of funding available for NGOs are not long-term and do not ensure stability for a continuous development. They cover basic costs allowing the organization to survive, but do not facilitate further growth.
With the aim of achieving financial sustainability and autonomy, Prietenia Association managed to diversify its financing sources over time. An important part of Prietenia’s financial strategy is to develop sustainable social enterprises. In 2012, the income generated by selling various products made in the occupational therapy workshops represented 3.1% of the budget, while the revenues generated by social enterprise activities reached 3.9% of the budget. In total, 7% of the budget was self-generated income.\(^\text{10}\) Prietenia’s aim is to decrease foreign donations and increase self-financing sources to at least 10% of the budget by 2014 by developing social enterprise activities able to generate a stable income stream.

**B.2. Social Enterprise - Biohrana**

Prietenia made the decision to develop activities that would generate income that could be sources for constant, reliable revenues while also offering sustainable employment opportunities for its beneficiaries. This was needed in order to increase financial independence and outreach of the organization, to improve employee morale, and to give beneficiaries a sense of security, stability, contribution, and participation.

Consequently, in 2006 Prietenia developed a series of production activities in order to generate income. For example, in the various occupational therapy workshops the beneficiaries make a array of items like furniture, handicraft products and fabrics which are then sold at fairs and other events. Although these activities increased the motivation of the beneficiaries and also created opportunities for their social inclusion, the income generated was sporadic (mainly coming during Christmas, Easter, and other events) and not very substantial. In addition, the market competition for handicraft products is very high making this an unstable source of financing.
In 2009, Prietenia decided to put more effort into finding a reliable and independent source of income. Therefore, they applied to the NESsT Social Enterprise Competition which helped them to go through a rigorous social enterprise development process involving an internal analysis of the organization’s readiness to pursue social enterprise, the generation of viable social enterprise ideas, and the development of a business plan.

In the first phase, the NESsT methodology helped Prietenia to analyze its organizational readiness to develop and implement a social enterprise and to identify ideas that aligned with its mission, values, resources, and competencies. The exercises were done together with all key stakeholders (employees, key board members) of Prietenia, and lead to three social enterprise ideas: a bakery producing and selling organic bread, a garden producing and selling organic fruits and vegetables, and a line of furniture production. Based on the investment needs, market potential, the existence of an experienced Swiss partner, and the potential social impact, Prietenia chose to move forward with producing and selling organic fruits and vegetables through the social enterprise BioHrana (BioFood). According to the International Labor Office (ILO), people with disabilities “can be excellent employees, an asset to their employers, if they work in jobs matched to their skills, abilities and interests.”

Engaging people with mental disabilities in agriculture has proven to have high potential for job integration, allowing simple tasks to be completed while also providing disabled employees with the therapeutic benefits of working in a natural environment.

Prietenia decided to consider the bakery as a second social enterprise which would be developed once the necessary funding was secured (this idea will be discussed later on in the case study). Furniture production is still among Prietenia’s activities but because of the lack of production facilities adapted to the beneficiaries’ needs, the lack of specialized personnel needed, and the strong competition in the market, this remained only an occupational therapy workshop.

With the assistance of the NESsT Team, Prietenia went through a rigorous business planning process through which they advanced in phases, from market analysis to breakeven calculation and financial projections, increasing their capacity to develop and undertake social enterprise activities. At the end of the 10 month-long process, Prietenia presented a detailed business plan for BioHrana, proposing to achieve the following:

- Social goals: provide professional training to at least 4 adults with mental disabilities, create 2 jobs for them and increase the number of jobs by one each year.
- Financial goals: increase the percentage of social enterprise revenues in the total budget of the organization from 3% to 7% in the second year, and to 10% by 2014.
NESsT’s decision to invest in Prietenia’s organic vegetable production was based on three factors: 1. the proven market potential of the business idea, 2. the mission impact potential and 3. the organization’s proven stability and sustainability. NESsT has been providing ongoing capacity-building and financial support to Prietenia to further develop BioHrana.

According to the Ministry of Agriculture and to industry professionals, the organic products market is growing in Romania. In the period of 2006 – 2011, both the number of bio-farmers and the surface of land with organic crops tripled. The bio-market sales volume reached 15 million Euro in 2008 and 18 million Euro in 2009. Professionals estimate that the organic market will be worth 30 million Euro in 5 years.\(^2\)

In addition to the market potential of this business idea, Prietenia also had valuable internal resources which moved them towards the idea of BioHrana: five ha of land owned by the organization in their Center of Socio Therapy located in Pantelimon (nearby Bucharest), partners able and willing to provide specialized training and equipment, and the experience in cultivating fruits and vegetables for internal use since 2006.

**Products, Target Market, and Distribution Channels**

BioHrana produces and sells vegetables (tomatoes, peppers, lettuce, spinach, carrots, cauliflower, broccoli, onions, eggplant, radish, etc.) and fruits (apples) as “organic baskets” tailored to consumers’ weekly orders.

BioHrana organic fruits and vegetables are not genetically modified and they do not use artificial fertilizer, pesticide or herbicides, thus reducing the risk of cancer, infertility, and reduced immunity caused by the chemicals found in “conventional” products. Organic vegetables and fruits contain less water than “conventional” ones and are therefore more substantial and more filling. Organic fruits and vegetables are known also for their higher nutritional value (more vitamins, trace elements, antioxidants, and other essential nutrients well-known for their health benefits).

Prietenia’s main target group consists of families from Bucharest and its surroundings, and women (mainly mothers) who benefit from the efficiency and convenience of the delivery of an “organic basket.” These women appreciate and prefer healthy and natural food instead of the “conventional” food that can be found in local supermarkets. The target group shows a high interest in living healthy lifestyles that are conducive to weight maintenance, healthy consumption, and prevention of health related problems. They are not price-sensitive, but
instead emphasize quality and specifically look for certified products, as they are willing to pay more for them and their proven health benefits.

Prietenia’s large network of supporters was advantageous in developing its customer base but also presented a logistical distribution challenge. To solve this problem, the association decided to market to professionals working in companies and to choose an ambassador within each company to gather orders and to set a day each week for deliveries. This way, deliveries could be made to the company premises rather than to the homes of individual customers. At the beginning of the week, BioHrana sends an updated offer to its customers, who then send their orders back. BioHrana processes the orders and then delivers the products on Thursday. By so doing, BioHrana also reduces transportation costs and time spent on distribution.

The delivery model Prietenia chose is based on market analysis, and differs from that of the Swiss organization. In Switzerland the organic market is not a niche market anymore, and consumers of organic food can be found in large numbers, even in small communities. The Swiss partner has a shop that is open for two days each week, selling mostly to the local community. In contrast, the organic market in Romania targets people with medium to high incomes in big cities or their surroundings, who usually have little or no time for shopping and instead prefer direct delivery. As a result of these findings, Prietenia decided to go beyond its location in Pantelimon (10 km outside Bucharest) and target the Bucharest market. A door-to-door delivery model would have cost too much time and money. Instead, they found this solution to serve a cluster of consumers that work together and to deliver at their offices based on advanced orders. In doing so, they save time and money and also optimize sales from their actual production.

In addition, individual customers can go directly to Associatia Prietenia’s premises and buy the products, or can find them in some nearby fairs.

The current mix of distribution channels is:

- 70% direct distribution to individual customers at their offices
- 24% internal use for the Center of Socio Therapy Pantelimon, reducing its food costs
- 3% sales at various events (fairs etc.)
- 3% to shops and kindergartens

**Challenges:**

The biggest challenge is to maintain a balance between the orders and the production capacity, as sometimes the demand exceeds the supply Prietenia can
offer. In order to respond to this challenge, the organization plans to attract more funds to build additional greenhouses, allowing for increased production. Currently, Prietenia has an area of 1.6 ha cultivated with vegetables, fruits, and grains, as well as two greenhouses. They aim to increase the cultivated area to 3 ha in the next two years and to buy two new greenhouses. Regarding the diversity of vegetables offered, BioHrana currently produces 40 types of vegetables according to each season. They pay attention to customers’ feedback and needs and adapt their offer based on their requests. For example, the social enterprise started to produce Kale cabbage, watercress, and Mangold, products that customers want but can’t find in the local market.

Prietenia has also identified the need to separate its production management from that of its sales and distribution branch. Currently, the administrator handles both aspects of the enterprise. In the future, BioHrana would like to hire a dedicated person to be in charge solely of sales and distribution. This would allow the production manager to focus on increasing production, to better coordinate beneficiaries and volunteers engaged in production, and to concentrate on maintaining the high quality of products.

Social Impact of the Social Enterprise

The aim of BioHrana is to further Prietenia Association’s mission. So far it has had an impact through:

- Work training and integration of adults with disabilities – four adults with disabilities have been trained in gardening; two of them were employed for a certain period of time.

- Social inclusion and increased independence for adults with disabilities – there has been a positive impact among beneficiaries engaged in the social enterprise activities (improvement in behavior disorders, developed emotional and practical skills needed for new semi-professional activities, increased concentration, developed social skills and responsibilities).

- Contributing to the long-term sustainability of the organization – BioHrana has generated 3.9% of the organization’s budget and aims to increase this to at least 7% by 2014.

- Providing healthy fruits and vegetables to 33 beneficiaries accommodated in the Center of Socio Therapy Pantelimon, reducing its food costs by 11%.

- Representing a best practice model for social enterprises by offering work integration to people with disabilities and by increasing the organization’s visibility in a way that attracts additional support to develop the bakery.

13 The investments made in 2012 were deducted from the overall budget when calculating the percentage of the social enterprise revenues in the organization’s budget.
Social Enterprise Legal Structure

BioHrana is integrated into Asociatia Prietenia’s strategy but is run through a separate legal entity, SC Bio Hrana Prietenia SRL, a limited liability company with the only owner being the association. This allows them to separate the financials of the social enterprise from the Association and to build a management team focused on business development.

The long term strategy is to be accredited as a protected unit once the social enterprise activities are diversified and the income streams are stable. This would open up new economic opportunities and it would allow Prietenia to reach corporate clients. More details about BioHrana’s business development strategy will be given below, in the section “Future development of BioHrana social enterprise”.

Obtaining Ecological Certification

The demand for organic fruits and vegetables is rising in Romania and at the same time the number of bio-farmers and the cultivated area of organic crops have increased considerably, tripling from 2006 to 2011. Consumers are well-informed, prefer high quality products, and put an emphasis on natural origin and production methods, preferring certified organic food. In addition to the market appeal, organic producers must have the certifications in order to be able to sell products to a chain of organic food stores.

Organic producers obtain ecological certification in order to provide full confidence to consumers that the products that are labeled as organic are obtained in accordance with the rules and principles outlined by national and European regulations regarding organic farming.

In order to get the right licenses and also to be able to commercialize organic products with the European Union certified logo, producers must go through a bureaucratic process. Depending on the products that the producer wants to sell, the crop for that specific item must first go through a conversion period that can last for two years or longer. Once the certification is given, it needs to be renewed each year. Registration within the Ministry of Agriculture is also necessary.

In Romania, control and certification of organic products is currently provided by private certification and inspection bodies (for example Ecoinspect). Following inspections conducted by regulatory bodies, operators who have complied with the rules of production receive a certificate of organic product and are able to label products as ‘organic’.

Although this is a bureaucratic, time-consuming, and costly process, Prietenia Association decided to obtain the ecological certification because of the competitive advantage it brings in the market. Having the certification will
represent a reliable proof of the ecological practices of BioHrana, assuring the quality of its products. It will allow the social enterprise to ask for a better price (20% more than for traditional, naturally-grown vegetables) and to access new markets.

Prietenia Association has gathered all the information described above and has planned BioHrana social enterprise activities accordingly. In 2010, they signed the contract with the private certification and inspection body Ecoinpect. During the next three years, 2011-2013, the land has gone through a conversion\(^\text{17}\) period; at the end of 2013 the BIO (organic) certification will be received.

After the certification is obtained, BioHrana will start using the ecological label and will communicate this feature to its current customers and to potential new customers in a transparent and visible manner. It will also increase prices and will be able to become a supplier for organic restaurants and other organic food processors or retailers.

In order to renew the certification, BioHrana will have to pay a fee, go through period inspections done by certified bodies, and reregister with the competent agencies annually.

**Future Development of BioHrana Social Enterprise**

The main short-term objective for the social enterprise is to increase the production in two years from 1.6 ha to 3 ha of cultivated area by taking the following steps:

- buying two new 40x80m greenhouses.
- equipping the tractor with additional tools.
- covering a surface of 3000 square meters with shading net to reduce the severity of extremely hot periods during spring and summer when the high temperature makes working in the greenhouse very difficult.
- ensuring the functionality of the hotbed for planting seeds during the cold season. A cost-efficient solution needs to be implemented to ensure productivity throughout the year.

Regarding production methods, BioHrana aims to fulfill the ecological requirements of crop rotation without using any chemical substance. BioHrana has started to concentrate on vegetables with special tastes and/or properties such as aromatic salads, Kale or Nero cabbage, green and red Mangold, etc. These are known for their health benefits. People appreciate them and are willing to pay a higher price for such products if they come from an ecologically certified producer. This opens up a new opportunity, attracting people who have dietary...
restrictions or are on a diet in which they eat only organic products. In the long-run, BioHrana aims to diversify their offerings and to focus on salads and products with therapeutic properties.

Regarding the social impact, BioHarana aims to create 4 jobs for adults with disabilities working in the organic garden by 2014. An additional goal is to continue to reduce the costs of food consumed within the organization by providing vegetables for their own kitchen.

**Other Social Enterprise Activities**

BioHrana is only one of the social enterprise ideas that Prietenia Association plans to develop. Its long-term strategy is to be able to offer a variety of ecological products so that it can become an important and well-known supplier that customers can use to satisfy their needs for organic food. Prietenia’s bold vision is to have several integrated activities with an efficient production chain.

The bakery is one of the activities that is already being implemented. The aim is to produce organic bread and pastries, while also helping to ensure year-long production for the organic-garden by providing heating to the hotbed for planting seeds during the cold season. This will be done through an installation directing the heat from the bakery to the greenhouse. During the cold season this will allow BioHrana to produce early vegetables.

The association has managed to raise enough money to start the construction of the building. The total budget of the bakery is estimated to be 208,000 Euro. Up to this point, 105,000 Euro have been collected mainly through corporate sponsorship. Prietenia estimates that the rest of the needed money will be raised by 2014 and that the bakery will be fully functional in 2014.

The bakery will provide funding to the Center of Social Therapy Pantelimon covering up to 20% of its annual budget, making it possible to extend the number of users who have access to social services from 33 to 50 youths while also gradually replacing ad hoc and short-term methods of obtaining funds. The bakery will also create additional 2-3 jobs for youth with disabilities (in activities indirectly related to the bread production). It will build on the abilities of intellectually disabled people, thus improving morale and self-confidence considerably.

The next activity that will be integrated in the production chain is a micro-farm for chickens. The aim of the farm is to produce eggs for internal use and for commercialization, but it will also provide natural fertilizer for the organic garden. Poultry manure is known as an excellent natural fertilizer. The waste from the garden and the bakery will be used for feeding the chickens. In addition to the
commercial reasons for developing this activity, the farm would also have a positive impact on beneficiaries. This activity was launched this year and so far it has been very much appreciated by Prietenia’s beneficiaries. Taking care of the chickens is a good therapy for people with mental disabilities.

Another activity that has already been started is the certified palette-recycling activity. Prietenia obtained certification to recycle palettes in 2012. Some of the recycled palettes are sold, some which can’t be reused become raw material for various wooden products made in the occupational therapy workshops (garden furniture, fences, frames, etc.), and the rest are used for heating. Prietenia’s aim is to buy the equipment needed to make wood pellets and to use them to heat the bakery as a way to reduce heating costs.

Currently, there are five beneficiaries engaged in the poultry micro-farm and in the palette-recycling program.

Conclusions

All of these activities (the organic garden, the bakery, the chicken farm, and recycling palettes,) are well integrated into Prietenia’s long-term strategy to strengthen its mission by providing work opportunities for at least nine adults with disabilities and to strengthen the organization’s financial sustainability. These activities will reduce the external costs of Prietenia and will generate untied revenues, allowing Prietenia to expand its impact.

BioHrana - Integrated Social Enterprise Model

Diversified offer:
• Bio bread and pastry
• Fruits and vegetables
• Eggs

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Another business idea that Prietenia has considered is bio food processing. While there are over 9000 organic agricultural producers in Romania, there are only a few organic food processors. 90% of the ecological agricultural products made in Romania are exported to food processors elsewhere in Europe. This opportunity will be further analyzed taking into account both the costs and benefits of pursuing this opportunity.

Section C: Social Enterprise Challenges - Adapting a Successful Swiss Work Integration Model to the Romanian Context

The implementation of a business plan for strengthening Prietenia Association’s long-term sustainability was a necessary path to take after 13 years of working for social inclusion of youth and adults with mental disabilities. Sonnhalde Gempen Switzerland, the main partner of Prietenia Association, played a key role in this decision-making process. Sonnhalde Gempen has worked closely with Prietenia since 1996 by facilitating fundraising abroad and, most importantly, by providing professional development through exchange visits, courses, and internships. Since the beginning, the aim of Sonnhalde Gempen has been to replicate its model in Romania, implementing services for people with disabilities based on a work method which includes the curative pedagogy and social therapy initiated by Rudolf Steiner. This therapy emphasizes the use of natural means to optimize the physical and mental health and well-being of each individual. The methodology starts with assessing the natural resources available, transitions to producing food for internal needs, and finally allows for the development of organic farming that address other consumers’ needs as well.

Established in 1971, Sonnhalde Gempen has over 40 years of experience working with people with disabilities (autism, other developmental disorders, intellectual disabilities) from early childhood to adulthood, and has developed various production activities to provide work integration for its beneficiaries. Some of its main economic activities are: baking, agriculture (organic farming), and dairy-processing. The organization currently has more than 110 beneficiaries, 55 of whom are integrated into the economic activities.

Although the Swiss partner has extensive experience and represents a best practice example, the knowledge transfer was not sufficient to replicate a similar sustainable model in Romania. There are important differences between the countries that presented challenge, and lead Prietenia to take a different path to achieve its objectives and to establish the BioHrana social enterprise.

Sources of Financing

One of the main differences between the Swiss organization and Prietenia Association is that Sonnhalde Gempen has almost all its funds secured through government funding (up to 90% of the budget), mainly covering salaries. This
allows the organization to focus on its core activities and on the integration of people with disabilities, rather than spending time on fundraising. Despite this, Sonnhalde Gempen still has a fundraising department whose role is to obtain funding for further investments to support the development of the organization.

With regards to the organic garden, having more reliable funds allows the Swiss organization to focus more on work integration of adults with disabilities and to spend more time on training and social impact rather than financial concerns. In the Swiss organization, each beneficiary is supervised by at least one social worker, and there are specialized employees for each of the other departments. For example, in the bio-dynamic garden they have three employees coordinating the program (one coordinator, one assistant, and one biologist).

In Romania, the situation is quite different. Prietenia Association receives only 0.6% of its budget from local authorities and it does not have a fundraising department. The organization has 17 employees offering integration services to 33 beneficiaries, resulting in less than one social worker employee for each beneficiary. Therefore, the employees have developed multiple skills, playing various roles within the organization.

The Swiss model of work integration of people with mental disabilities in organic farming inspired Prietenia to use its resources to start a similar activity, but the different financial situation lead Prietenia to find a different business model with real financial potential that could sustain itself and contribute to the organization’s sustainability in the long-run. The aim of Prietenia was to develop a well-planned social enterprise that would be able to sustain itself in the long-run, to provide dignified work integration opportunities for its beneficiaries, and to provide financial support for the Pantelimon Centre. Applying to the 2009 NESsT Social Enterprise Competition was a key step in achieving these goals.

Prietenia had two main social enterprise ideas: the organic agriculture and the organic bakery. NESsT helped them to analyze these ideas in detail, to do market research, to evaluate the necessary investments and operational requirements, and to write a detailed business plan. Based on the well-documented business plan and market potential, as well as the organization’s vision, proven impact, and entrepreneurial drive, NESsT decided to invite BioHrana organic agricultural social enterprise to join its incubation portfolio. NESsT has provided Prietenia with ongoing financial support and capacity-building in order to successfully implement the business plan. With the support of its strategic partner, the Romanian-American Foundation, NESsT has provided 34,500 USD to develop BioHrana’s infrastructure and human resources (hiring and maintaining a key person dedicated to develop the social enterprise) since 2011.
Although the business plan developed for the bakery did not receive funding from NESST, it was a good tool to attract resources from other donors who considered this initiative to be a promising one. Presenting the business plan for the bakery allowed Prietenia to attract more than 50% of the approximately 208,000 euro initial investment needed from donors such as UniCredit Tiriac Bank and UniCredit Foundation. The construction of the bakery is already completed but Prietenia needs more funding to make the final refurbishments and to buy the necessary equipment.

The Swiss partner helped Prietenia to attract the funds needed to further develop both the organic farm and the bakery by facilitating fundraising from individuals in Switzerland and Germany. They publish and distribute a “Rundbrief” presenting Prietenia’s achievements and plans for development in the hopes of gaining further support from the community.

**Integrating Beneficiaries**

Organic agriculture is more demanding than conventional agriculture. Avoiding the use of artificial fertilizers, pesticides, and herbicides requires more time to be spent on finding alternative, natural ways of removing unwanted plants and pests that can harm crops. As a result, more skilled employees are required, especially in the high season.

Training people with mental disabilities to work in organic agriculture takes a lot of time, patience, and dedication. Sonnhalde Gempen’s long-term intervention and one-on-one work with disabled people from childhood to adulthood has a great impact on developing an open attitude towards work integration of adults with mental disabilities. Their beneficiaries are engaged in occupational therapy activities starting from childhood, and this helps them to become active adults who are willing and able to work in various productive activities in Sonnhalde Gempen (organic farming, bakery, dairy processing etc.). Currently, there are 55 adults with disabilities integrated in productive activities, among which three to four adults with mental disabilities employed in organic agriculture, who cover part of the human resource need. In order to fulfill the production capacity, Sonnhalde Gempen works with volunteers and youth who replace their military service obligations with civil service by working for the organization.

Due to the lack of proper services and long-term intervention, most children with mental disabilities in Romania grow up to be inactive adults cared for at home by their families. Given the scarce availability of human resources, Prietenia Association is facing some challenges in achieving its initial objectives of creating jobs for people with mental disabilities. The initial plan was to train and hire 2
people with disabilities for long-term positions starting from the first year of activity (2011), and to increase the number of jobs created by one each year. This has proven to be a difficult task, due in part to the lack of skills of the beneficiaries and also due to the lack of resources to cover total cost of salaries and the high taxes for salaries (over 40%). The solution has three implications:

1. to rethink and extend the training period to 3-4 years depending on the beneficiary’s skills,

2. to hire 4 beneficiaries in organic agriculture by 2014; and

3. to attract volunteers in order to reach production capacity, especially in peak times.

Prietenia Association has the accreditation as host organization for the European Voluntary Services program, attracting volunteers willing to work with people with disabilities for a period of one year. Besides this program, they are open to receive Romanian volunteers as well and have initiated a discussion with the Agronomic Institute to develop together an internship program for their students.

**Distribution and Market Strategy**

As there is no pressure to generate revenue, most of the organic fruits and vegetables produced by Sonnhalde Gempen are for internal use, reducing their food costs. Only a small portion is sold to the local market through a shop which is open for two days each week and has two people working part-time on sales. They have managed to attract partners that can complement their offerings with other organic products so that customers can go to one shop for many of their organic product needs. The organic market is not a niche in Switzerland anymore; the market is well developed even in small communities, allowing Sonnhalde Gempen to sell a small quantity of high quality products at a higher price.

Generating revenue is a major motivation for the social enterprise of Prietenia, so they had to engage in effective marketing and sales strategies to reach out to their customers. In Romania, the organic market is still a niche market, but one for which demand is rising, especially among urban families with medium to high incomes. As it is located in a small community 3 km from Bucharest, called Pantelimon, NESsT urged BioHrana to identify a clear target market that would be willing and able to pay a better price for organic food, and to develop a suitable distribution channel. According to the market research, members of this target group live in Bucharest or its surroundings, and have limited or no time to shop.

In response to these findings, BioHrana decided to find clusters of customers in order to reduce the distribution time and costs. They managed to do so by approaching their corporate donors and supporters, who act as a liaison between
their colleagues that work in different companies throughout Bucharest and BioHrana. By connecting to one customer who acts as a coordinator per company, the social enterprise manages to reach out to a considerably higher number of customers, and at the same time reduce the time spent on distribution (compared to delivering the products to individuals’ homes). They also reduce the risk of production loss by selling all of their products tailored to each specific order, sometimes having an even higher demand than what they can deliver.

In the first year, Prietenia tried to diversify its offerings by adding complementary organic products from other producers to its weekly distribution. This ended shortly afterwards, however, because of the high logistical needs, low profit margin, and complicated bureaucracy.

In both Switzerland and Romania, people buy the organic products produced by these organizations working with disabled adults primarily because of their high quality. The idea of social impact might attract new customers, but what keeps them loyal are the high quality and health benefits of the products.

Local Resources, Context, and Regulation

Given their economic development and vast experience in organic agriculture, Switzerland has some competitive advantages such as technological advancement, a variety of organic seed providers, state support for organic farming, and a more streamlined bureaucracy.

In terms of natural resources, however, Romania has the advantage of more fertile soil and warmer weather. These qualities facilitate organic agriculture, allowing producers to obtain some crops sooner and more easily than in Switzerland. Sonnhalde Gempen’s land is located on the top of a hill where the chernozem, black topsoil rich in humus, is very thin. If you dig a little, you can reach the rocks. Sonnhalde Gempen had to put compost down in order to raise the soil level. In addition, the Swiss partner relies on advanced technologies to compensate for the cold weather, using greenhouses with adjustable temperatures.

Prietenia was advantaged in that it was able to start its business with minimal investments. It already owned the premises, and the land’s natural resources, fertile soil, and better weather made it easier than it was in Switzerland to develop an organic farm.

In old Romanian farming traditions there are some principles used in organic farming and bio-dynamic farming, which were passed on from generation to generation (using waste to make compost as natural fertilizer, paying attention to natural signs to plan the seeding periods, etc.). In Romania, people used these methods in rural areas without knowing that they were referred to as organic farming techniques. In contrast to Romania, however, Switzerland has managed to plan and build on these principles in a scientific manner.
In this realm, knowledge transfer between the Swiss organization and Prietenia was facilitated by the fact that the BioHrana production manager had previous experience using traditional Romanian agriculture to produce vegetables and fruit for personal consumption. Most of the practices of organic farming were known and used by BioHrana’s production manager in his previous job, making it easier for BioHrana to adopt and implement the principles of organic farming.

In Switzerland, organic and bio-dynamic farming receive more state support, and the procedures to obtain and renew the certificates are less bureaucratic than in Romania. According to the Swiss Federal Department of Economy, the state support for ecological farming is around 830 euro per hectare. In Romania, the state support is a maximum of 1500 euro for an area of 0.3 to 5 hectares, according to HG 759/ 2010 and its modification. This is a disadvantage for Prietenia because the annual required certification is more time-consuming and because the state does not support and encourage organic farming. Prietenia needs to find alternative financial sources to maintain and expand the business.

Section D: Conclusions and Lessons Learned

Social enterprises have proven their potential to solve critical social problems. In developed countries, they have demonstrated their impact in creating jobs specific to various types of disadvantaged groups. Many of them target people with disabilities, who encounter difficulties in finding and keeping a job in the labor market. Social enterprises offer them jobs adapted to their abilities and help them to transform from passive citizens dependent on state support to active citizens who are able to earn a living.

In Switzerland, the employment rate for people with disabilities is high, reaching almost 50%. In Romania, only 4.6% of people with disabilities are integrated into the labor market. Romania has a lot to learn from developed countries such as Switzerland, but the different context brings various challenges. There is a need to find alternative solutions for replicating best practice models in emerging market countries such as Romania.

Creating sustainable work integration opportunities in a country where government support is not available can be quite challenging. It encourages NGOs to adopt a different mindset towards funding their activities, both by developing social enterprises that use an entrepreneurial approach and by developing in-house capacity to plan and run a business with real market potential.
Developing a social enterprise in organic farming in Romania presents high potential not only because of the rising demand for organic food, but also because of the natural resources available, the fertile soil, the good weather, and the existence of basic know-how as a result of the similarities between organic agriculture and traditional Romanian agricultural practices. In addition, the social impact that organic farming can offer in terms of integrating people with mental disabilities into the labor market is significant. The engagement of people with mental disabilities in agriculture has proven to be beneficial in that it can promote social inclusion, increase independence, improve behavioral disorders, develop emotional and practical skills needed for new semi-professional activities, increase concentration, and develop social skills and responsibilities.

Compared to Switzerland, however, the state support in Romania is insufficient for both social and work integration of people with disabilities. The country lacks a long-term integrated approach to transform children with disabilities into active adults. In addition, instead of supporting NGOs and social enterprises, the state encumbers their activities through bureaucratic processes and taxes.

In the face of minimal government subsidies and with high competition for private philanthropic funding, social enterprises in Romania need to be very competitive in the market. They need to appeal to customers that have the purchasing power to pay for what social enterprises have to offer. An effective strategy to prepare for intense competition is to conduct a realistic feasibility study that includes market analysis and an assessment of operational needs that the launch (or development) of the social enterprise would pose; a study which indicates the potential of the social enterprise to capture and respond to its target market simultaneously reaching financial and social objectives. Once this analysis has been made, the social enterprise team needs to have the capacity to run and manage the business, and ensure that it is making the best decisions needed for its consolidation and growth. The need for a strong leadership team that is open to testing options but is also cautious about its human resource capacity is key to achieving these goals. BioHrana’s track record to date indicates that it is building this capacity and is making these types of decisions. Attracting funds for a social enterprise’s initial and further investments is also challenging. Today’s paradox is that while there are several investors willing to invest in scaling high impact social enterprises, there is a limited number of them willing to take the risk of investing in early stage social enterprises such as BioHrana. NESsT is a pioneer and a key partner for Romanian social enterprises like BioHrana, providing not only flexible financing but also tailor-made capacity-building support. NESsT has accompanied Prietenia from the idea selection to business development, providing valuable continuous advice, providing training and skills development, opening market opportunities and by evaluating and monitoring BioHrana’s performance.

Despite the local challenges, the case study of Prietenia proves that it is possible to create a sustainable social enterprise in Romania, but simply transferring the
experience from another country is not sufficient. Having the Swiss partner with vast experience in work integration of people with disabilities through organic farming strongly motivated Prietenia to make the decision to develop BioHrana. However, Prietenia had to find local partners to acquire in-house capacity in order to successfully develop a social enterprise adapted to its local context. The result has been an innovated model that integrates social, environmental and financial aspects and holds great promise to be a role model in Romania.