Case Study
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Building Romania's entrepreneurship ecosystem through equity financial instruments

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ERDF

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Abbreviations

Abbreviation	Full name
AI	Artificial intelligence
CEE	Central and Eastern Europe(an)
CEoI	Call for Expression of Interest
COP	Competitiveness Operational Programme 2014-2020
CPR	Common Provisions Regulation
DNSH	Do No Significant Harm
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EIF	European Investment Fund
ERDF	European Regional Development Fund
ESIF	European Structural and Investment Funds
EU	European Union
FoF	Fund of Funds
GBER	General Block Exemption Regulation
GDP	Gross Domestic Product
IFC	International Finance Corporation
IRHF	Innovation Romania Holding Fund
IRR	Internal Rate of Return
JEREMIE	Joint European Resources for Micro to Medium Enterprises
KPI	Key Performance Indicator
MA	Managing authority

MEOP	Market Economy Operator Principle
MEOT	Market Economy Operator Test
MFF	Multiannual Financial Framework
NACE	Statistical Classification of Economic Activities in the European Community
NUTS	Nomenclature of Territorial Units for Statistics
OP	Operational Programme
PE	Private Equity
POCIDIF	Operational Programme for Smart Growth, Digitalisation and Financial Instruments 2021–2027
PRSL	Portfolio Risk Sharing Loan
RCR	Risk Capital Resources
R&D	Research and development
RDI	Research, Development and Innovation
REF	Recovery Equity Fund of Funds
RFG	Risk Finance Guidelines
ROP	Regional Operational Programme 2014-2020
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
SME(s)	Small and medium-sized enterprise(s)
UBO	Ultimate Beneficial Owner
VC	Venture capital

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Executive summary

Romania's equity financing ecosystem has undergone a significant transformation over the past decade, evolving from a virtually non-existent venture capital (VC) and private equity (PE) landscape to an increasingly structured and diverse market. This case study presents the role of a series of equity instruments implemented during consecutive programming periods in this transformation, including:

- The **European Regional Development Fund (ERDF) 2014-2020 Regional Fund-of-Funds** (FoF), which targeted growth-stage SMEs in less developed regions, for equity investment in expansion-stage companies;
- The **JEREMIE Romania Reflows Equity Instrument**, which reused reflows from the initial JEREMIE 2007-2013 initiative to create multi-country funds investing in Romanian SMEs and mid-caps;
- The **Recovery Equity Fund of Funds** (REF), launched under Romania's Recovery and Resilience Plan (RRP), which offers a flexible fund-of-funds platform supporting early and advanced-stage companies with broader eligibility and cross-regional reach.

All of these instruments were deployed via non-incorporated holding fund[1] structures, managed by the European Investment Fund (EIF) on behalf of the Romanian Government, with the EIF occasionally investing with its own resources *pari passu* alongside private investors in the portfolio funds.

The results of these instruments have been significant. The Regional FoF deployed EUR 68.4 million[2] by end 2023 (EUR 41.2 million from public funds), investing in 11 companies focused on the medical and production sectors. Even with fewer companies than initially planned, early exits delivered ca. 30 % internal rate of return (IRR) and full mandate absorption. The JEREMIE Reflows initiative fully deployed the EUR 242 million commitment into three funds, which have already backed successful companies and the partial exits to date have generated EUR 5 million proceeds. REF had approved EUR 242.5 million across 13 funds by June 2025, supporting 41 investee companies (19 in Romania, receiving EUR 119 million). While still early in its lifecycle, observed leverage in Romanian investments points to a projected EUR 600 million total deployment in Romania, with a growing pipeline targeting at least 100 companies.

1 This was referred to as Fund of Funds (FoF) in the CPR terminology for the 2014-2020 programming period.
2 Calculated for the purpose of this publication from the RON amounts.

Funding sources
- ERDF 2014-2020 Regional Fund-of-Funds: Regional Operational Programme 2014-2020
- JEREMIE Romania Reflows Equity Instrument: Sectoral Operational Programme 'Increasing Economic Competitiveness' 2007-2013 – JEREMIE reflows
- Recovery Equity Fund-of-Funds (REF): Recovery and Resilience Plan for Romania

Type of financial product
Equity / quasi-equity

Financial size
- ERDF 2014-2020 Regional Fund-of-Funds: EUR 92.3 million, including EUR 47.4 million from ERDF, EUR 8.4 million from national public funds and EUR 36.5 million from other investors (RCR, private investors)
- JEREMIE Romania Reflows Equity Instrument: EUR 241.8 million, including EUR 50 million state budget (reflows) and EUR 191.8 million from other investors (EIF resources, private investors)
- Recovery Equity Fund-of-Funds (REF): EUR 1 256 million, including EUR 242.5 million RRF contribution and EUR 1 014 million from other investors (EIF, IFIs, private investors)

Thematic focus
Growth and innovation of SMEs

Timing of implementation
- ERDF 2014-2020 Regional Fund-of-Funds: 2017-2023
- JEREMIE Romania Reflows Equity Instrument: from 2021 onwards
- Recovery Equity Fund-of-Funds (REF): from 2021 onwards

Partners involved
Managing authority
Ministry of Investments and European Projects[3]
Body implementing the financial instruments
European Investment Fund (EIF)
Funds
- ERDF 2014-2020 Regional Fund-of-Funds: Morphosis Capital I, Black Sea Fund I
- JEREMIE Romania Reflows Equity Instrument: Catalyst Romania Fund II, Sarmis Capital Partners, Syntaxis New Europe
- Recovery Equity Fund-of-Funds (REF): AMC V, BoldMind Fund I, Booster Capital Fund, BrightCap Ventures II, Early Game Ventures Fund II, Evolving Europe Principal Investments Fund II, FiM Renewables Growth Fund, GapMinder Fund II, Innova 7, Morphosis Capital Fund II, Mozaik II

3 Previously named Ministry of European Funds.

1.1 Key takeaways

Over the past decade, Romania's VC and PE landscape has experienced steady development, supported by successive EU-backed equity financial instruments. This development began with the **JEREMIE ('Joint European Resources for Micro to Medium Enterprises')** initiative during the 2007-2013 period and progressed through instruments financed from 2014-2020 ERDF OP to the use of JEREMIE reflows and in parallel the REF funded by the Recovery and Resilience Facility (RRF). Each generation of financial instrument has built on the previous one, increasing both the scale and sophistication of interventions.

The EIF has played a central role in this evolution, ensuring that public resources are deployed through equity financial instruments in line with international market standards. Acting as a cornerstone investor on behalf of the Romanian Government, the EIF brought credibility to the governance structure, which fostered trust among private investors and supported professionalisation in the local fund management space.

The equity instruments have had a strong capacity building impact, allowing new teams of fund managers to enter the market in Romania. Many of the fund managers operating today, such as Morphosis Capital, Catalyst Romania, and Sarmis Capital, trace their origins to the early JEREMIE and ERDF-backed initiatives. These funds provided a practical learning ground for Romanian teams to acquire technical, financial, and governance expertise under the supervision and guidance of the EIF. Compared to the situation prior to the launch of the first risk capital instrument under JEREMIE in 2012, Romania now has a significantly more diverse and experienced group of fund managers. This has been accompanied by a cultural shift, with more local private investors (especially family offices and high-net-worth individuals) showing interest in the asset class.

Across the programmes, the equity instruments have enabled targeted investments into innovative start-ups and growth-stage SMEs. Equally important, they have contributed to the professionalisation of the domestic investment ecosystem, fostering the emergence of locally rooted, institutionally governed VC and PE firms with long-term presence and operational continuity in the market. Several success stories and best practice examples highlight the value of this public-private collaboration in supporting high-potential Romanian enterprises and building a pipeline of investable businesses.

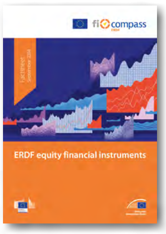
Each instrument featured unique characteristics. The JEREMIE Reflows Equity Instrument was Romania's first flexible, non-ERDF equity tool, allowing sector and geographic flexibility, which served as an ideal complement to existing ERDF-backed initiatives. The ERDF 2014-2020 Regional FoF introduced the first growth-focused equity instrument, addressing a key market gap (estimated financing gap over EUR 500 million for equity instruments). Meanwhile, the REF has become the largest equity initiative in Romania to date, contributing to greater awareness and interest in the equity asset class among private investors, and establishing a stronger foundation for long-term market development.

Despite progress in recent years, Romania's VC market continues to face significant structural weaknesses, justifying further public support through equity financial instruments. The supply of VC and PE remains far below the EU average (only 0.001% and 0.027% of GDP in 2023 compared to the EU average of 0.058% and 0.44%, respectively) highlighting a persistent financing gap, particularly for innovative young companies in the technology sector. Romanian SMEs struggle with limited access to finance due to underdeveloped entrepreneurial culture, unpredictable cash flows and high financing costs. Many firms remain small, family-run and economically marginal, with limited potential to scale or integrate into higher value-added economic chains. Furthermore, constraints such as limited access to skilled labour and modern technology further set back SME growth. The continued provision of equity-based financial instruments can address these market failures by offering patient capital to viable but underfunded businesses, enabling technological upgrades, expansion and innovation.

In the 2021-2027 programming period, in addition to the national instrument under the Smart Growth, Digitalisation and Financial Instruments Programme (POCIDIF)[4], there are currently three regional operational programmes (North-West, West and Centre) which include equity instruments with the total allocated EU resources of EUR 60 million, that are expected to be launched in the course of 2025, which support investments for young innovative companies using new technologies via equity and quasi-equity financial instruments.

The following fi-compass sources provide more information on ERDF equity financial instruments:

fi-compass factsheet 'ERDF equity financial instruments'



This factsheet is a good starter document and presents key features of equity financial instruments, together with industry best practice, to support managing authorities and other fi-compass stakeholders seeking to implement equity financial instruments in the future.

This resource is available as a PDF document and in form of an interactive online version.

Read more here.

fi-compass model: Financial instrument for competitiveness and innovation: Equity combined with grant

This factsheet presents a model financial instrument that combines equity with grants to strengthen competitiveness and innovation across EU Member States. It outlines how managing authorities can use ERDF resources to bridge financing gaps for innovative enterprises, particularly start-ups and early-stage companies, while leveraging private investment and creating a supportive environment for scaling innovation.

Read more here.

fi-compass model: Financial instrument to support innovation in enterprises and innovative enterprises: Loan combined with grant

This factsheet presents a model financial instrument that combines loans with grants to support innovation in enterprises and innovative enterprises. It explains how managing authorities can use ERDF resources to design loan products complemented by grant components, such as capital rebates, interest rate subsidies, or technical support, in order to bridge financing gaps and incentivise investment in research, development and innovation.

Read more here.

4 POCIDIF is a national operational programme under Romania's 2021-2027 EU cohesion funding period. It aims to foster Romania's digital transformation, enhance economic competitiveness, and improve access to finance for businesses (especially SMEs), with a strong emphasis on innovation, digitization, and deploying financial instruments.

02 Design of the financial instruments

2.1 Context

General economic background

Romania, an EU Member State since 2007, entered its first EU programming period in 2007-2013 with a centrally managed regional development model. During the 2014-2020 period, it maintained a centralised governance structure, though it was administratively divided into eight development regions[5]. These regions did not have separate operational programmes but were covered by a single, centrally managed Regional Operational Programme. In contrast, under the 2021-2027 period, each region now implements its own regional programme.

Towards the end of the 2014-2020 period, Romania experienced moderate but uneven economic growth, with GDP growth slowing from 4.9% in 2016 to 3.6% in 2020, due to weaker industrial output and decreasing external demand[6]. Investment levels were relatively high (21% of GDP in 2018, above the EU average[7]), but marked by significant regional disparities, with the capital region of Bucharest consistently outperforming the rest of the country.

Despite an above-average investment-to-GDP ratio, structural weaknesses, such as inefficiencies in public investment and procurement, persistent administrative burdens, underdeveloped infrastructure and a slow uptake of EU funds early in the 2014-2020 programming period, limited the broader productivity and growth potential.

Although the Romanian banking sector remained stable and well-capitalised throughout the 2014-2020 programming period (capital adequacy ratios consistently exceeded EU averages, and liquidity indicators remained comfortable), financial intermediation towards the SME sector was relatively weak (with private sector credit to GDP remaining well below pre-crisis levels and EU benchmarks).

Contributing factors included regulatory uncertainty, weak corporate financial discipline and a focus on household lending. At the same time, non-bank finance sources remained underdeveloped and played only a marginal role in business funding. As a result, Romanian firms were highly reliant on bank lending, which itself was insufficient to meet the needs of a dynamic business environment.

Nevertheless, at the end of the 2014-2020 period, efforts to support entrepreneurship were visible, with targeted public measures and policy initiatives such as increasing the threshold for micro-enterprises and introducing tax exemptions for R&D firms. Additionally, a strategic initiative to establish a national promotional bank aimed at improving SME access to finance was in preparation.

5 The eight Romanian development regions are: North-West, Centre, North-East, South-East, South-Muntenia, Bucharest–Ilfov, South-West Oltenia, West.

6 https://commission.europa.eu/document/download/672ce0f9-2f29-418a-bcef-d6364de3e20f_en?filename=2017-european-semester-country-report-romania-en.pdf.

7 https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1584543810241&uri=CELEX%3A52020SC0522.

Development of the emerging VC and PE ecosystem

Over the past decade, Romania's VC and PE ecosystem has undergone gradual development but remains relatively underdeveloped compared to its regional counterparts. According to data from Invest Europe[8], European PE and VC investments accounted 0.47% of European GDP in 2018 and 0.46% in 2023, showing relative stability despite the crises years, while Romania's share stood at just 0.15% in 2018 and at a mere 0.041% in 2023, surpassing only a handful of smaller Central and Eastern European (CEE) economies and war-affected Ukraine.

Between 2017 and 2023, total fundraising activity by locally managed PE and VC funds in Romania amounted to EUR 161.8 million. Of this, EUR 111.8 million – around 69% – was directed towards VC investments[9], indicating a stronger development path taken by the VC subsegment.

In fact, Romania's VC ecosystem has grown significantly in terms of investment volume and deal numbers during the past decade. Total VC investments increased from EUR 8.2 million in 2017 to EUR 129.6 million in 2023, reflecting an almost 16-fold growth. The landscape in 2023 was characterised by the dominance of late-stage investments (Series A and B), the continued rise of artificial intelligence (AI) start-ups, and a higher number of mixed-capital rounds combining both Romanian and foreign investors.

In contrast to VC, the Romanian PE sector remains underdeveloped, though not entirely stagnant. In 2023, PE-backed investments in Romania totalled EUR 111.7 million, with EUR 76.1 million accounted for by buyout deals[10]. These investments typically targeted the lower mid-market segment (EUR 15-50 million). However, a high concentration of capital was observed, as two funds alone captured about 75% of all buyout investments in 2023. This reflects a broader trend of polarisation in the PE landscape, where only a few funds successfully raise and deploy significant capital.

Government agencies have historically been the dominant contributors to Romanian fundraising activities, accounting for 56% of the total capital between 2017 and 2023. This is followed by family offices and private individuals, who provided 36%, a much higher proportion than the CEE average of 23%. Notably absent are contributions from pension funds, a cornerstone of PE and VC capital in developed markets. In Romania, pension fund investments amounted to only EUR 272 000 between 2018 and 2023, a mere 0.2% of total locally raised capital. In contrast, the CEE region recorded pension fund contributions between 1% and 7% annually. An important aspect of the Romanian fundraising model is its reliance on foreign sources: 57% of total capital raised during 2017-2023 originated from France and the Benelux countries alone.

In a regional context, beyond Bucharest, several Romanian cities have developed small but dynamic VC and innovation hubs, notably Cluj-Napoca, Timişoara and Iaşi. Cluj-Napoca stands out with its strong academic institutions like Babeș-Bolyai University and a thriving tech start-up scene supported by Cluj Innovation Park and local VCs. These regional centres are supported by regional smart specialisation and innovation strategies, as well as significant cohesion policy investments targeting incubators and accelerators, thematic clusters, innovative industrial parks, science-business collaboration and technology transfer.

In recent years, the broader regional and global context has had a negative effect on capital raising. Events such as the COVID-19 pandemic, persistent high inflation and geopolitical tensions (particularly post-2022) contributed to a general slowdown in fundraising. Romania's nascent VC and PE landscape was not immune to these shocks.

8 https://www.investeurope.eu/media/2585/invest-europe-2018-european-private-equity-activity.pdf and https://www.investeurope.eu/media/i4zpjz1m/20240507_invest-europe_pe-activity-data-2023-report.pdf.
9 https://ropea.ro/wp-content/uploads/2024/07/Romanian-PE-VC_2023.pdf.
10 https://ropea.ro/wp-content/uploads/2024/07/Romanian-PE-VC_2023.pdf.

As observed at the European level by an EIF survey of European Venture Capital and Private Equity Investors[11], fund managers encountered increased risk aversion from limited partners – especially banks, pension funds, and insurance companies – making fundraising increasingly difficult in an already constrained market. At the portfolio level, many early-stage ventures faced broader macro-economic instability and rising capital costs, further increasing the challenges related to securing follow-on financing and maintaining liquidity.

Exit activity remains also a major challenge for the Romanian private equity ecosystem. In 2023, divestments totalled just EUR 35.6 million, which was the lowest figure since 2011 and accounting for approximately 4% of the total value of CEE divestments. This downturn was mainly due to fewer trade sales, fewer exits to other PE firms and a sharp drop in management buy-backs. While VC divestments in 2023 amounted to EUR 2.9 million (the highest since 2017), the PE market saw a decline in all key exit routes. Historically, trade sales or sales to other PE funds have been the dominant exit route, accounting for 71% of all exit value between 2007 and 2023 and 53% from 2019 to 2023. Public listings remain rare and unattractive to most investors due to the underdeveloped capital markets in Romania.

2.2 Previous experience with financial instruments

First experience with ERDF FIs in Romania – the 2007-2013 JEREMIE experience

The JEREMIE[12] initiative during the 2007-2013 programming period was the first experience with financial instruments under EU shared management funds in Romania. It was implemented through the Sectoral Operational Programme 'Increase of Economic Competitiveness', specifically under Priority Axis 1, targeting innovation and eco-efficiency in the productive sector following a rather generalist investment strategy. A total of EUR 225 million was allocated to JEREMIE financial instruments, with the EIF managing the holding fund. While the initiative initially focused heavily on credit-based instruments such as portfolio guarantees and risk-sharing loans, a modest allocation was also directed to risk capital.

The risk capital instrument, launched in 2012 under the JEREMIE umbrella, aimed to support Romanian SMEs through equity and quasi-equity financing. It was primarily focused on seed, start-up and expansion capital and targeted technology-intensive sectors such as IT, online retail and media. The instrument was implemented through the 3TS Catalyst Romania fund[13], with a public allocation of EUR 10.5 million, complemented by 30% private co-investment, totalling EUR 15.1 million. Only SMEs incorporated in Romania and not classified as firms in difficulty were eligible. The fund made ten investments active in technology, media and telecom sectors. Up to mid-2025 , the fund made six exits (total or partial sale of participations to strategic investors) on which it achieved an IRR of 28%. The investment period of the fund concluded in 2017, with the fund shifting to follow-on investments thereafter.

Although the equity component represented a small share of the initial JEREMIE envelope, it played a strategic role in diversifying SME finance options. By focusing on high-growth sectors and avoiding overlap with credit-based instruments, the risk capital fund supported the ecosystem development in Romania's innovation landscape.

11 https://www.eif.org/news_centre/publications/eif_working_paper_2023_89.pdf.

12 JEREMIE was a joint initiative set up by the European Commission in cooperation with the European Investment Fund during the 2007–2013 programming period as a framework to promote increased access to finance for micro, small and medium-sized enterprises via risk finance initiatives using EU Structural Funds allocated to regional or national managing authorities.

13 The fund was launched as the first initiative by Catalyst Romania, a leading technology-focused VC firm, with the backing of 3TS Capital Partners (AT). Their focus is technology and technology enabled services companies, in early expansion stage.

Smartbill

Sector: Technology
Fund of funds: JEREMIE Romania
Fund of funds manager: EIF
Fund: Catalyst Romania Fund I
Co-investors: Concentric Limited (Gecad)
Total value of the investment: EUR 1.06m
Location: Sibiu
Year invested: 2016

SmartBill.ro is Romania's leading cloud-based invoicing, inventory and accounting platform for SMEs. Founded in 2006 in Sibiu by three entrepreneurs, the company identified the need for accessible invoicing tools tailored to local businesses. It launched its first desktop version in 2007, followed by a cloud-based solution in 2014, introducing multi-user access and a subscription model. By 2015, SmartBill had reached EUR 620k in revenues and was serving over 33 000 clients, issuing more than 1 million invoices per month and processing over EUR 2 billion in annual transaction volume. The company had a proven product and growing demand but needed capital to accelerate development and expansion.

In February 2016, SmartBill raised a EUR 1.06 million growth round, led by Catalyst Romania (EUR 830k) with participation from Concentric Limited (Gecad). The investment enabled the company to implement a consolidation strategy and enhance its cloud platform.

Over the next three years, SmartBill grew revenues by 5x and expanded its offering with an inventory management module and a cloud-based accounting solution for SMEs launched in 2018. The company also strengthened its mobile and integration capabilities while maintaining high security standards. In 2020, SmartBill entered a strategic partnership with Visma, initially selling 50.1% of its shares. Catalyst Romania exited fully in 2024, and the founders in 2025, completing a successful multi-stage exit.

As of 2025, SmartBill serves over 165 000 businesses, issues 6.5 million invoices per month and processes more than EUR 40 billion annually through its platform. Beyond being a successful investment, SmartBill is a strong example of Catalyst Romania's mission to back companies that not only scale but also give back to the ecosystem. The company has become one of the most important IT companies in Sibiu, showing future founders that it can be done, while creating jobs, contributing to the local economy and engaging actively in community projects. SmartBill also demonstrates how technology leaders can integrate ESG principles by supporting entrepreneurs, fostering digital inclusion among SMEs and strengthening Romania's innovation landscape.

For further reading about the company, visit: https://www.smartbill.ro/.

Key lessons learnt

The JEREMIE initiative during the 2007-2013 programming period marked a significant shift in EU cohesion policy by promoting the use of financial instruments to support SMEs. The initiative demonstrated the potential of revolving instruments to catalyse private sector involvement and build sustainable financial ecosystem in SME finance. This experience provided the foundation for scaling up financial instruments in subsequent programming periods.

The experience gained with equity financial instruments in Romania under JEREMIE during the 2007-2013 programming period provided several insights that remain relevant for future interventions. Despite the small size of the instrument and the single fund manager structure, the full absorption of available funds indicated underlying demand and validated the relevance of equity support in developing the VC ecosystem. However, it also revealed several challenges that needed to be addressed to improve future implementation.

A key challenge was fundraising, particularly for funds exclusively targeting the Romanian market. Due to the relatively small size of the market and global post-crisis situation at the time when the CEoI was launched in 2010 and limited appetite among local institutional investors, attracting private capital proved difficult. This points to the importance of using tailored-made structuring solutions to enhance investor appeal, such as capped returns for public investors, asymmetric profit return-sharing mechanisms, or first-loss coverage for higher-risk segments like seed-stage investments.

Another lesson from the JEREMIE experience was the challenge of aligning the ESIF regulatory framework with standard market practices. Improved fund performance was observed when instruments adopted more market-compatible solutions, such as flexible drawdown structures that supported smoother capital deployment. Designing financial instruments that function as 'business as usual' for investors while still meeting ERDF rules is essential for attracting market players. On this occasion, the EIF and EC agreed on an escrow account model which allowed the funds to invest after the end of the programming period – a requirement which was subsequently recognised by regulations for subsequent MFFs through the escrow account in 2014-2020 and then the option to implement over two programming period starting in 2021-2027.

Experience in Romania also demonstrates the importance of strong implementation capacity and institutional design. Smaller, country-specific funds have struggled to attract high-quality fund managers unless incentivised with well-calibrated fee and carry structures. At the same time, local presence and engagement, either through domestic teams or international managers with committed on-the-ground operations has been shown to be essential for ensuring market relevance and developmental impact.

Romania's past challenges also highlight the importance of transparent and technically sound selection processes for financial intermediaries, which build credibility and allow the pooling of a sufficient number of qualified applicants. A robust, impartial process, based on clear selection criteria, encourages participation and ensures the suitability of selected intermediaries. This is essential for maximising public resource utilisation, attracting private investment and ensuring compliance with EU and national regulations.

Moreover, the fact that funds under JEREMIE were made available in full at the outset helped provide structuring flexibility and investor confidence. This allowed the fund manager to pursue longer-term and higher-risk investments without concerns about liquidity constraints or shifting disbursement conditions. Maintaining this flexibility – particularly where funding is provided in tranches – would be crucial to avoid disruption and ensure timely deployment.

Ex-ante assessment in the 2014-2020 programming period

The ex-ante assessment covering all sectors with respect to SME financing identified clear evidence of financing gaps in several areas, which collectively amounted up to **EUR 3.38 billion** for the 2014-2020 programming period. These included a debt financing gap (guarantees, risk sharing loans) of EUR 1.89 billion, a microfinance gap of EUR 940 million, and an equity investment gap of EUR 544 million.

Market failures were diagnosed across multiple dimensions. First, Romanian SMEs faced significant difficulty in accessing debt finance due to a lack of collateral, which particularly affects young or high-risk companies. Second, there were structural barriers within the equity ecosystem, including a limited number of active venture capital and private equity funds, weak investor networks and insufficient exit opportunities, all of which constrained the availability of risk finance for innovative and high-growth SMEs. Third, systemic issues such as low employment, weak entrepreneurial culture and limited access to financial services continued to hinder SME development. The analysis also found a mismatch between the financial products currently available and the actual needs of SMEs at various stages of their life cycle, from start-up to growth phases. The analysis concluded that equity investments were better suited for early-stage, high-growth firms that lacked access to conventional bank finance and could benefit from external investors' managerial expertise.

Based on the identified financing gaps and market failures, the national-level ex-ante assessment and the EU-level ex-ante assessment for the SME Initiative financial instrument recommended a diversified set of financial instruments tailored to the specific needs of SMEs and aligned with Romania's operational programmes. The proposed instruments aimed to ensure coverage across the business development spectrum, from seed to scale-up and across thematic objectives ranging from competitiveness and innovation to social inclusion and employment;

- The **Competitiveness OP** would support early-stage SMEs through equity funds such as accelerator and seed funds, with a proposed allocation of EUR 40 million. It would also offer Portfolio Risk Sharing Loans (PRSL) to innovative SMEs to reduce costs and share risks, supported by EUR 15.2 million from EU funds. Together, these instruments were expected to mobilise EUR 82.3 million in SME financing, with estimated leverage of 1.38x.
- Under the **Regional OP**, the proposed instruments included risk capital funds and, based on the EU-level ex-ante assessment, the utilisation of the SME Initiative instrument. The assessment also referred to a PRSL instrument which was eventually not implemented.
- The **Human Capital OP** addressed labour market integration, social inclusion and entrepreneurship. These were eventually not implemented.

Regarding governance and implementation structure, the assessment recommended using one or more of the options under Art. 38(1) and 38(4) CPR. One option was to participate in financial instruments set up at the EU level and managed by the European Commission, such as the SME Initiative. Another option was to entrust implementation tasks to the EIF, particularly for instruments funded under the Competitiveness and Regional OPs, leveraging the EIF's experience with JEREMIE instruments from the 2007-2013 period. A third implementation route could involve public or private institutions governed by public law.

2.3 The financial instruments initiated

Over the past decade, Romania has deployed a series of equity financial instruments, each adapted to evolving market conditions and strategic priorities. This section presents the three flagship initiatives implemented with the support of the EIF: the ERDF 2014-2020 Regional Fund of Funds, the JEREMIE Reflows Equity Instrument, and the Recovery Equity Fund of Funds under the RRF.

ERDF 2014-2020 Regional Fund-of-Funds

The ERDF 2014-2020 Regional FoF was established to improve the competitiveness of SMEs in Romania's less developed regions, excluding Bucharest-Ilfov (which was classified as a more developed region under EU cohesion policy due to its higher GDP per capita) in line with the strategy of the Regional OP. The financial instrument was set up under Priority Axis 2 'Improvement of competitiveness of small and medium enterprises', investment priority 2.2. 'Supporting the creation and the extension of advanced capacities for product and service development'.

Based on the findings of the ex-ante assessment[14], the financial instrument was designed to address the growth-stage financing gap for SMEs in eligible sectors identified under the OP priority axis. The FoF, managed by the EIF, committed EU resources to newly established equity funds, which would be actively managed by selected fund managers. This would be complemented by other resources managed by the EIF (EIB Risk Capital Resources (RCR)[15] mandate). These equity funds were mandated to invest in eligible SMEs predominantly in the expansion and growth stages of their development.

The equity funds were to be set up as limited liability vehicles, with the structure proposed by the fund manager and agreed upon by the EIF. Investments in individual SMEs were subject to a ceiling related to the total fund size, although exceptions could be made with the EIF's or Advisory Board's approval. While the instrument permitted the use of replacement capital, it required that at least 50% of each investment round consisted of new capital. All investments were to be made in the form or equity or quasi-equity, with a maximum investment period of five years and the possibility of a one-year extension. The fund's total duration was set at ten years, with the option for two one-year extensions, subject to investor consent.

Each fund manager was required to raise at least 30% of the fund's capital from private investors, defined as market-oriented entities bearing full investment risk. The EIF could co-invest up to 30% of the fund capital on a *pari passu* basis using other resources under its management, provided this was compatible with the relevant mandates and state aid regulations. This co-investment could also help meet the market economy operator principle under the EU's State aid guidelines for risk finance investments. Fund managers were encouraged to attract further private investment beyond the EIF co-investment.

The reflows are returned to the FoF and reinvested in new financial instruments, subject to approval by the investment committee.

14 https://www.fonduri-ue.ro/images/files/documente-relevante/2016/Executive.summary.EN.pdf.

15 The EIB RCR mandate is a facility provided by the EIB and managed by the EIF to support equity and quasi-equity instruments across Europe. It allows EIF to invest its own balance-sheet resources, delegated by the EIB, into VC and PE funds. At the time, they were considered private resources, and a key component for fundraising.

The JEREMIE Romania Reflows Equity Instrument

After the conclusion of the 2007-2013 programming period, the EIF continued to manage the reflows from the original implementation, repurposing them under national budget rules and outside the structural funds framework, but remaining State aid compliant.

As a result, the JEREMIE Romania Reflows Equity Instrument was designed as a flexible equity facility aimed at improving access to finance for Romanian SMEs and mid-caps, complementing the more constrained shared management funds instruments implemented under the 2014-2020 programming period. Launched in 2019, the initiative made use of reflows from the original 2007-2013 JEREMIE instruments (including both debt and equity), with the strategic aim of supporting company growth through direct investments by venture capital and private equity funds. At the time, existing funds were approaching the end of their investment periods, and there was a recognised need for a more market-oriented instrument, free from ERDF regulatory limitations and open to multi-country fund structures, increasing the chances of attracting private co-investment.

The product type was selected based on two key considerations: first, to bridge a financing gap (it is recalled that this was before the Recovery and Resilience Mechanism was conceived); and second, to enhance market flexibility, allowing for a generalist equity strategy not restricted to predefined sectors or geographies. This flexibility helped position the instrument as complementary to the 2014-2020 ERDF-based initiatives. The instrument targeted VC and PE funds as financial intermediaries, with investments typically made at the first round or later when duly justified. Contributions into funds ranged from a minimum of EUR 5 million or 10% of fund commitments, up to EUR 20 million or 30% of total commitments and were expected to be held for up to 12 years. To ensure crowding-in of private capital, at least 30% of each fund's capital must come from co-investors passing the Market Economy Operator Test (MEOT), while no single investor may exceed 50% of total commitments.

How do reflows work in practice?

In financial instruments, 'reflows' or 'legacy resources' refer to the returns generated from earlier investments that flow back to the fund manager or managing authority. These funds can be reinvested to support new financing operations, effectively recycling public money to continue supporting target groups like SMEs.

Once a fund makes investments into final recipients, any returns from exits or repayments are returned to the financial instrument's account, where they can be reused, subject to rules set out in the relevant regulations and following the strategy agreed with the managing authority or investment committee.

Practically, once reflows are received, they are tracked separately from new allocations and can be used to top up existing instruments or launch new ones.

As the reflows are no longer considered EU shared management funds, traditional CPR concepts such as measures, co-financing rates or EU participation are not applicable. These resources are instead governed by State aid rules applicable to national budget funding.

Mechanisms to ensure transfer of benefit to final recipients are inherent to the equity nature of the instrument. Participating funds provide equity financing to SMEs and mid-caps, supporting development, scaling and, in some cases, restructuring through buyouts. These investments bring not only capital but also governance support and business expertise. The facility ranks *pari passu* with private investors, ensuring fair treatment and alignment of interests. While no grant element or co-financing from RRF or ERDF was involved, one fund (Catalyst Romania II) benefited from participation in InnovFin[16].

Revenues from exits are returned to the JEREMIE Holding Fund as reflows and would remain under the management of the EIF. These reflows will be available for reinvestment into future financial instruments, subject to proposals by the EIF and approval by the investment committee.

Recovery Equity Fund of Funds (REF)

The REF was created under Romania's Recovery and Resilience Plan (RRP) as part of an EU-wide initiative to mitigate the socio-economic impact of the COVID-19 pandemic and support a sustainable, resilient and green recovery. The REF aims to address persistent market failures in access to equity financing for Romanian businesses, building on lessons learned from previous ERDF-backed initiatives but with a more flexible framework and significantly greater scale. Compared to earlier efforts, which were limited to allocations, the REF benefits from a total investable envelope of up to EUR 380 million and the more flexible rules of the RRF, such as the requirement that commitments into funds would only have to be approved, but not fully disbursed, by the end of 2026.

The REF was established through a Funding Agreement signed on 30 December 2021 between the Romanian Government, represented by the Ministry of European Investments and Projects, and the EIF, which acts as the REF fund manager. The instrument is structured as a separate block of finance (not a separate legal entity) within the EIF. The REF is part of Component 9, 'Business support, research, development and innovation' specifically Investment 2.3 'Financial instruments for the private sector' of the national RRP, with a generalist investment strategy and is designed to facilitate access to finance for final recipients, particularly SMEs, mid-caps, companies in both early and advanced growth stages and projects in renewable energy and energy efficiency infrastructure.

The instrument benefits from the flexibility to support multi-country funds, with the caveat that each underlying fund must invest at least 100% of the REF contribution into Romanian targets. In practice, the Romanian multiplier effect is expected to reach 1.5x to 2x over time. REF supports all sectors except those explicitly excluded by the EIF or according to restrictions based on the 'Do No Significant Harm' (DNSH) principle.

Underlying funds are expected to operate with a 10+1+1-year lifespan[17], and their investment period should align with market standards, not exceeding 5+1 years. The investment strategy may target a range of equity and quasi-equity instruments. Equity investments involve taking partial or full ownership in the enterprise, often with some degree of influence over management. Quasi-equity investments may take various forms, including subordinated debt, convertible instruments, or preferred equity, offering a risk profile between debt and equity.

Replacement capital may be allowed, provided it does not constitute asset-stripping and complies with applicable State aid frameworks. In particular, if the MEOT does not apply, further limitations may be enforced under the relevant State aid regime.

16 InnovFin was a series of EU financial instruments launched under Horizon 2020 to improve access to finance for innovative businesses and research projects across Europe. Jointly developed by the European Commission and the EIB Group, it offered a range of debt and equity products tailored to different types and sizes of beneficiaries, from small, early-stage companies to large research infrastructures, particularly in areas aligned with EU policy priorities like bioeconomy, ICT, climate action and health.

17 It refers to the total duration of an underlying investment fund supported by the REF. This means the fund is initially set up to operate for 10 years, with the possibility of two one-year extensions, subject to agreement by the fund's investors or governing bodies. These extensions allow additional time for the fund to exit its investments.

The reflows will be returned to the FoF and reinvested in new financial instruments, subject to approval by the investment committee.

The REF represents a significant step forward in Romania's equity financing landscape by delivering a large-scale, flexible instrument that can catalyse broader market interest and attract private investors. Through its wide eligibility criteria, geographical flexibility and strong alignment with both national and EU recovery priorities, the REF is positioned to enhance the resilience and growth potential of Romanian enterprises during and beyond the post-COVID-19 recovery period.

Complementarity of the instruments

The financing landscape for equity instruments in Romania combines a diverse set of complementary sources. The Romanian Government has invested approximately EUR 650 million from various sources of funds across five equity Fund-of-Funds (FoF) programmes, all managed by the EIF. These programmes are further strengthened through contributions from other initiatives managed by EIF (e.g. InvestEU) and co-investments by international financial institutions such as the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) of the World Bank Group, which contribute to enhance market absorption. Private co-investors include local high-net-worth individuals, family offices and asset managers linked to major Romanian banks. This has helped expand the domestic investor base, although it remains relatively limited in scale compared to regional peers.

Complementarity is evident between the equity instruments launched under the Regional Operational Programme (ROP) and the Competitiveness Operational Programme (COP) during the 2014-2020 programming period. These instruments were strategically designed to address different stages of enterprise development and sectoral focus, thereby minimising overlap. The equity instruments under the ROP primarily targeted later-stage companies located in less developed regions, with an emphasis on production and service-oriented sectors such as production and medical services. In contrast, the Competitiveness Operational Programme supported early-stage, innovative enterprises – predominantly in the technology sector – across the entire country. The Competitiveness FoF, managed by the EIF, was pioneering in Romania's VC space, with performance indicators including financing for at least 50 companies (of which 30 were start-ups) and mobilising EUR 18 million in private investment, all of which were achieved. The uniqueness of these VC funds within Romania's financial ecosystem attracted strong interest from both entrepreneurs and private investors, the latter exceeding expectations.

In addition, Romania committed to participating in the SME Initiative, which provided uncapped guarantees for loans to SMEs, which also provided complementary support to address the financing needs of SMEs. With an initial EU contribution of EUR 100 million, this joint instrument was expected to mobilise up to EUR 400 million in financing, achieving a 4x leverage. Following an increase in allocation reaching EUR 250 million, the actual loan portfolio achieved is EUR 1.28 billion. Notably, the SME Initiative benefitted from its alignment with pre-approved structures and existing ex-ante assessments by the European Commission and the EIB.

The eligibility requirements across the equity instruments stem from a combination of Operational Programme rules and applicable State aid frameworks. These requirements are intentionally designed to support complementarity across the instruments. However, perfect complementarity is neither fully achievable nor essential, particularly in a market that remains broadly underserved. The overarching objective is to support ecosystem building and stimulate the development of a functional equity financing market. In this context, theoretical overlap between instruments may be inevitable and even desirable, provided that the instruments collectively enhance market capacity and target unmet financing needs.

2.4 Timetable for set-up and implementation

The timeline for the set-up of the Funds is described in the table below.

Table 1: Set-up and implementation timeline of the financial instruments.

Action taken	ERDF 2014-2020 Regional Fund-of-Funds	JEREMIE Romania Reflows Equity Instrument	Recovery Equity Fund of Funds (REF)
Ex-ante assessment completed	April 2016	n/a	n/a
Funding Agreement signed between the managing authority and EIF	July 2017	September 2020[18]	December 2021
Call for expression of interest launched to select fund managers	October 2017	June 2019	August 2022
Call for expression of interest closed to select financial intermediaries / fund managers	January 2018	June 2022	December 2025
Operational Agreements signed between EIF and the selected fund managers	December 2018	2020-2021	April 2023 - ongoing
First investment contract signed with final recipient	September 2019	August 2021	June 2023
End of eligibility period for initial investments under the financial instruments	December 2023	n/a	n/a

Source: EIF.

18 The Funding Agreement for the JEREMIE Holding Fund Romania was initially signed in November 2008, which was renewed in 2020 for reflows management.

03 Set-up of the financial instruments

3.1 Governance structure

Under the Funding Agreement, the EIF is appointed by the Government of Romania to act as its agent in managing the allocated resources. The governance structure is the same for all three instruments featured in the current study, deployed as a virtual vehicle via a fund of fund or a holding fund, with separate accounts managed by EIF for and on behalf of the Government. This structure ensures alignment with EU regulations while leveraging EIF's expertise in fund management and market outreach.

A key component of this governance model is the **Investment Committee**, which plays a central role in overseeing the implementation, reviewing and approving the terms of reference and budget of calls for expression of interest, based on proposals put forward by the EIF. While this model is consistent across EIF-managed programmes, a unique feature of the RRF structure is that the Investment Committee also approves each individual fund contribution.

Intermediated model

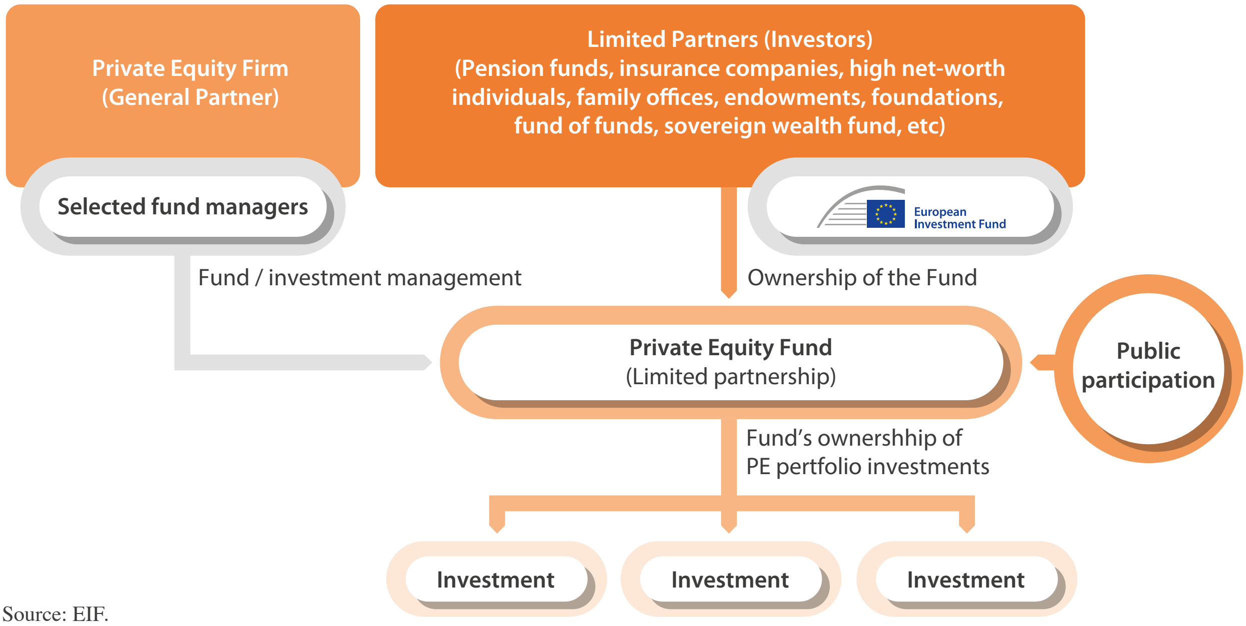
The instruments were implemented under an intermediated model. The EIF commits capital into selected financial intermediaries, including VC and infrastructure funds or co-investment vehicles.

These intermediaries, in turn, will make investments into eligible final recipients. Investments will typically be pari passu, ensuring that the EIF and private co-investors share the same level of risk and return within the same tranche.

The financial intermediaries must commit an adequate share of the fund to ensure alignment of interest. The percentage of this share may be adjusted on a case-by-case basis by the EIF, depending on the economics and financial capacity of the fund manager.

Selected fund managers (private equity firms) are chosen through EIF's own procedures to act as **General Partners** to implement the underlying equity funds. The EIF typically participates in the structure as a **Limited Partner**, representing the public investor (e.g. a Fund of Funds) and may also sit on the advisory board or equivalent investor governance body of the underlying fund(s), ensuring oversight and alignment with policy objectives.

Figure 1: Typical equity fund governance structure applied for the EIF programmes.



Source: EIF.

3.2 Financial size and payments

ERDF 2014-2020 Regional Fund-of-Funds

The funds financed from ERDF 2014-2020 Regional FoF were established with a total budget of EUR 92.3 million, combining multiple sources of funding. Specifically, EUR 55.8 million originated from Romania's Regional OP 2014-2020, while an additional EUR 24 million was contributed under the EIB's RCR mandate. This blended structure enabled the FoF to scale its investment activities and attract additional capital into early-stage and growth equity financing. The Member State contribution to the FoF was disbursed in two tranches: 50% at the time of the mandate's signature in 2017 and the remaining 50% in 2021 once at least 60% of the first tranche had been deployed into final recipients via the underlying funds.

Table 2: Funding sources and amounts.

Funding source	Amount
ERDF Regional OP 2014-2020	EUR 55.8 million
out of which ERDF	*EUR 47.4 million*
out of which national co-financing	*EUR 8.4 million*
Other investors	EUR 36.5 million
out of which EIB-RCR	*EUR 24 million*
out of which third party private investors	*EUR 12.6 million*
TOTAL	**EUR 92.3 million**

Source: EIF.

JEREMIE Romania Reflows Equity Instrument

The JEREMIE Romania Reflows Equity Instrument was established with an allocated amount of EUR 50 million sourced from reflows from the 2007-2013 JEREMIE financial instruments, that are revenues and reimbursements originating from financial instruments implemented under the 2007-2013 programming period. These reflows, accumulated from around 2016 onward within the EIF-managed JEREMIE Holding Fund, include returned funds from loan repayments, released guarantee provisions and equity sale proceeds.

Under the instrument, the EIF committed capital to selected VC and PE funds, with the possibility to match the JEREMIE contribution on a 1:1 basis using other resources under EIF management. The total capital raised across the three selected multi-country funds reaches approximately EUR 242 million. After accounting for an estimated 20% in management fees over the fund lifetime, the expected capital available for actual investments is around EUR 190 million. Each fund is required to invest at least the value of its JEREMIE allocation in Romania, but in practice, the anticipated investment in Romanian companies is expected to reach 1.5x the JEREMIE contribution, amounting to approximately EUR 75-80 million.

Table 3: Funding sources and amounts.

Funding source	Amount
National contribution from JEREMIE reflows	EUR 50 million
Other investors (incl. EIF, third-party private investors)	EUR 191.8 million
TOTAL	**EUR 241.8 million**

Source: EIF.

Recovery Equity Fund of Funds (REF)

The REF was launched with a total allocated budget of EUR 400 million (EUR 380 million net investable). The allocated budget represents a significantly larger commitment compared to previous equity instruments deployed in Romania, signalling a substantial scale-up in public equity financing efforts. As of mid-2025, EUR 242.5 million (approximately 64% of the net investable budget) has been approved by both the EIF and the REF Investment Committee across 13 funds, 10 of which that have held closings (some at first closing only).

The REF operates on a tranche-based disbursement system, with the managing authority transferring EUR 50 million at a time: one tranche was advanced at signature, and subsequent tranches are requested by EIF once 50% of the previously received amounts is committed to underlying funds.

Despite not having committed yet the full budget, the REF has already mobilised significant private and institutional capital, with total fund sizes (including contributions from other EIF mandates, IFIs and private investors) reaching over EUR 1.26 billion. Based on this trend, as a multi-country instrument, the final leveraged investment value could exceed EUR 1.5 billion across participating countries. In Romania alone, the leverage effect is expected to reach EUR 600 million, representing approximately 1.5 times the REF allocation.

Table 4: Funding sources and amounts.

Funding source	Amount
RRF contribution to REF (approved)	EUR 242.5 million
Other investors (incl. EIF, third-party private investors)	EUR 1 014 million
TOTAL	**EUR 1 256 million**

Source: EIF.

3.3 Selection of bodies implementing the equity instruments

Over the past decade, Romania's VC and PE ecosystem has experienced substantial growth, evolving from a nascent market into a more sophisticated and competitive landscape with increasing participation from both domestic and international investors. A notable feature of this evolution is the increasing participation of high-quality fund managers, many of whom have become second generation recipients of EIF-managed resources. Established names such as Catalyst Romania, Early Game Ventures, GapMinder and Morphosis Capital have expanded their portfolios and demonstrated track records of successful investments and exits, reinforcing their standing in the local ecosystem. International players like Innova and AMC have entered the market with sizable commitments, while new entrants, like Booster and BoldMind, add to the diversity of strategies and team profiles. The involvement of these fund managers, while focusing exclusively on instruments financed by ERFD/RRF at the moment, underlines the growing maturity of Romania's VC and PE ecosystem, which now hosts most of the regionally relevant actors and an increasing number of specialised, locally based teams.

The selection process of the EIF for bodies implementing equity instruments is designed to ensure full alignment with the principles of transparency, equal treatment and non-discrimination. It follows the EIF's internal procedures and professional standards, as well as recognised best market and business practices[19]. The process is structured to safeguard the integrity of the instrument and to ensure that only capable, experienced, and market-aligned financial intermediaries are selected. The procedure is open and continuous, allowing applications to be submitted and evaluated on a rolling basis.

The selection follows a multi-step process comprising:

- **Screening**, to determine the completeness and relevance of the application;
- **Due diligence**, which may include on-site visits and an in-depth analysis of the applicant's operational, financial and strategic aspects;
- **Approval**, in accordance with EIF's decision-making rules; and
- **Negotiation** and signature of the operational agreement.

The evaluation of the applications is grounded in a set of qualitative and quantitative assessment criteria, focusing on the capacity of the applicant to deliver the objectives of the equity instrument in a commercially viable and impactful manner. One of the primary assessment dimensions is the management team, including their relevant experience, team composition, commitment to the life of the fund, and adherence to ethical standards. This includes screening for any records of corruption, fraud, or other forms of misconduct. The fund's investment strategy is assessed for alignment with market needs, clarity in sectoral and geographic focus, expected number of investments, and credible exit routes.

The fund manager's own financial commitment to the fund is also a key consideration and was evaluated in light of the instrument's objectives and the financial strength of the management team during the selection process.

Another critical factor is the market targeted by the proposed fund, its size, potential for development, and the growth prospects of investee companies. The deal flow is evaluated based on the fund manager's track record in sourcing quality transactions and the credibility of their pipeline development strategies. The size of the fund must be balanced with the market opportunity and must allow for adequate follow-on investment capacity. In terms of proposed terms, the EIF seeks alignment with market norms, especially regarding management fees and performance incentives such as carried interest, which should reward overall fund performance rather than short-term gains.

19 For more information on EIF's selection process, please visit: https://www.eif.org/what_we_do/resources/esif_regional_Romania/call/calleol_esif_regional_fof_romania.pdf.

The expected returns criterion ensures that funds are run on a commercial basis and demonstrate financial viability. The investor base is another essential criterion, with a requirement for at least 30% of commitments to come from investors who meet the MEOT, ensuring a meaningful crowding-in of private capital. The principle of *pari passu* investment is strictly enforced, requiring equal risk and reward sharing between the EIF and private investors. Furthermore, co-investment strategies and investor diversification are positively considered, along with provisions for monitoring co-investors in line with standard market practice.

ERDF 2014-2020 Regional Fund-of-Funds

The EIF conducted a transparent and competitive selection process in 2018, in line with its internal procedures, integrated with the use of 'quality assessment scores' for each selection criterion similar to ESIF operation rules. A total of 25 expressions of interest were received, demonstrating strong market interest. Eight applicants were analysed and interviewed in depth and finally two fund managers were selected in December 2018: Morphosis Capital and Black Sea Fund. As a result, a contribution agreement was signed with each of them with the following commitments:

- **Morphosis Capital Fund I:** EUR 27.9m from the Regional FoF, EUR 12m from EIF managed resources (EIB – RCR) and EUR 9.8m EUR from third-party private investors;
- **Black Sea Fund:** EUR 27.9m from the Regional FoF, EUR 12m from EIF managed resources (EIB – RC R) and EUR 2.8m EUR from third-party private investors.

The selected fund managers were new management teams, although composed of individuals with prior experience in mergers and acquisitions, PE and VC. Despite being first-time teams with D risk ratings, their proposals were aligned with the market-building objectives of the Regional FoF, and the selection process balanced risk with potential developmental impact.

morphosis capital

Established in 2018 and headquartered in Bucharest, **Morphosis Capital** is a private equity fund manager focused on Romanian SMEs in sectors such as healthcare, consumer goods and B2B services. The firm specialises in growth and expansion capital, combining financial investment with operational support to accelerate scaling. Morphosis Capital had already achieved three successful exits, which supported their credibility and led to additional support under the REF in parallel as well.

BLACK SEA

Based in Bucharest, the **Black Sea Fund** was founded in 2018 by a team with prior investment banking and advisory experience, bringing strong transactional expertise to the Romanian mid-market segment. The fund focuses on growth-stage investments in local SMEs. Since inception, it has built a portfolio of five companies and remains positioned to deliver at least a few positive exits.

JEREMIE Romania Reflows Equity Instrument

The selection procedure applied EIF's usual multi-stage assessment process. No hurdles were encountered during the selection, and all three fund managers who applied were ultimately selected. As a result, the full allocation of EUR 50m were made into 3 new multi-country equity funds (from which at least the equivalent of the JEREMIE reflows contribution would be invested in Romania) according to the following allocated deals:

- **Catalyst Romania Fund II** received a contribution of EUR 15m.
- **Sarmis Capital Partners** received a contribution of EUR 20m.
- **Syntaxis New Europe** has received approval for a commitment of EUR 10m in 2021 and a further commitment of EUR 5m in 2022.

Operational agreements with the fund managers were signed in 2021 and 2022.

The three selected funds include a mix of early-stage and growth-stage strategies.

Catalyst Romania Fund II, managed by a strong local team in Bucharest with backing from Austrian partner 3TS, was selected based on a proven track record through its predecessor fund, Catalyst I, also backed by the original JEREMIE Romania facility. Catalyst Romania is among Romania's pioneering technology-focused venture capital managers focusing on breakthrough technology companies (ICT, tech-enabled services, digital media & communications) in Romania and South-Eastern Europe.

Sarmis Capital Partners, a new Romanian Bucharest-based growth-stage fund, was founded in 2020 by professionals with prior experience in international private equity and advisory firms. The fund targets mid-sized Romanian companies with strong growth potential in various sectors (including healthcare, manufacturing, retail, logistics), providing capital for expansion, operational improvement, and regional scaling. Sarmis has raised substantial private capital and have rapidly advanced in portfolio development and deployment.

Syntaxis New Europe is a private debt fund manager with headquarters in Warsaw, Poland, and a regional focus across Central and Eastern Europe. Established in the late 2000s, it specialises in mezzanine and structured debt financing for mid-market companies. While it has not yet made investments in Romania, its participation is considered an add-on to a broader regional strategy, leveraging the team's established relationship with the EIF through other funds.

Recovery Equity Fund of Funds (REF)

The selection is conducted by the EIF through an open CEoI as well, launched in 2022 and ongoing until the June 2026. Investments in final recipients can extend beyond that date, in line with fund-specific terms.

So far, around 55 applications have been received, reflecting strong interest from the market. The selection process adheres to EIF's standard practices, prioritising independence, professional conduct and alignment with industry standards, such as those set by Invest Europe. Both international teams and newly established management groups are eligible, with no requirement for domicile in Romania, supporting the Fund's broad geographic and strategic reach and crowding in international private investors.

Following the screening process, the EIF proceeded to approve commitments and sign operational agreements with 11 selected fund managers starting in April 2023, with fund vintages commencing in 2022. Commitments have been made with the following funds by June 2025:

AMC funds	BoldMind	Booster Capital	BrightCap Ventures	Early Game Ventures	INTEGRAL
AMC V	**BoldMind Fund I**	**Booster Capital Fund**	**BrightCap Ventures II**	**Early Game Ventures Fund II**	**Evolving Europe Principal Investments Fund II**
EUR 20 million	EUR 20 million	EUR 30 million	EUR 10 million	EUR 30 million	EUR 15 million

finance in motion	GAPMINDER	INNOVA CAPITAL	morphosis capital	MOZAIK
FiM Renewables Growth Fund	**GapMinder Fund II**	**Innova 7**	**Morphosis Capital Fund II**	**Mozaik II**
EUR 12.5 million (conditional commitment)	EUR 15 million	EUR 10 million	EUR 25 million	EUR 25 million

Although most funds are still at an early investment stage, EIF's strategy focuses on ensuring a balanced and diversified portfolio. This includes supporting large pan-CEE growth funds, such as Innova 7 and AMC V, which leverage international capital and deploy significant ticket sizes. Simultaneously, the REF supports Romania-focused funds led by local or first-time teams (e.g., Booster, BoldMind) and second-time teams like Morphosis, Early Game Ventures and GapMinder. Additionally, regional tech funds with a Romanian track record, such as BrightCap and Evolving Europe II from Bulgaria and Hungary, respectively, have been included. The EIF also aims to expand into renewable energy and infrastructure, having approved Finance in Motion (FiM) and targeting at least one more large infrastructure fund with a significant allocation for Romania.

3.4 State aid[20]

Whereas the JEREMIE reflows and the REF equity instruments are not subject to ESIF regulatory restrictions, compliance with EU State aid rules remains mandatory for all three programmes. These rules apply across all levels of implementation, including financial intermediaries (fund managers), co-investors and final recipients (the companies invested).

Generally, State aid is not present at final recipient level when investments are made on a *pari passu* basis (i.e. under identical conditions, timing, and risk exposure) between public and private investors, with the latter contributing at least 30% independently and on market terms. Additionally, State aid at financial intermediary level is excluded if the fund manager was selected through an open, competitive process and the remuneration reflects market conditions. At the level of the final recipient, equity investments made under *pari passu* conditions are not considered State aid. However, if public funding is not provided at market rates, risk finance aid may be granted under de minimis regime, Article 21 of the General Block Exemption Regulation (GBER), with additional support possible under other GBER provisions (e.g. Articles 22, 25, 28 and 29) or via notification under the Risk Finance Guidelines.

While these general principles apply across all three instruments, each instrument includes some specific features in terms of how State aid compliance is assessed and ensured.

ERDF 2014-2020 Regional Fund-of-Funds

The ERDF Regional FoF follows a similar logic with regard to State aid compliance, with specific reference to the 2014 Guidelines on State aid to promote risk finance investments (2014/C 19/04), also referred to as the Risk Finance Guidelines (RFG).

- **Fund managers:** As with JEREMIE, no State aid arises at the level of the fund or the fund manager, assuming the selection process is open, competitive and in line with market practice. Market-level remuneration is a key factor in demonstrating the absence of aid.
- **Co-investors:** The *pari passu* principle applies. An investment is deemed compliant if it is made under the same terms and conditions by public and private investors, simultaneously, and if market economy investors contribute a minimum of 30% of the financing. It is worth noting that, since the funds were set up under previous rules, the RCR resources are taken into consideration for the 30% threshold. These conditions confirm the absence of preferential treatment and therefore no State aid.
- **Final recipients:** Investments into SMEs are assessed according to the MEOT. So long as these investments are made *pari passu* and comply with the conditions in the RFG, they are not considered State aid.

20 It is the Member State's responsibility to ensure compliance with State aid rules when they give aid through financial instruments (co-) financed by EU shared management funds. This section presents the State aid regime adopted in Romania and is not an assessment or official position of the European Commission.

JEREMIE Romania Reflows Equity Instrument

The instrument has been designed to operate in full compliance with EU State aid rules. At all levels of implementation, safeguards are in place to prevent any undue advantage, such as:

- **Fund managers:** No State aid is deemed to exist at this level because the selection of fund managers is carried out through a competitive, transparent, non-discriminatory and unconditional process consistent with EIF's standard procedures, including a CEoI. The fund managers' remuneration is in line with market rates, which further demonstrates the absence of any undue advantage.
- **Co-investors:** State aid is considered not to be present where investments are made on a *pari passu* basis. This means public and private investors contribute under the same terms and conditions, bear the same risk, and expect the same returns. This equal treatment ensures no selective economic advantage to the private investors.
- **Final recipients:** all investments are done in accordance with the Market Economy Operator Principle (MEOP), thus the investments do not constitute State aid.

Recovery Equity Fund of Funds (REF)

The REF includes a comprehensive and detailed State aid framework. Due to the nature of RRF funds as public resources, State aid compliance is also required at all implementation levels.

- **Fund managers:** No State aid arises if the fund managers are selected through an open and competitive process such as the CEoI, and their remuneration is market-based.
- **Co-investors:** To avoid State aid, investments must comply with the *pari passu* test. This includes three conditions: (i) equal risk/reward sharing, (ii) simultaneous investment transactions, and (iii) significant economic participation from private investors (at least 30%). Where these are met, no advantage is granted and therefore no State aid is present.
- **Final recipients:** The REF allows for two options:

  a. **No State aid:** Where the MEOT is applied and *pari passu* conditions are met, investments are considered market-conform and do not constitute State aid. No investment ceilings apply, and there are no restrictions on replacement capital. This is the only option utilised so far.

  b. **With State aid:** Where market conformity cannot be assured, investments can still be made under an approved State aid scheme, notably:

  - **Article 21 GBER (Risk finance aid):** For SMEs, with different thresholds depending on company maturity (10%, 40% or 60% private participation). The investment cap per company is EUR 16.5 million.
  - **Article 22 GBER (Start-up aid):** For unlisted small enterprises up to five years old. No minimum private contribution required. The maximum public support depends on regional eligibility (between EUR 0.4-0.8 million) and may be doubled for innovative companies.

For more information on State aid rules for equity financial instruments, read the State aid rules applicable for the fi-compass model Financial instrument for competitiveness and innovation: Equity combined with grant.

3.5 Monitoring and reporting

Across the three generations of equity instruments in Romania, monitoring and reporting activities have been designed to ensure compliance with EU and national regulations, as well as adherence to specific fund requirements.

The fund managers selected by the EIF are responsible for both ensuring alignment with policy objectives and ex post verification to confirm eligibility.

The EIF monitors the compliance of the fund managers with the fund documentation. For each new investee, the EIF performs eligibility checks by reviewing the declaration of the fund manager, on which the EIF performs systematic comparison with information available from external data sources including on:

- Key company information (legal name, trading name, place and date of establishment, place of main operations, business description);
- Geography, sector and stage;
- Company financials, in particular whether the company is an SME in line with EC recommendation 2003/361.

Accordingly and at the time when a drawdown notice is processed and before approving the payment related to new and follow-on investments, the EIF reviews in accordance with the four-eyes principle the compliance of the new/increased investments, against mandate eligibility criteria as defined under the Funding Agreement and translated into the fund legal documentation (i.e. the Operational Agreements), in particular whether:

- the company is in compliance with the geographical focus (as well as geographical restrictions);
- the company is in compliance with the sector focus (as well as sectoral restrictions);
- the company is in compliance with the SME focus;
- the fund manager confirms in the drawdown notice that the fund complies with the terms of the fund documentation (including the side letter) and its investment policy (including any applicable restriction and limit) before and after the respective capital call.

In addition, on a semi-annual basis, in order to ensure that actual investments made (i.e. new and follow-on investments, including investments made out of cash reserves) are compliant with the investment policy and requirements laid down in the fund and mandate documentation, investment compliance reviews of each fund portfolio are performed. Policy breaches are classified and monitored accordingly.

As part of the regular monitoring visits, the EIF performs the following checks covering the fund manager and a sample of final recipients, seeking to verify with appropriate supporting documentation:

- The compliance of the selected sample of final recipients with the eligibility criteria: SME status, geographic requirement, investment restrictions and state aid requirements (minimum private capital);
- The implementation of specific requirements included in the agreement between the EIF and the financial intermediary, such as visibility, publication of information, audit rights, maintenance of records, compliance with laws;
- Other checks relating to the investment process, management fees and expenses, drawdowns and repayment process, bank account requirements.

Regular contacts between the EIF front office and fund managers take place during the year, including desk reviews of the portfolios and attendance to advisory boards and investors meetings. Any discrepancies or issues identified in the context of the EIF monitoring activities are being raised and resolved on a continuous basis between the EIF and fund managers concerned, as applicable. Additionally, a validation and countercheck of the information submitted by the fund managers is further conducted in the context of monitoring visits.

Common to all instruments is the obligation for fund managers to submit regular reports to the EIF, in a standardised format and following the Invest Europe reporting guidelines ensuring data integrity and traceability. These include periodical (typically quarterly and annual) reports on investment activity, fund performance and audited annual financial statements. The Fund documentation outlines more specific obligations per instrument.

Under the REF, fund managers must also transmit Ultimate Beneficial Owner (UBO) data of final recipients directly to Romanian authorities. This includes detailed personal information and project-level data, in compliance with RRF Regulation and EU Anti-Money Laundering Directive (EU) 2015/849. As with ERDF, new data requirements and high granularity are necessary due to RRF rules. This includes reporting on double funding avoidance and total public financing amounts per investment project.

The EIF, in turn, compiles the received data for annual progress reporting to the Investment Committee and managing authority. Under the REF, reporting is carried out by the EIF to the Investment Committee on a bi-annual basis. For the ERDF Regional FoF, during the eligibility period, the EIF besides the annual progress reports, issued also control reports (with the final one being the closure report with cut-off date of 31 December 2023 when key absorption thresholds are met to facilitate reimbursement claims by the managing authority.

At implementation level, fund managers may also carry out more frequent monitoring activities. For example, Morphosis Capital conducts monthly board meetings with portfolio companies, weekly or bi-weekly calls with founders (especially during the early investment phase) and systematic KPI tracking based on detailed business plans. Internal portfolio reviews are organised with investment team members contributing feedback. Reporting requirements towards investors and authorities are also comprehensive: quarterly reports are shared with all investors, Limited Partner Advisory Committee meetings are held twice per year and additional annual reporting is provided to the EIF in line with institutional requirements.

04 Implementation of the financial instruments

4.1 Terms and conditions of financing

ERDF 2014-2020 Regional Fund-of-Funds

The primary goal of the Regional FoF is to address market gaps in growth capital and improve access to finance for SMEs that are already operational (minimum one year of activity) and are not listed or in financial difficulty. By targeting Romania's less developed regions, excluding the Bucharest-Ilfov region, the instrument aims to foster regional economic convergence.

Final recipients must be SMEs, as per the EU definition, and must also conduct eligible economic activities, as outlined in the eligible NACE code list defined under Priority Axis 2.2 of the Regional OP. This NACE list excludes sectors like wholesale, retail and certain low-value-added manufacturing activities.

Additionally, eligible SMEs must:

- Be established and operating in one of the eight Romanian development regions excluding Bucharest-Ilfov;
- Not be enterprises in difficulty, as defined under Article 2(18) GBER;
- Operate outside the EIF's restricted sectors, including activities such as tobacco production, nuclear power construction, and certain environmental or airport infrastructure investments.

The equity investments are tailored predominantly toward expansion and growth-stage financing rather than start-up funding. The instrument is designed to be complementary to other ESIF instruments, particularly those targeting start-ups under national or sectoral operational programmes. The purpose of the investments is to support capacity expansion, modernisation, product/service diversification and innovation.

Cross-border investments are not permitted, ensuring that EU funds are fully used within the target regions of Romania.

Each fund manager is required to follow diversification principles and internal selection procedures to ensure the economic viability of investees and compliance with State aid rules.

To ensure continued support and adaptability, the instrument allows follow-on investments under specific conditions:

- The EIF, on behalf of the Regional FoF, must have made a commitment to the fund, through the signing of an agreement with the fund manager by end 2018;
- At least 55% of the total fund commitments must have been invested by 31 December 2023;
- Up to 20% of net invested capital as of that date can be used for follow-on investments up to four years after the deadline (i.e. until end of 2027);
- All follow-on investments must continue to meet eligibility, diversification and regional constraints.

Table 6: Financial product key characteristics - ERDF 2014-2020 Regional Fund-of-Funds.

Feature	Description
Eligible final recipients	SMEs (per EU definition) with ≥1 year of operations, located in Romanian regions excluding Bucharest–Ilfov.
Eligible activities	Activities within the NACE codes defined under Regional OP Axis 2.2 (e.g., manufacturing, services, ICT) and excluding wholesale/retail trade, tobacco, nuclear, certain airport/environmental infrastructure, and EIF restricted sectors.
Investment focus	Growth and expansion stage (modernisation, product/service diversification, scaling, innovation).
Geographical scope	All Romanian development regions except Bucharest–Ilfov. Cross-border investments not permitted.
Follow-on investments	Permitted under strict conditions until 2027 (max. 20% of net invested capital post-2023).

Source: EIF.

JEREMIE Romania Reflows Equity Instrument

The instrument supports the financing of SMEs and mid-caps established in Romania, including local branches or subsidiaries of foreign entities, by investing through selected financial intermediaries. The instrument aims to promote business development, expansion and value creation within Romania's private sector.

Investments under the instrument are designed to be flexible, with no sectoral restrictions beyond EIF's restricted sectors. Final recipients must be economically viable and not in difficulty. The financial intermediaries are responsible for identifying, evaluating and selecting recipients in line with their investment strategies, while ensuring that at least the amount of the JEREMIE contribution allocated to each fund is invested in Romania.

The investment focus varies across the selected funds. Catalyst II targets early-stage technology companies whereas Syntaxis and Sarmis pursue generalist growth strategies and private debt investments in more mature enterprises.

Permissible financing purposes include restructuring, business expansion, strengthening export capacity, acquisitions and partial buy-outs (such as management roll-overs or shareholder reorganisations). While cross-border investments are permitted, the instrument requires a minimum equivalent investment in Romania to match the JEREMIE contribution.

Table 5: Financial product key characteristics – JEREMIE Romania Reflows Equity Instrument.

Feature	Description
Eligible final recipients	SMEs (per EC Recommendation 2003/361/EC) and mid-caps (up to 3 000 employees), of which each fund must invest at least 1x the JEREMIE contribution into enterprises established in Romania (certified via the Romanian Trade Registry), including Romanian subsidiaries/branches of foreign entities.
Eligibility conditions	Must be economically viable and not in difficulty (per State aid rules); must not operate in EIF's restricted sectors.
Eligible operations	Business development, expansion, value creation (e.g. restructuring, acquisitions, export growth), partial buy-outs (e.g. founder roll-overs, shareholder reorganisations).
Investment focus	Flexible across sectors (except EIF-restricted sectors).
Geographical scope	Investments outside Romania are permitted; however, at least 1x the JEREMIE contribution must be invested in Romania.

Source: EIF.

Recovery Equity Fund of Funds (REF)

The REF provides equity and quasi-equity financing to a wide range of eligible recipients. The fund was designed to operate with more flexible programming conditions compared to previous instruments, allowing for cross-period commitments and extended investment timelines, with reduced administrative burdens for final recipients.

Final recipients include SMEs (as per the EU definition), mid-caps (with up to 3 000 employees, including group entities), infrastructure project developers and entities implementing technology transfer initiatives. At least 1x of the REF contribution into each fund must be directed at businesses that are headquartered or operational in Romania and whose main activity – assessed by business plan or operational metrics – is conducted within the country.

Final recipients must not be listed companies (as public listing implies access to other capital markets), undertakings in difficulty, involved in restricted sectors under EIF's Guidelines or contrary to DNSH principles, beneficiaries of illegal State aid that is not yet recovered.

The Fund-of-funds ensures sufficient diversification by setting minimum portfolio sizes per fund and capping investment per recipient, with flexibility for infrastructure projects and scale-up investments.

The funds primarily target:

- Start-ups and early-stage ventures with significant growth potential;
- Expansion-stage companies needing capital to scale or enter new markets;
- Infrastructure projects in energy, transport and social services.

Table 7: Financial product key characteristics.

Feature	Description
Eligible final recipients	SMEs and mid-caps (at least partly with headquarters or branches in Romania) where the financed activity is conducted.
Eligible operations	Equity or quasi-equity investments into eligible companies and infrastructure projects, including technology transfer and energy-related developments.
Investment focus	Start-ups, early-stage and expansion-stage companies, infrastructure and technology transfer projects.
Geographical scope	Flexible, with at least 1x the REF contribution to each fund being invested into Romania, with eligible activities assessed based on operational presence and/or future business plans.
Investment limits	Typically up to 15% of total fund commitments per final recipient, extendable to 20% with Fund Advisory Committee approval.

Source: EIF.

4.2 Investment process

The application process for investments under the programmes is decentralised and market-driven, relying on the fund managers' professional judgment, sectoral expertise and internal investment procedures. The selected fund managers are responsible for identifying, assessing and selecting investees in accordance with the eligibility criteria and strategic focus set out in their investment strategy with the EIF. They must ensure that each investment complies with State aid rules, the Fund's eligibility criteria, restrictions and diversification guidelines, while also aligning with the commercial objectives of the funds.

Additionally, fund managers must perform an economic analysis when considering investments in companies previously backed by either public or private investors to ensure the commercial nature of the investment is preserved. The fund's investment decisions must be made independently, in line with a commercial strategy, and not influenced by individual investors.

Fund managers proactively identify targets through desktop research, financial analysis and sectoral growth theses, screening companies based on size, growth trajectory, profitability and strategic fit with the fund's investment priorities. On the other hand, as funds build credibility and visibility in the market, they increasingly attract direct approaches from companies seeking growth capital, as well as referrals from intermediaries, advisors and industry networks. Sometimes competitive bid processes have also become part of the sourcing strategy.

Once opportunities advance, the appraisal process typically includes several layers of steps, such as preliminary screening against eligibility criteria, sectoral restrictions, and programme rules, commercial and financial due diligence, legal and compliance checks and finally internal investment committee review, where the fund manager's team collectively assesses risks, valuation, and fit within the overall portfolio before issuing a binding offer.

Beyond financing, fund managers may provide certain non-financial support working closely with investees through for example:

- Active board participation and hands-on strategic guidance for business planning, market expansion, and operational improvements;
- Establishing advisory boards, involving industry experts with personal co-investments to align incentives;
- Strengthening governance and management capacity, including CFO appointments, C-level recruitment, robust reporting systems, and reserved matters frameworks;
- Supporting growth strategies by facilitating expansion planning or conducting M&A processes;
- Enhancing marketing and technology adoption, including brand development, digitalisation, and strategic partnerships.

4.3 Visibility and communication

For all programmes, financial intermediaries must include references to the funding source in contractual documentation and/or cover letters sent to portfolio companies. They are also required to maintain a dedicated section on their websites providing information on the type of financial support offered, eligibility criteria, and the relevant public backing. In addition, press releases and marketing materials must reference the respective programme and, in the case of the Recovery Fund, also display the EU flag and the statement "funded by the European Union – NextGenerationEU," in line with RRF-specific requirements.

Each programme has its own dedicated EIF-hosted webpage[21], while fund managers are also expected to comply with programme-specific visibility requirements. For example, the Regional FoF mandates visibility in line with ESIF regulations and the REF entails specific publicity rules, aligned with the Romanian RRP. This includes not only logos and contractual disclosures but also broader outreach via social media and ministry press releases. EIF itself actively promotes all three instruments through its digital platforms, events and stakeholder engagements.

In practice, some fund managers such as Morphosis Capital work with third-party PR agencies to ensure systematic visibility of their activities. Their website, social media channels and quarterly investor reports consistently display EU funding branding, while portfolio company press releases include references to the EU funding framework. They also maintain an active presence at national and international conferences, where EU institutional support is systematically acknowledged.

Romania's VC and PE landscape has benefited in recent years from a growing number of high-quality industry gatherings that support ecosystems building, networking and deal-making. Notable among these is the Romanian Venture Forum[22], held in Bucharest and featuring international VC fund representatives alongside domestic ecosystem leaders. Additionally, major tech and start-up conferences such as How to Web[23] (Eastern Europe's largest), Techsylvania[24] in Cluj-Napoca, and sessions at Venture in Eastern Europe[25] have brought together institutional investors, accelerators, startups and policymakers, enhancing visibility and market maturity.

21 https://www.eif.org/what_we_do/resources/esif_regional_Romania/index.htm; https://www.eif.org/what_we_do/resources/jeremie-romania-reflows/index.htm; https://www.eif.org/what_we_do/resources/rrf-romania/index.htm.
22 https://romanianventureforum.com/.
23 https://www.howtoweb.co/.
24 https://techsylvania.com/.
25 https://www.howtoweb.co/venture-in-eastern-europe/.

05 Achievements

The equity ecosystem in Romania has significantly evolved over the past decade, driven by the subsequent EU-funded programmes. Building on the JEREMIE initiative, which laid the groundwork for equity financing through a single fund, the successive programmes under the ERDF 2014–2020 Regional FoF, JEREMIE Reflows and the REF expanded both the scale and reach of equity instruments. These efforts attracted a broader range of fund managers and investors, increasing the number of active funds and mobilising hundreds of millions of euros in private capital. The evolution of the equity ecosystem in Romania over successive programming periods is summarised in the figure below.

Figure 1: Evolution of equity financial instruments in Romania.

	JEREMIE	ERDF 2014-2020	JEREMIE reflows	Recovery equity FoF (REF)	ERDF 2021-2027 POCIDIF
	2012	2018	2021	2022	2024
Programme contribution	EUR 10.5m	EUR 96m	EUR 50m	EUR 400m (EUR 242.5m approved/ EUR 212.5m committed)	EUR 107m
Number of funds	1	4	3	18-20 (13 approved/ 11 launched)	3
Total financial size	EUR 15m	EUR 168m	EUR 242m	EUR 1 256m	EUR 130m
Financial impact in Romania	EUR 15m	EUR 168m	EUR 100m	EUR 600m (estimated)	EUR 130m (estimated)

Source: EIF.

ERDF 2014-2020 Regional Fund-of-Funds

The ERDF 2014–2020 Regional FoF was launched with the ambition of catalysing regional growth in Romania by supporting 20 high-potential SMEs. While only 11 companies were ultimately financed, this reflects a strategic shift to support fewer firms with larger ticket sizes in response to greater-than-anticipated capital needs. As of 31 December 2023, the total investment mobilised amounted to EUR 70 million, of which EUR 41 million originated from the FoF and the remainder from private co-investors. Despite not reaching yet the leverage target of EUR 78 million by the end of the programming period, ongoing investments from escrow accounts (made possible under ESIF rules due to early operational agreement signings and investment thresholds being met) suggest that the original target may still be achieved by 2027.

Morphosis Capital Fund I

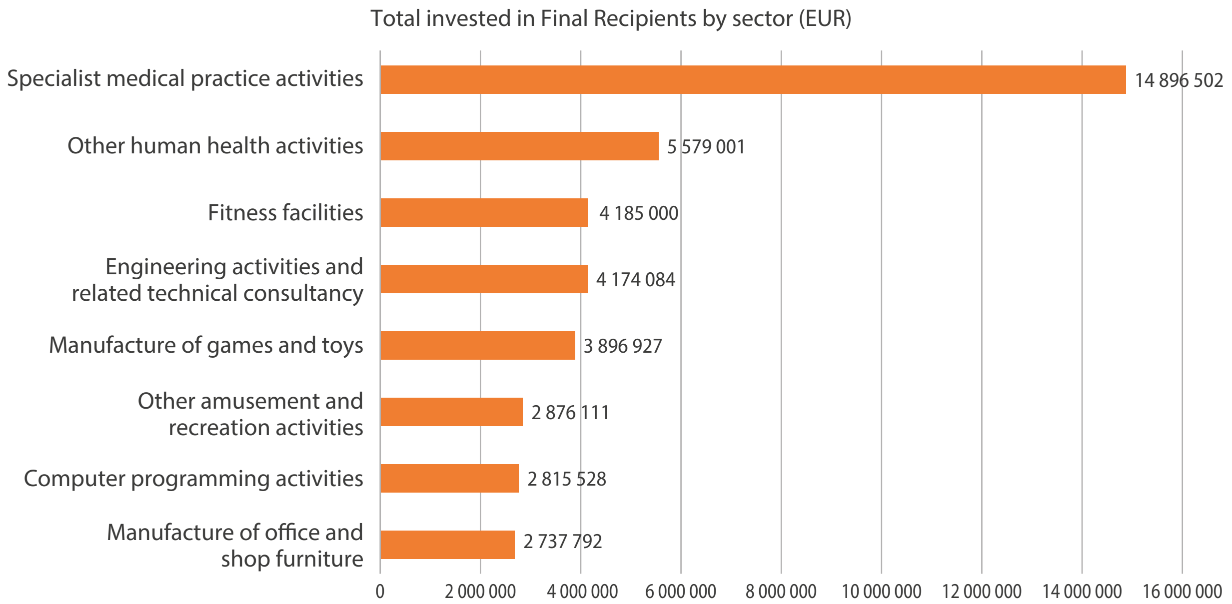
Morphosis Capital Fund I, one of the equity funds under the Regional FoF, has emerged as a standout performer. Launched in 2019 with EUR 50 million in capital, the fund deployed 80% of its resources as cash-in within its first three years – an unusually fast and efficient pace in private equity. The fund typically invested EUR 5-7 million tickets and built a portfolio of six companies, achieving three successful exits, including a full exit from Implant Expert SA (sold to Regina Maria, the local leading medical chain). Additional notable portfolio companies include Stay Fit, which expanded from seven gyms to 65, and Medima, which grew from a single clinic in 2020 to 32 clinics by 2023. The fund adopted a rapid deployment strategy, concentrating follow-on investments into its top performers.

The exits have collectively delivered IRRs above 30%, positioning Morphosis I among top-quartile growth funds in Europe. Morphosis I's DPI of 0.31, achieved with just half of the portfolio exited, speaks to its ability to deliver early liquidity. The FoF has already received EUR 7.8 million in reflows. Moreover, through its partial exits, Morphosis I catalysed over EUR 20 million in new growth capital for its portfolio, supporting continued expansion via clinic openings (Medima) and regional acquisitions (EMI). The fund retains stakes in high-potential companies like DocProcess, Stay Fit Gym and Cronos Med, ensuring ongoing value creation.

For further reading, see: https://www.morphosiscapital.com/morphosis-capital-delivers-liquidity-to-fund-i-investors-registering-over-30-irr-from-its-first-three-exits/.

The FoF had a strong sectoral focus on high-growth medical and production enterprises, with notable success stories emerging in the healthcare segment. Indeed, medical practices accounted for 36% of the total invested capital, including sectors such as dental clinics and diagnostic services.

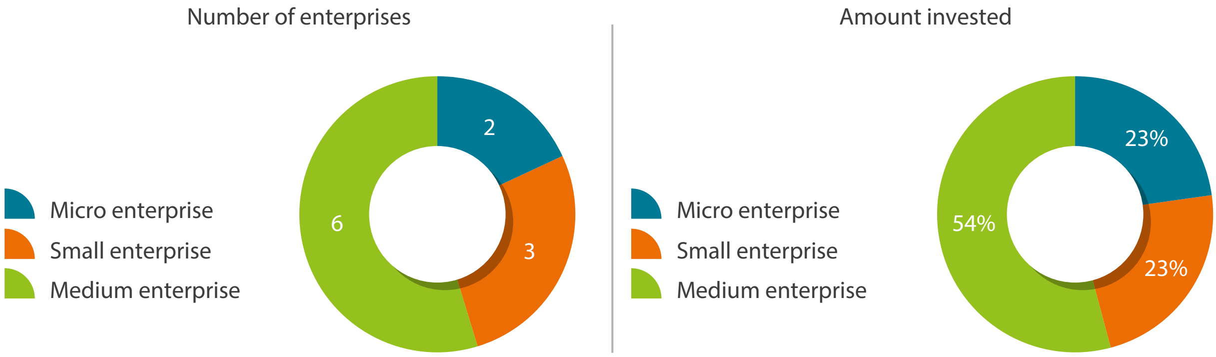
Figure 2: Total invested amount to final recipients by sector – ERDF 2014-2020 Regional Fund-of-Funds.



Source: fi-compass based on EIF data.

The portfolio companies employed a total of 650 individuals at the time of investment, with 2 firms classified as early-stage (less than three years since incorporation). Geographically, the investments were spread across 9 NUTS-3 regions, reinforcing the regional development objective. In terms of enterprise size, medium enterprises dominated, absorbing 54% of the total funding.

Figure 3: Number of enterprises financed and amount invested – ERDF 2014-2020 Regional Fund-of-Funds.



Source: fi-compass based on EIF data.

Importantly, three exits have already been recorded, yielding IRRs around 30%, indicating strong financial performance even before full fund maturity. These early exits, combined with full absorption of the mandate and a strategically targeted portfolio, affirm the instrument's value-added impact, even if the headline company count was lower than expected.

MEDIMA HEALTH SA

Sector: Specialist medical practice activities

Fund of funds: ERDF 2014-2020 Regional FoF

Fund of funds manager: EIF

Fund: Morphosis Capital Fund I

Co-investors: -

Total value of the investment: EUR 9.4m

Location: Romania

Year invested: 2020

Medima Health SA is a leading network of medical imaging clinics in Romania, specialising in MRI, CT and PET-CT services. The network currently includes 28 modern operational clinics across 17 counties, serving patients with high-performance imaging investigations performed with cutting-edge technology. The clinics are coordinated by a team of renowned radiologists under the leadership of Professor Dr. Gheorghe Iana, a prominent Romanian radiologist and medical director of the network. The company addresses a significant market gap, as Romania ranks lowest in the EU in terms of availability of MRI, CT and PET-CT equipment, resulting in consistently long waiting times for both public and private patients.

In August 2020, Morphosis Capital Fund I acquired a significant minority stake in Medima Health SA. The investment was structured to support rapid national expansion through both organic clinic openings and strategic acquisitions. The capital infusion aimed to scale the clinic network nationally while building senior management capabilities and headquarters infrastructure. Under Morphosis Capital's partnership, the company expanded from 1 to 28 clinics through 25 organic openings and 2 strategic acquisitions.

In October 2022, Integral Venture Partners joined as a co-investor through a partial exit transaction, creating a joint control structure to support the next phase of expansion. Following this partnership, the network has continued its growth trajectory, with ambitious development plans targeting 32 clinics by the end of 2026, positioning Medima as the second largest pure-play medical imaging provider nationally.

For further reading about the company, visit: https://medima.ro/.

Table 8: Key performance indicators - ERDF 2014-2020 Regional Fund-of-Funds.

Indicator	Target	Results[26]
Number of final recipients	20	11
Number of final recipients with less than 3 years since incorporation at date of first investment	n/a	2
Number of employees at time of investment	n/a	650
Investment amount to final recipients	EUR 78 million	EUR 70 million

Source: EIF.

JEREMIE Romania Reflows Equity Instrument

The JEREMIE Romania Reflows Equity Instrument operates without formal investment targets or indicators, but each participating fund is required to invest at least an amount equivalent to the JEREMIE contribution in Romania. The instrument benefits from a more flexible structure than its predecessor ERDF-based schemes, allowing investments in multi-country funds and under a more favourable state aid framework. This increased flexibility is expected to drive higher leverage, compensating for the absence of an ex-ante leverage requirement. While the ERDF instruments emphasised ecosystem development and higher-risk segments, the JEREMIE Reflows funds focus on performance, with expectations of profitability as a result of their operational freedom and diversified investment strategies.

26 Results as at 31 December 2024.

LUMEN

Sector: Technology
Fund of funds: JEREMIE Romania Reflows Equity Instrument
Fund of funds manager: EIF
Fund: Catalyst Romania Fund II
Co-investors: EIC, Tigrim Capital, SeedBlink
Total value of the investment: EUR 5m
Location: Cluj-Napoca
Year invested: 2024

.lumen is a Romanian deep-tech start-up founded in May 2020 by inventor and entrepreneur Cornel Amariei, focused on enabling autonomous navigation for visually impaired individuals. The company developed the groundbreaking Pedestrian Autonomous Driving (PAD AI) system, initially implemented in its flagship product, the Glasses for the Blind. These glasses replicate and even surpass the functionality of a traditional guide dog, offering safe and intelligent navigation using advanced haptic feedback, 3D perception and semantic understanding of the environment – all without requiring internet connectivity or pre-mapped locations. With a multidisciplinary team of 50 engineers and scientists, .lumen aims to address the needs of over 330 million visually impaired people worldwide by providing a scalable, tech-driven alternative to conventional mobility tools like canes and guide dogs.

In January 2024, .lumen successfully closed a EUR 5 million investment round to support the commercialisation of its Glasses for the Blind and further develop its PAD AI technology. The round was led by Catalyst Romania, with additional backing from the European Innovation Council (EIC) Fund, Tigrim Capital, and a EUR 1 million crowdfunding contribution raised in just seven hours through SeedBlink. The funding will support the European launch of the first-generation product, advance regulatory efforts, and accelerate international market expansion, including into the U.S. The investment also brings strategic expertise to .lumen's next growth phase while reinforcing its identity as a flagship of Romanian and European innovation.

For further reading about the company, visit: https://www.dotlumen.com/.

As of 2023, the three funds under the instrument have deployed more than half of their committed capital (EUR 242 million), although no full exits have been recorded yet, given the early stage of the investment cycle. Notable recent investments include ESX Intel World, a fitness subscription platform backed by Catalyst Romania and BMF Grup, Romania's largest integrated facility management provider, financed by Sarmis Capital. While these funds will not fully wind down before 2031, a partial exit was reported by Syntaxis from a non-Romanian portfolio company, generating EUR 5 million in proceeds, with the JEREMIE Holding Fund benefiting proportionally. These early outcomes indicate strong market activity and future upside potential for the Romanian investment ecosystem.

Recovery Equity Fund of Funds (REF)

STAY FIT IRIDE SA

Sector: Retail/Consumer Products
Fund of funds: Recovery Equity FoF
Fund of funds manager: EIF
Fund: Morphosis Capital Fund II
Co-investors: -
Total value of the investment: -
Location: Romania
Year invested: 2024

Stay Fit Gym is the largest chain of fitness gyms in Romania by number of centers and the largest affordable fitness chain in the country. Founded in 2012 by three Romanian entrepreneurs, the company operates 56 fitness centers across 22 cities, offering extensive services including fitness equipment, aerobic and functional training classes, personal trainers and wellness facilities. All fitness centers are equipped with state-of-the-art equipment and target the affordable segment of the market, making fitness accessible to a broader population. The company addresses the growing demand for affordable fitness solutions in Romania's expanding wellness market.

In December 2021, Morphosis Capital Fund I acquired a majority stake in Stay Fit Iride SA. The investment was structured to support aggressive national expansion through both organic gym openings and strategic acquisitions of existing fitness centers. The capital infusion aimed to scale the gym network nationally while building professional management capabilities and operational infrastructure. Under Morphosis Capital's partnership, the company has expanded significantly from its initial footprint, executing multiple bolt-on acquisitions and organic openings to establish market leadership in the affordable fitness segment.

The partnership has delivered exceptional growth through a comprehensive buy-and-build strategy, with the network expanding through strategic acquisitions and new location developments. Stay Fit has benefited from enhanced operational management capabilities, professional team recruitment, and systematic expansion planning. The company maintains its position as the leading affordable fitness provider while building a scalable platform for continued national expansion across Romanian cities.

For further reading about the company, visit: https://stayfit.ro/ and https://www.fi-compass.eu/showcase-2024/morphosis-capital-shaping-wellness-romania (fi-compass Showcase Winner 2024) and Morphosis Capital: Shaping up wellness in Romania (fi-compass video).

The REF stands out as a flagship initiative that transformed the investment environment. Unlike traditional EU shared management financial instruments, the REF did not impose a strict deadline for final recipients to use funds, aligning instead with typical 10-12 year investment cycles. This flexibility improved absorption capacity and allowed funds to operate on commercial terms, while still delivering public policy objectives.

The REF has made notable progress since its launch, marking a strong start in meeting its strategic objectives. A major milestone of the REF was reached by the end of 2024, with EUR 212.5 million approved for commitment into 11 selected funds, in line with the relevant RRP milestone. This represents over 50% of the total target allocation of EUR 380 million, which is expected to be reached by June 2026. As of June 2025, approvals have reached EUR 242.5 million.

Morphosis Capital Fund II

Morphosis Capital Fund II, one of the equity funds under the REF, represents the evolution and scaling of the successful Fund I strategy, launched in 2024 with over EUR 120 million in committed capital – double the size of its predecessor. The fund is co-financed through the REF and the InvestEU Fund, with EIF continuing as anchor investor. Fund II has attracted capital from all three major international finance institutions – EIF, EBRD and IFC – making Morphosis the first Romanian-focused private equity fund to achieve this milestone, alongside commitments from European family offices and institutional investors.

Building on Fund I's proven track record, Fund II expands the investment strategy with larger ticket sizes (EUR 10-15 million per deal) and regional CEE scope, targeting 9-10 investments across Romania (70%) and neighboring markets including Bulgaria, Croatia, Czech Republic, Poland, Slovakia, and Slovenia (30%). The fund has already deployed 30% of investable capital within the first 10 months following first closing, demonstrating continued execution capabilities with three strategic investments: Romania Education Alliance (private education school network comprising Mark Twain International School and Little London Academy), Supermarket La Cocos (hard discount hypermarket chain), and EnduroSat (satellite technology company).

The portfolio continues to include companies in healthcare, consumer retail and B2B services, following a strategy of supporting scaling businesses in sectors with strong growth potential. Morphosis Capital Fund II's enhanced strategy emphasizes ESG integration, operational excellence, and sustainable growth, supported by an expanded team of 12 professionals and strengthened operating partner model to drive value creation across the enlarged regional portfolio.

By 30 June 2025, the funds supported by REF had made investments totalling EUR 481.21 million into 41 companies across several countries. Although the overall number of investments remains modest at this stage, with just over 40 companies financed, it reflects the early stage of the fund of fund's lifecycle and the longer lead times typically associated with equity investments.

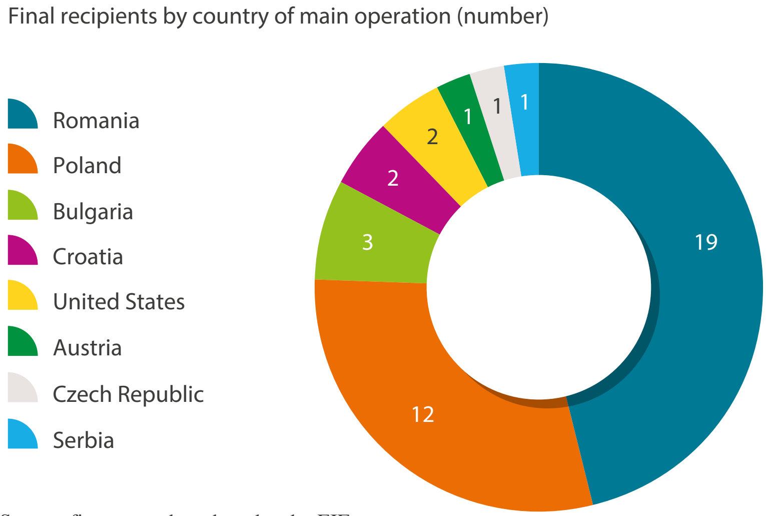
Table 9: Investment in final recipients - Recovery Equity Fund of Funds.

Fund	Investment volume	Active companies
AMC V	EUR 180 295 874	10
Booster Capital Fund	EUR 5 327 010	1
BrightCap Ventures II	EUR 3 365 760	5
Early Game Ventures Fund II	EUR 4 660 750	6
Evolving Europe Principal Investments Fund II	EUR 9 329 155	1
GapMinder Fund II	EUR 4 811 111	6
Innova 7	EUR 242 058 222	8
Morphosis Capital Fund II	EUR 24 859 135	3
Mozaik II	EUR 6 500 000	1
TOTAL	**EUR 481 207 017**	**41**

Source: EIF.

Among the total recipients, target recipients operating in Romania accounted for 19 out of the 41 investee companies, receiving EUR 119 million in total investments. The remaining companies are based in Poland (12), Bulgaria (3), Croatia and the United States (2 each) and one each in Austria, the Czech Republic, and Serbia.

Figure 4: Final recipients by country - Recovery Equity Fund of Funds.

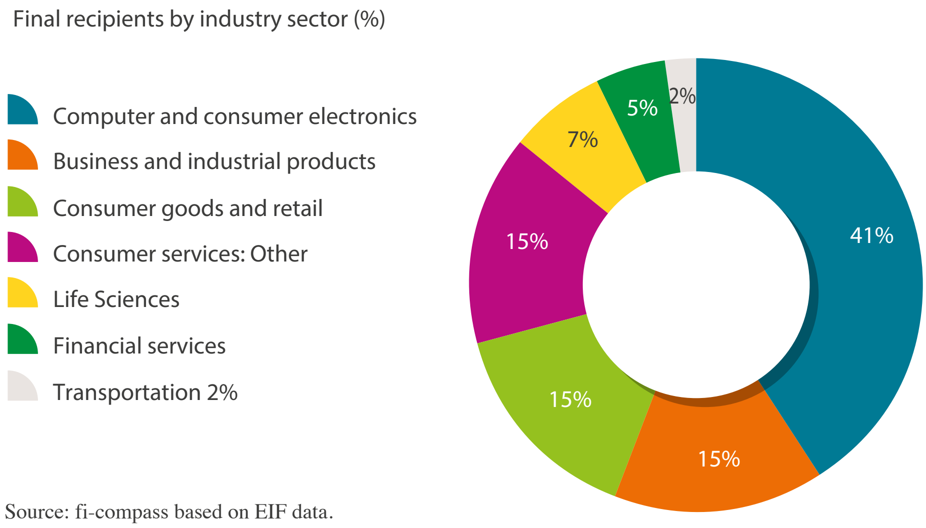


Source: fi-compass based on data by EIF.

Although conclusions about impact are premature due to the limited number of deals to date, one early insight is that REF's flexible investment conditions have allowed for a broad diversity of transactions across sectors and geographies. This flexibility is a critical strength, enabling responsiveness to emerging market opportunities and needs and crowding in international private investors, much needed given the inability of the Romanian private pension funds to make any substantial commitments into VC/PE.

The sectoral breakdown of investments in the Figure below illustrates this diversity.

Figure 5: sectoral breakdown of investments - Recovery Equity Fund of Funds.



Source: fi-compass based on EIF data.

Although the expected leverage effect of REF is difficult to quantify at this early stage, especially given that the first funds are large vehicles with small REF shares, preliminary indications suggest a strong multiplier. However, it is more realistic to assess this based on investments in Romania, where REF anticipates a leverage ratio of approximately 1.5x. This would translate to an estimated total investment of around EUR 600 million into Romanian enterprises over the fund's lifetime.

Furthermore, REF is on track to meet its minimum portfolio target of 100 companies, with the current figure at 23 and growing. As more funds close and begin deploying capital, the number of portfolio companies is expected to accelerate significantly.

EMI ROMANIA

Sector: Business and industrial products
Fund of funds: Recovery Equity Fund of Funds (REF)
Fund of funds manager: EIF
Fund: Innova 7
Co-investors: Morphosis Capital Fund I
Total value of the investment: EUR 15m
Location: Căteasca
Year invested: 2023

EMI Romania, part of the EMI Group, is a key player in the European industrial access solutions market, offering integrated, customized services across the full project lifecycle of industrial doors production, from consultancy and design to production, installation, and maintenance. Backed by strong financial partners and operating within a decentralised model, EMI Romania combines technical expertise, operational autonomy and a client-centred approach to deliver reliable, innovative, and flexible solutions across Europe.

Innova 7 acquired 51% of EMI Group through a partial buyout and EUR 15 million capital increase, joining founder Jerome France and Morphosis Capital. The latter had previously invested EUR 15 million in EMI in 2021. The investment supported by REF has funded EMI's international expansion strategy, with the new capital earmarked for follow-on acquisitions aimed at strengthening its position in current markets and entering new ones.

For further reading about the company, visit: https://emi.ro/?lang=en.

06 Lessons learned

6.1 Main success factors

Equity financial instruments as a catalytic tool for ecosystem development

A key success factor has been the strategic use of equity financial instruments as a suitable form of support for fostering Romania's VC and PE ecosystem. Equity instruments provided not only risk-tolerant capital to early- and growth-stage companies but also attracted professional fund managers and private investors. By aligning the risk-return expectations of diverse actors, equity has proven instrumental in building a sustainable pipeline of investee companies and anchoring long-term market development.

Timely adaptability to market needs

One of the key success factors in implementing equity financial instruments in Romania has been their ability to rapidly adapt to evolving market conditions and stakeholder expectations. This responsiveness ensured that instruments remained relevant and effective despite economic fluctuations or sector-specific shifts. Active engagement with market players, including financial intermediaries and investee companies, allowed for ongoing calibration of investment strategies, ticket sizes and sectoral focus, aligning funding supply with real market demand. Fund managers also stressed the importance of investing in resilient sectors during turbulent times and the agility to adapt to fast-changing environments and economic conditions.

Effective private capital mobilisation

Another major success factor has been the strong emphasis on private capital mobilisation through well-structured co-investment mechanisms. These instruments were specifically designed to reduce the perceived risk for private investors, thus encouraging their participation alongside public funds. This approach helped increase the total capital available for equity investments, improved leverage ratios, and fostered long-term partnerships with private investors.

Development of local fund management capacity

These equity instruments have contributed to domestic capacity-building in the investment sector. Romanian teams gained exposure to European best practices in due diligence, portfolio management, and investor relations. Over successive programming periods, this knowledge transfer has resulted in the establishment of several fully Romanian-led management teams, which now operate independently and attract private investors on their own merit.

Diversification of funding sources

Across programming periods, Romania maintained momentum by capitalising on a mix of funding sources. This continuity of support ensured deeper market reach and greater resilience of the equity ecosystem.

Transformative scale and design of the Recovery Equity Fund of Funds

The Recovery Equity FoF marked a turning point in Romania's equity landscape due to its unprecedented scale and operational flexibility. Building on the decade-long experience of earlier instruments, this fund introduced broader eligibility rules and larger funding envelopes, making it a game changer for the country. It enabled deeper market coverage, supported recovery-driven growth, and attracted a more diverse set of intermediaries and investors.

Institutional stability and EIF involvement

The consistent involvement of the EIF played a critical role in building investor trust and ensuring operational continuity across successive instruments. EIF's experience, market credibility and deep institutional knowledge helped establish robust governance frameworks and implementation structures. This continuity also allowed for the progressive improvement of fund design and monitoring practices, contributing to the professionalisation of Romania's equity ecosystem.

Flexibility of the JEREMIE Romania Reflows Equity Instrument

The reflows instrument allowed for increased flexibility in terms of investment scope and conditions, enabling fund managers to better tailor their strategies to market realities. This adaptability enhanced fund performance, widened the pool of eligible beneficiaries, and allowed for quicker decision-making processes, all of which contributed to greater absorption and effectiveness.

Leveraging private classification of EIB/EIF resources under ERDF 2014-2020

Under the 2014-2020 ERDF Regional FoF, an important enabler was the classification of EIB and EIF own resources as fully market economy investment. This distinction significantly simplified fundraising efforts by improving leverage ratios and reducing regulatory constraints.

6.2 Main challenges

One of the main challenges for ERDF 2014-2020 was to comply with the strict regulatory requirements to complete the ex-ante assessment process. These assessments, while crucial for ensuring alignment with market needs, consumed significant amount of time before the launch of the instruments.

The REF faced major hurdles due to the lack of detailed regulatory guidance under the RRF. Unlike ERDF, the RRF did not offer a clear framework for implementing financial instruments. This required the EIF to define the operational model progressively, in close cooperation with the EC and the Romanian authorities. A particularly complex challenge was the application of the DNSH principle, which necessitated long consultations to reach a workable solution.

Fund managers had to establish and maintain robust documentation, reporting systems and sophisticated implementation systems capable of withstanding strict audit and control requirements in relation to EU regulatory requirements. This created additional compliance burden, especially for smaller or newer intermediaries.

Under JEREMIE and ERDF 2014-2020, the misalignment between fund establishment timelines and the eligibility period of EU resources posed practical challenges. To ensure eligibility of costs while operational agreements were still pending, escrow accounts had to be used as a workaround. While effective, this solution introduced additional administrative burden and increased transaction complexity.

Private fundraising remained a persistent challenge in Romania. Domestic institutional investors, especially second-pillar pension funds (which are mandatory privately managed pension funds), face legal and regulatory constraints that limit their ability to invest in PE or VC. Thus, as of mid-2025, pillar II pension funds are allowed to invest between 1% of assets in EU and EFTA funds and 5% in REF-supported funds (however, the latter has been perceived by the PE and VC funds as unusable in practice due to lack of clarity). The ceiling for pillar III (optional) pension funds has been recently increased to 10%, however pillar III funds do not have anywhere near the capital of the pillar II ones. According to a recent press release by the Romanian PE and VC Association ROPEA[27], the legislation still requires clear implementing rules in order to have a significant impact on the market.

With the 2021-2027 MFF, holding fund management fees can only be eligible based on fund absorption or other performance measurements, which implies that certain fixed costs incurred during the preparatory phase in relation to setting up the instrument would not be eligible in case of non-performance.

Under the ERDF 2014-2020 Regional FoF strict sectoral and geographical restrictions limited the flexibility of the instrument. These constraints reduced the addressable market for fund managers, narrowed investment pipelines and complicated portfolio construction. As a result, some regions or promising projects may have been left underserved despite the availability of capital.

The macro-economic environment since 2021, marked by inflation, geopolitical uncertainty and investment caution, particularly in Romania which borders Ukraine, makes it harder to identify strong deal flow and attract private co-investors.

Additionally, recent changes in EU State aid rules, such as those under the GBER, weakened the classification of International Financial Institutions' own resources as private capital. This affects leverage potential and makes it harder to meet private participation thresholds.

27 ROPEA salută pașii făcuți pentru fonduri de pensii | ROPEA.

07 Outlook

According to the ex-ante assessment conducted by the Romanian managing authority for the Operational Programme for Smart Growth, Digitalization and Financial Instruments 2021–2027 (POCIDIF), the country still significantly lags behind in private equity penetration. Romania placed last in Europe in 2022 in terms of PE investment relative to GDP (0.025%), far below the CEE average of 0.13%. Bridging this gap would require EUR 2 billion in equity investments by 2027.

Innovation metrics are also with much room for improvement: despite Romania's commitment to better supporting and financing innovative SMEs and their RDI capacities, SMEs introducing business process innovation remains stagnant and Romania ranks last among EU27 Member States. In-house innovation activities are also well below the EU averages[28].

The Romanian National Research, Innovation and Smart Specialisation Strategy 2022-2027[29] (SNCISI) provides an important policy reference. It explicitly supports the formation of innovation ecosystems and public-private partnerships, aiming to stimulate innovative entrepreneurship, facilitate technology transfer, and foster start-up and scale-up growth, all of which are key ingredients for a flourishing VC/PE environment. In particular, SNCISI recognises that investments in RDI must be 'oriented towards added value and impact', and that this includes providing supportive infrastructure and co-funding instruments such as risk capital, incubation and acceleration. The strategy also sets ambitious targets to increase employment in innovative enterprises, double the rate of companies collaborating with research institutions and build functional innovation ecosystems around smart specialisation priorities, especially in emerging sectors, such as AI, advanced manufacturing, digital health, clean energy. In this context, the Innovation Romania Holding Fund (IRHF) is established to address the persistent equity financing gap and catalyse innovation-driven enterprise growth through three tailored equity instruments. The IRHF is designed as a holding fund structure managed by the EIF on behalf of the Romanian Government. With an allocation of EUR 106.7 million from POCIDIF, of which EUR 80 million from the ERDF, under Action 1.5.2 ('Smart development of enterprises: new models for business development and new technologies'), the IRHF aims to crowd in private capital while filling critical equity financing gaps, particularly in early-stage innovation.

The instrument is structured as an umbrella Fund-of-Funds model, meaning that the Holding Fund will not provide financing directly to final recipients. Instead, it will channel resources through Specific Funds managed by selected financial intermediaries. One of the central features of the model is the leverage of private capital. Public funding will be blended with private resources to amplify the overall investment impact, with State aid compliance and financial leverage requirements embedded into both the fund selection and governance processes. In terms of sustainability and continuity, the model supports lifecycle alignment by allowing for flexibility beyond the eligibility period for shared management funds. This is achieved by incorporating national resources to finance outstanding commitments and management costs, in line with Article 68(2) CPR, thereby potentially enabling continued investment into the next programming cycle.

28 https://ec.europa.eu/assets/rtd/eis/2025/ec_rtd_eis-country-profile-ro.pdf.
29 https://www.mcid.gov.ro/wp-content/uploads/2022/12/strategia-na-ional-de-cercetare-inovare-i-specializare-inteligent-2022-2027.pdf.

The EIF will oversee the selection of fund managers by launching CEoIs. Selected fund managers will be expected to commit their own resources through co-investment, ensuring alignment of interests and 'skin in the game'. The selection process will be based on EIF's due diligence and will evaluate candidates according to the quality and credibility of their investment strategy, alignment with identified market needs and their capacity to attract and mobilise private capital alongside public contributions.

The IRHF will offer three key equity instruments, without pre-allocations, allowing flexibility in adapting to market needs:

Co-Investment Fund

This fund supports early-stage companies through proof-of-concept, seed and start-up phases. The EIF will be the anchor investor, with fund managers required to bring in a minimum threshold of private capital per investee. Designed to attract business angels and venture capitalists, this instrument allows both minority and majority stakes (excluding founder shares) and aims to stimulate the development of syndicated deals in Romania.

Accelerator Fund

Built upon the successful model from the 2014-2020 Competitiveness OP, this fund supports very early-stage start-ups through acceleration programs. It includes competitive application windows to select beneficiaries and requires financial intermediaries to offer mentorship, advice and potentially international partnerships. It emphasises follow-on funding to support companies beyond their initial growth stage.

Technology Transfer Fund

Targeting spin-offs and research outputs from universities and public research institutes, this fund addresses Romania's longstanding gap in technology transfer. It aims to facilitate IP commercialisation, prototyping and market entry through deep involvement by fund managers in IP valuation and tech development. Activities include licensing, patent sales and scaling-up innovation projects tied to academic research.

The Specific Funds will invest in final recipients that meet the following criteria:

- Established in Romania (HQ or operational branch);
- Main business activities are (or will be) located in Romania;
- Financial viability confirmed by fund manager's internal assessment;
- Size eligibility: SMEs (as per EU SME definition) or small mid-caps.

The selection process will prioritise scalable, innovation-driven companies with potential for long-term growth. While early-stage enterprises with minimal current operations in Romania are allowed, a business plan demonstrating intent to scale Romanian operations is required.

By the end of the fund term, a majority of investments are expected to comply with both establishment and operational presence in Romania, promoting national economic development objectives.

The launch of the IRHF during the 2021-2027 period presents a timely intervention in a structurally underserved market. The model balances flexibility, accountability and alignment with EU and national policies.

One of the key strengths of the IRHF lies in its market-building potential. By offering a continuum of financing tools across different development stages, the fund aims to foster a well-functioning innovation financing ecosystem, effectively bridging the gap from lab to market. In addition, the EIF plays a catalytic role in this structure. Through its rigorous selection processes and deep market expertise, the EIF acts as a quality filter that enhances investor confidence and crowds in private capital.

Beyond direct support to businesses, the IRHF is also conceived as a capacity-building mechanism. The strategy places a strong emphasis on developing the local investment landscape, particularly by nurturing the capabilities of emerging fund managers and strengthening regional networks. This dual focus on investment and ecosystem development is essential to achieving long-term impact.

In the 2021-2027 programming period, Romania is broadening its equity and quasi-equity financing offer through regional programmes as well. Alongside the national instrument under the Smart Growth, Digitalisation and Financial Instruments Programme, three Regional Operational Programmes – North-West, West, and Centre – are advancing equity-based financial instruments targeting young, innovative companies using new technologies. In the North-West region, the instrument combines equity and quasi-equity financing with a grant element of EUR 1.5 million, to be delivered through *de minimis* State aid, to support start-ups and SMEs at early stages of development. The West and Centre regions have opted for models involving only equity and quasi-equity investments. The combined EU budget allocated from ERDF to these regional initiatives amounts to EUR 60 million, of which EUR 34 million are being invested in West, EUR 20 million in North-West, and EUR 6 million in Centre. Implementation is progressing at different stages: in the North-West Region, the selection procedure is ongoing and expected to conclude in Q4 2025. In the West Region, two separate procedures are underway; one for a Business Acceleration Financial Instrument (IFAA), estimated to be finalised in 2025, and another for a Venture Capital Financial Instrument (IFVC), with an expected completion date in November 2025. Meanwhile, the Centre Region has finalised the public procurement procedure for selecting the Fund Manager, and the instrument is expected to become fully operational in Q2 2026.

Additional synergies are expected with the future activation of the Investment and Development Bank (IDB) as a fund-of-funds manager by around 2028, potentially adding scale and strategic direction to Romania's equity ecosystem. Furthermore, some regional development agencies are preparing to launch smaller ERDF-financed regional programmes, which may fill in territorial gaps and support local innovation ecosystems, complementing national-level efforts. However, sustained coordination will be necessary to avoid overlaps and ensure these initiatives work in synergy to maximise developmental impact.

In parallel, national initiatives such as **ROStartup** and **Rubik Hub** are playing an important role in strengthening Romania's entrepreneurial and equity-investment ecosystem as well. ROStartup, functioning as an umbrella organisation for Romanian startup-enablers, brings together incubators, accelerators and ecosystem actors and provides capacity-building, policy advocacy, internationalisation support and financial aid to those organisations. RoStartup is currently receiving EUR 15 million of ERDF resources under PoCIDIF to consolidate its position as a national entrepreneurial hub providing one-stop-shop support to ecosystem actors. Meanwhile, Rubik Hub – founded in 2017 in Piatra Neamț, in the North-East Region of Romania – offers a "complete startup journey" via ideation programmes, pre-acceleration, accelerator tracks (including scale-up and "Ready to Raise"), mentorship, coworking facilities and access to funding, having supported over 300 startups and raised over EUR 55 million in capital. Together, these initiatives help create a stronger deal-pipeline, enhance the investment readiness of early-stage companies and ensure better absorption and impact of forthcoming equity instruments.

Looking ahead, the success of the current funds may pave the way for future expansions under the next programming period (post-2027), especially if re-investments of returns and additional national budget support are maintained. Continued monitoring, adaptive CEoIs and policy alignment will be key to unlocking Romania's innovation and equity investment potential.

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