

RESEARCH REPORT

On the financing needs and market potential for the establishment of a Social Investment Fund in Romania

November 2025

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This market study was developed with the purpose of assessing the demand for financing instruments among social-impact organisations in Romania, as well as the availability, expectations and appetite of potential investors in a Social Investment Fund of this type.

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PART A. CONTEXT ANALYSIS AND BENCHMARKING

1. OVERVIEW OF ROMANIA'S SOCIAL ECONOMY AND ITS ACCESS TO FINANCE IN THE EU CONTEXT

1.1. Conceptual context

One of the most important and recent landmarks in grasping the 'Social Economy' term is provided by the CIRIEC report "The Social Economy in the European Union" (2007), commissioned by the European Economic and Social Committee (**EESC**). This report was the first comprehensive mapping of the social economy in the EU-25 and proposed a widely adopted definition of the sector. CIRIEC grouped the social economy into four main clusters: Cooperatives, Mutual societies, Associations, and Foundations. The EESC defines the Social Economy as: "*the set of private, formally-organised enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote, or at all events are decided through democratic, participatory processes. The Social Economy also includes private, formally organised entities with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control or finance them*" (EESC, 2016). Therefore, according to CIRIEC's definition, the two sub-sectors of the social economy share several core characteristics, as follows: 1) they are private entities, independent from public sector control, and formally organized with a legal identity; 2) they enjoy a certain degree of decision-making autonomy, including the ability to appoint and remove their governing bodies, and operate on the principle of voluntary and open membership; 3) at the end of the year, when profits or surpluses are distributed, they are allocated based on members' participation in the organization's activities rather than the amount of capital contributed; 4) these organizations engage in genuine economic activity aimed at meeting the needs of individuals, households, or communities, emphasizing that they are people-centred rather than capital-centred; 5) they are structured as democratic organizations, ensuring equal participation in decision-making.

More recently, the 2025 edition of the ADV's Social Economy Barometer (Iftimoaei & Gabor, 2025), brought forward several other key **strategic documents** that have been adopted to support the development of the social economy:

- 1) The EU Social Economy Action Plan – providing a comprehensive European-level framework to strengthen the sector (European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2021).
- 2) The Council Recommendation on Developing Social Economy Framework Conditions, adopted by the Council of the EU on 27 November 2023, which sets out the political, legal, and economic framework necessary for the social economy to reach its full potential.
- 3) Commitments made by 23 EU Member States at the first Informal Conference of European Ministers for the Social Economy (Paris, 17 February 2022) and at the Strasbourg Conference "The Social Economy, the Future of Europe" (5–6 May 2022, organized under the French Presidency of the Council of the EU), with Romania among the signatories.
- 4) The San Sebastián Manifesto, signed on 14 November 2023 by 19 EU Member States (including Romania), at the initiative of the Spanish Presidency of the Council of the EU, together with the

European Economic and Social Committee, the European Committee of the Regions, and Social Economy Europe. The manifesto highlights the importance of implementing the Council Recommendation on developing social economy framework conditions at the national level, particularly through the development and implementation of comprehensive strategies that recognize and stimulate the social economy, or by adapting existing national strategies accordingly.

- 5) The OECD Recommendations on the *Social and Solidarity Economy* and *Social Innovation*, as well as the United Nations Resolution on the Social and Solidarity Economy (more about that in the next paragraph).

One has to understand that a more recent term than the classic “Social Economy” concept is “**Social and Solidarity Economy**” (SSE), which appears in various international reference documents. The International Labour Organization (*ILO*) defines SSE “as a concept including organizations and enterprises producing goods, services, and knowledge while pursuing social and economic objectives, emerges as a response to the need for innovation within the current model of production and consumption” (Di Meglio *et al.*, 2014). ILO highlights principles such as democratic governance, autonomy, primacy of people over capital, and reinvestment of surpluses for sustainable development and collective benefit. In 2023, the United Nations (*UN*) General Assembly Resolution recognizes the resolution of the ILO concerning the SSE, adopted in June 2022 (where SSE includes cooperatives, associations, mutual societies, foundations, social enterprises, self-help groups and other entities operating in accordance with the values and principles of the social and solidarity economy) and acknowledges that the SSE can contribute to the achievement and localization of the Sustainable Development Goals (United Nations, 2023) and urges Member States to support SSE policies, financing, and institutional frameworks. Finally, in its 2024 Report, *OECD* provides a sound definition of the concept, mentioning that SSE “... encompasses organisations such as associations, co-operatives, mutual societies, foundations, and social enterprises, whose activities are driven by societal objectives, values of solidarity, the primacy of people over capital and participatory governance” (OECD, 2024). In the process, OECD firmly reaffirms how complicated the efforts are to produce internationally comparable SSE statistics, given the diversity in defining the social and solidarity economy across countries, and even within countries across states or cities.

In addition to the concepts of Social Economy and Social and Solidarity Economy, two other approaches frequently appear in policy discourse. One of these is the notion of the “*third sector*,” commonly used in Anglo-Saxon countries. Initially, it referred primarily to non-entrepreneurial entities such as associations, voluntary groups, and foundations. However, over time, its scope has broadened to encompass the wider civil society, including cooperatives, community-based organizations, self-help and mutual aid groups, and other forms of civic engagement. The other commonly used notion is that of the “*non-profit sector*”, a concept originating in the United States. Entities classified under this umbrella are expected to have a must have an institutional structure and presence, be private, self-governing, non-profit distributing, and rely on voluntary participation. However, this particular concept does not fully reflect the EU reality, where the social economy is characterized primarily by cooperatives, associations, and mutual benefit societies, rather than by foundations, which remain the most widespread legal form in the United States.

In **Romania**, the social economy brings together organizational forms such as associations, foundations, mutual societies, and production and service cooperatives, which provide economic solutions to the social problems faced by individuals or groups in situations of difficulty or risk – such as poverty, marginalization, discrimination, and social exclusion (Petrescu & Negruț, 2018). In Romania’s national legislation, the social economy is defined as the *set of activities organized independently of the public sector, whose purpose is to serve the general interest, the interests of a community, and/or non-patrimonial personal interests by increasing the employment rate of people from vulnerable groups and/or by producing and supplying goods, providing services, or carrying out works*. The social economy represents the materialization of private, voluntary, and solidarity-based initiatives aimed at addressing the socio-economic problems faced by individuals and groups in various situations of difficulty. Social enterprises contribute to strengthening economic and social cohesion, to job creation, and to the development of social services within an

environmentally friendly framework. The objectives pursued by the social economy are fully aligned with the aspirations of sustainable development set out in the 2030 Agenda, which are also operationalized in Romania's National Sustainable Development Strategy (2018–2030).

A defining moment in the development of the social economy in Romania was the adoption of **Law no. 219/2015 on the Social Economy**, following a legislative process that lasted approximately five years (Iftimoaei & Gabor, ADV & SFA Romania, 2025). Law no. 219/2015 marked a turning point, as it provided a coherent legal foundation and formally recognized the social economy as an integral component of the national economy. Importantly, the law offered a clear definition of the social economy and articulated its core principles – solidarity, the pursuit of the general interest, and the labour-market integration of vulnerable groups. The legislation also introduced well-defined criteria for obtaining social enterprise status, including the special category of Work Integration Social Enterprises (WISEs), which carry specific commitments to employ disadvantaged individuals. In addition to establishing conceptual clarity, Law no. 219/2015 and its 2016 implementing norms created practical support mechanisms for social enterprises, such as tax incentives, access to grant funding, and eligibility for inclusion in public programmes.

However, these **support mechanisms** have proven insufficient in practice. They remain too limited and, in many cases, difficult to access or apply. The absence of effective alignment with secondary legislation – including the Administrative Code, the Fiscal Code, and the Unemployment Law – undermines the coherent implementation of the law's provisions. Furthermore, not all competent authorities have fully assumed their role in developing the sector. A notable example is the Ministry of Economy, which has yet to launch a national funding programme for social enterprises, despite this responsibility being explicitly stipulated in the legislation.

In Romania, entities operating within the social economy sector are **diverse in terms of legal form** but are united by their adherence to the principles of solidarity, social responsibility, democratic participation, and the reinvestment of surplus for social purposes. These include:

- ✓ Non-governmental organizations (NGOs) – *associations* and *foundations* that carry out economic activities to support their social mission and provide services of public interest.
- ✓ Cooperatives – particularly consumer, production, agricultural, and craft cooperatives, which operate on the principle of mutuality and the shared benefit of their members.
- ✓ Mutual Benefit Societies (MBSs) (*'Case de Ajutor Reciproc' – CARs*) – community-based microfinance entities that play an important role in improving access to financial resources for individuals, especially those in disadvantaged areas.
- ✓ Authorized social enterprises, including Work Integration Social Enterprises (WISEs) – which may take the legal form of a Limited Liability Company (LLC), joint-stock company (SA), or federation, provided they meet the requirements of Law no. 219/2015 on the Social Economy. These enterprises pursue clear social objectives, respect the principle of profit reinvestment, and contribute to the socio-professional integration of individuals belonging to vulnerable groups.

The primary role of social economy entities is to generate economic value while simultaneously creating positive social impact – by providing jobs for disadvantaged individuals, delivering social and educational services, building social capital, and strengthening local communities. They play an active part in achieving the Sustainable Development Goals and in modernizing public policies on inclusion and solidarity. A defining feature of social enterprises is their ability to deliver innovative, sustainable solutions to complex social problems by using market-based mechanisms. Among authorized social enterprises, Work Integration Social Enterprises (WISEs) hold a special place: their core mission is to integrate vulnerable individuals – such as long-term unemployed persons, people with disabilities, youth leaving state care, homeless persons, or those with a criminal record – into both the labour market and society. They combine economic activity with a clearly articulated social mission and reinvest the majority of their profits for social purposes.

1.2. Some figures on the social economy

Because neither academics nor practitioners agree on a single definition of the SE, we will provide a picture of the overall extent of the SE using the definition covered by the **Social Economy Action Plan (SEAP)**. According to the 2021 European Commission SEAP, the social economy incorporates four types of entities, or ‘families’, including entrepreneurial and non-entrepreneurial initiatives as well as organisations promoting the interests of their members and organisations pursuing objectives of general interest, namely: **cooperatives, mutual benefit societies, associations** (including charities), **foundations**, plus **social enterprises**, as a recent, crosscutting dynamic within the social economy. *Social enterprises deserve separate consideration since they do not refer to a specific legal entity. They are transversal, cutting across diverse legal forms of the social economy and, under specific conditions, even beyond.*

According to Varga & Hayday (2018), a social enterprise is “an undertaking, regardless of its legal form, which: i) in accordance with its Articles of Association, Statutes or any other statutory document establishing the business, has as its primary objective the achievement of measurable, positive social impacts, rather than generating profit for its owners, members and shareholders, where the undertaking: a) provides services or goods which generate a social return and/or; b) employs a method of production of goods or services that embodies its social objective; ii) uses its profits first and foremost to achieve its primary objective and has in place predefined procedures and rules for any circumstances in which profits are distributed to shareholders and owners in order to ensure that any distribution of profits does not undermine the primary objective; iii) is managed in an entrepreneurial, accountable and transparent way, in particular by involving workers, customers and/or stakeholders affected by its business activities (5).

(i) The number of entities operating in the social economy in Romania and the EU

According to the data provided by the ‘Benchmarking the socio-economic performance of the EU Social Economy’ (European Commission: European Innovation Council and SMEs Executive Agency, Euricse, CIRIEC, & Spatial Foresight, 2024), across the EU-27, the social economy encompasses over **4.3 million entities**, primarily cooperatives, mutual aid associations, associations, and foundations. In some countries, additional legal forms are also recognized by national or regional legislation as part of the social economy or meet the operational criteria applied in this study. The data also includes a small number of limited liability companies (LLCs) that qualify as *social enterprises*, although these represent only a very minor share of the total.

Table 1.1. The number of social economy entities in the EU-27 by legal form

| Country | Total | Total (per 1,000 population) | Cooperatives | Associations | Foundations | MBSs | Other |
|----------|-----------|------------------------------------|--------------|----------------------|-------------|--------------------|-------|
| Austria | 136,936 | 15.33 | 1,655 | 128,414 | 3,143 | 24 | 3,700 |
| Belgium | 17,396 | 1.51 | 641 | 16,301 | 231 | 87 | 136 |
| Bulgaria | 8,609 | 1.32 | 2,000 | 5,769 ^(b) | 839 | 0 | 1 |
| Croatia | 26,972 | 6.93 | 742 | 25,941 | 207 | 0 | 82 |
| Cyprus | 1,526 | 1.67 | 75 | 331 | 190 | 830 | 100 |
| Czechia | 113,737 | 10.84 | 12,915 | 97,574 | 2,909 | 0 | 339 |
| Denmark | 132,078 | 22.62 | 2,067 | 122,331 | 7,533 | n/a ^(c) | 147 |
| Estonia | 44,552 | 33.50 | 6,045 | 37,953 | 398 | 0 | 156 |
| Finland | 21,492 | 3.88 | 3,500 | 16,386 | 1,432 | 37 | 137 |
| France | 1,530,540 | 22.60 | 22,600 | 1,500,000 | 5,320 | 620 | 2,000 |
| Germany | 650,057 | 7.82 | 6,966 | 615,759 | 24,650 | n/a | 2,682 |

| Country | Total | Total (per 1,000 population) | Cooperatives | Associations | Foundations | MBSs | Other |
|-------------|-----------|------------------------------------|------------------|--------------|-----------------------|--------------------|--------|
| Greece | 27,762 | 2.60 | 6,925 | 20,203 | 532 | 6 | 96 |
| Hungary | 60,644 | 6.28 | 3,455 | 34,811 | 18,728 | 49 | 3,601 |
| Ireland | 13,038 | 2.57 | 1,172 | 1,277 | 395 | 46 | 10,148 |
| Italy | 406,709 | 6.87 | 55,237 | 311,423 | 8,319 | n/a ^(d) | 31,730 |
| Latvia | 26,270 | 13.88 | 1,674 | 22,863 | 1,540 | 0 | 193 |
| Lithuania | 7,474 | 2.66 | 343 | 1,951 | 213 | 0 | 4,967 |
| Luxembourg | 2,179 | 3.43 | 7 ^(e) | 2,097 | 36 | 9 | 30 |
| Malta | 2,859 | 5.54 | 73 | 2,781 | n/a ^(f) | 0 ^(g) | 5 |
| Netherlands | 45,010 | 2.58 | 3,285 | 41,725 | n/a ^(f) | n/a ^(c) | |
| Poland | 97,468 | 2.63 | 1,300 | 79,300 | 16,800 | 11 | 57 |
| Portugal | 73,574 | 7.08 | 2,174 | 70,315 | 618 | 91 | 376 |
| Romania | 128,176 | 6.68 | 2,043 | 100,775 | 17,811 | 5,216 | 2,331 |
| Slovakia | 57,012 | 10.44 | 1,444 | 48,206 | 477 | 0 | 6,885 |
| Slovenia | 26,978 | 12.79 | 407 | 22,745 | 264 | 1 | 3,561 |
| Spain | 406,821 | 8.58 | 23,675 | 350,089 | 9,218 | 226 | 23,613 |
| Sweden | 264,457 | 25.48 | 78,103 | 163,364 | 20,783 ^(h) | 9 | 2,198 |
| EU-27 | 4,330,326 | 9.71 | 240,523 | 3,840,684 | 142,586 | 7,262 | 99,271 |

Note: (a) Calculated using the 2021 population data from the Eurostat database. (b) Data on associations refers to 'non-profit entities for public benefit'. (c) Data on mutual benefit societies is included under cooperatives. (d) Data on mutual benefit societies is included under 'other legal forms' except for mutual insurance societies, which are included under cooperatives. (e) Partial data on cooperatives as the Luxembourg and Polish Satellite Accounts, partially cover the cooperative sector. (f) Data on foundations is included under associations. (g) This figure does not include two mutuals in Malta that are subsidiaries of a Spanish mutual insurance company. (h) Both foundations and other funds are included in this figure. In addition, 2021 was the main reference and, if data were not available for that year, the nearest year was used.

"Other" include in each country as follows: Austria: Agrarian commons (3,046); LLC (654); Belgium: PLC with social enterprise recognition; Bulgaria: LLC and partnerships; Croatia: LLC founded by associations, general-interest companies; sheltered workshops; Cyprus, Estonia, Finland, Germany, Latvia, Malta, Romania: LLC; Czechia: Churches (251); LLC (88); Denmark: LLC, PLC, public LC, partnerships; France: SSE commercial companies; Greece: LLC, civil companies, consortia; Hungary: Non-profit companies; Ireland: CLG (9819), CLS/other entities (329); Italy: Other NPIs (30,634); LLC (1,096); Lithuania: 4,967 Public enterprises (4,845), WISEs (122); Luxembourg: 30 Societal impact companies; Poland: Non-profit companies; Portugal: Holy Houses of Mercy; Slovakia: 6,885 NGOs, non-investment fund, facilities, LLC; Slovenia: Private institutes (3,528), LLC (33); Spain: Labour societies; fishermen guilds; etc. Sweden: Registered religious communities.

Source: *Benchmarking the socio-economic performance of the EU Social Economy (European Commission: European Innovation Council and SMEs Executive Agency, Euricse, CIRIEC, and Spatial Foresight, 2024) and Eurostat database*

As seen in Table 1.1, **Romania** has a total of **128,176** social economy entities, placing it among the countries with a relatively large number of organizations in the EU-27. Nevertheless, the per capita figure (6.68 entities per 1,000 population) is below the EU-27 average (9.71) and is comparable to other Central and Eastern EU countries, such as Croatia and Hungary. Around 78% are associations, which confirms that the associative model is the dominant legal form for social economy activity in Romania and reflects the country's strong tradition of civil society organizations. The number of foundations is also significant, showing that philanthropic and grant-making activity is well represented. A particularly distinctive feature of Romania's profile is the very high number of mutual benefit societies, which make up more than 4% of all entities, one of the highest proportions in the EU. These consist mainly of 'Case de Ajutor Reciproc' (MBSs). By contrast, cooperatives remain underdeveloped compared to countries like Italy (55,237) or Spain (23,675), reflecting the difficulties faced by this sector in post-transition Romania, including a lack

of modernization and persistent negative historical associations. The remaining category ('Other entities') includes primarily LLCs that either have a public benefit status or are registered as social enterprises under Law 219/2015 on the Social Economy.

As mentioned earlier, **social enterprises are not tied to a single legal form** but cut across various organizational types within and beyond the social economy, most commonly emerging as *associations, cooperatives, or foundations*. Their rise has been driven by the need to address societal and vulnerable groups' challenges, rooted in values such as solidarity, self-help, and participation. In some cases, they have evolved from conventional enterprises that strengthened their *social commitment*. The choice of legal form often reflects national traditions and cultural attitudes toward cooperatives and nonprofits — for instance, associations have become more entrepreneurial in welfare service delivery in countries like France, while in Central and Eastern Europe, legal forms predating the social enterprise concept are frequently used. Cooperatives remain an effective vehicle where they enjoy positive reputations, whereas in other contexts, social enterprises are set up as *conventional companies*, sometimes under the control of social economy entities or umbrella organizations investing in capital-intensive sectors such as health. Regardless of their form, such enterprises must adapt their governance and operations — legally or voluntarily — to **pursue explicit social aims, commit to the general interest, and respect mechanisms** like asset locks and profit distribution constraints.

One trend includes several countries that have introduced ad hoc legislation to create new cooperative forms (e.g., Italy's social cooperatives, France's SCICs, Portugal's solidarity cooperatives), which institutionalize multi-stakeholder participation and are considered *ex lege* social enterprises when they align with the operational definition adopted in the study. A second major trend in the legal recognition of social enterprises is the creation of specific legal statuses, qualifications, or accreditation schemes that can be adopted by eligible entities — including conventional companies — provided they meet defined criteria. A more recent development has been the recognition of social enterprises within the broader frameworks of the social economy, social and solidarity economy, or third sector, thereby strengthening their link to the values of solidarity and collective benefit, particularly for those established as traditional companies. Nonetheless, identifying social enterprises remains especially complex in countries where no legal recognition exists, as many operate solely as *de facto* social enterprises — either as reconfigured traditional social economy entities or as conventional companies that voluntarily align with the social enterprise definition.

When referring to the actual numbers, the 'Benchmarking the socio-economic performance of the EU Social Economy' estimates the functioning of more than **246,000 social enterprises** across the EU, of which nearly 43,000 are explicitly recognized under national legislation (*ex lege*), while more than 203,000 operate as *de facto* social enterprises. Notably, even in countries where a legal status for social enterprises exists, most continue to adopt legal forms not specifically designed for them. This reflects persistent structural barriers — including gaps in legislation, such as the absence of sufficient fiscal incentives to reward their social mission — as well as a lack of self-identification among many organizations that could potentially qualify as social enterprises. Approximately 89% of all social enterprises still fall within one of the four traditional "families" of the social economy (cooperatives, mutuals, associations, and foundations).

Table 1.2. Estimated number of social enterprises in the EU-27 by legal form

| Country | Total | Cooperatives | Associations | Foundations | MBSs | Other |
|----------|-------|--------------|--------------|-------------|------|-------|
| Austria | 3,107 | 96 | 2,151 | 206 | 0 | 654 |
| Belgium | 1,006 | 463 | 407 | 0 | 0 | 136 |
| Bulgaria | 7 | 0 | 3 | 3 | 0 | 1 |
| Croatia | 526 | 93 | 346 | 5 | 0 | 82 |
| Cyprus | 190 | 20 | 50 | 20 | 0 | 100 |

| Country | Total | Cooperatives | Associations | Foundations | MBSs | Other |
|----------------------------|---------|--------------|--------------|-------------|-------|--------|
| Czechia | 198 | 51 | 56 | 0 | 0 | 91 |
| Denmark | 951 | 5 | 734 | 65 | 0 | 147 |
| Estonia | 381 | 5 | 203 | 17 | 0 | 156 |
| Finland | 2,488 | 295 | 1,741 | 315 | 0 | 137 |
| France | 79,544 | 1,931 | 74,427 | 566 | 620 | 2,000 |
| Germany | 50,162 | 1,939 | 44,681 | 860 | 0 | 2,682 |
| Greece | 3,390 | 3,261 | 27 | 0 | 6 | 96 |
| Hungary | 16,412 | 1,027 | 9,381 | 3,770 | 0 | 2,234 |
| Ireland | 4,335 | 173 | 0 | 0 | 0 | 4,162 |
| Italy | 25,868 | 15,016 | 3,665 | 1,420 | 0 | 5,767 |
| Latvia | 241 | 0 | 48 | 0 | 0 | 193 |
| Lithuania | 1,734 | 0 | 449 | 49 | 0 | 1,236 |
| Luxembourg | 865 | 0 | 835 | 0 | 0 | 30 |
| Malta | 9 | 4 | 0 | 0 | 0 | 5 |
| Netherlands ^(a) | 1,185 | 250 | 935 | 0 | 0 | n/a |
| Poland | 21,106 | 1,300 | 19,749 | 0 | 0 | 57 |
| Portugal | 8,350 | 435 | 7,117 | 331 | 91 | 376 |
| Romania | 9,090 | 9 | 1,435 | 93 | 5,222 | 2,331 |
| Slovakia | 1,297 | 7 | 124 | 1 | 0 | 1,165 |
| Slovenia | 6,211 | 59 | 5,583 | 20 | 0 | 549 |
| Spain | 3,064 | 617 | 0 | 0 | 0 | 2,447 |
| Sweden | 5,061 | 1,172 | 3,889 | 0 | 0 | n/a |
| EU-27 | 246,778 | 28,228 | 178,036 | 7,741 | 5,939 | 26,834 |

Note: (a) The figure for the Netherlands does not include social enterprises with legal forms other than cooperatives, associations, mutual societies, and foundations, as the data sources do not enable an estimate. In addition, 2021 was the main reference and, if data were not available for that year, the nearest year was used.

“Other” include in each country as follows: Austria, Germany: LLC with/without public benefit status; Belgium: PLC with a social enterprise recognition; Bulgaria: LLC and partnerships; Croatia: LLC founded by associations pursuing general interest, LLC pursuing explicit social aims and operating as non-profits and sheltered workshops; Cyprus, Estonia, Finland, Latvia, Malta and Romania: LLC; Czechia: Registered religious legal entities (3) and LLC (88); Denmark: LLC, PLC, public LC, entrepreneurship and partnership company; France: Social and solidarity economy commercial companies; Greece: LLC, civil companies and consortia; Hungary: Non-profit companies; Ireland: CLG, CLS, unincorporated and other entities; Italy: Other non-profit institutions (4 671), LLC and partnerships (1 096); Lithuania: Public enterprises (1 114) and WISEs (122); Luxembourg: Societal impact companies; Poland: Non-profit companies and LLC; Portugal: Holy Houses of Mercy; Slovakia: NGOs providing general-purpose services (569), purpose-built church facility (119) and LLC (477); Slovenia: NGOs operating in public interest, private institutes and LLC (33); Spain: Labour insertion companies, special disabilities employment centres.

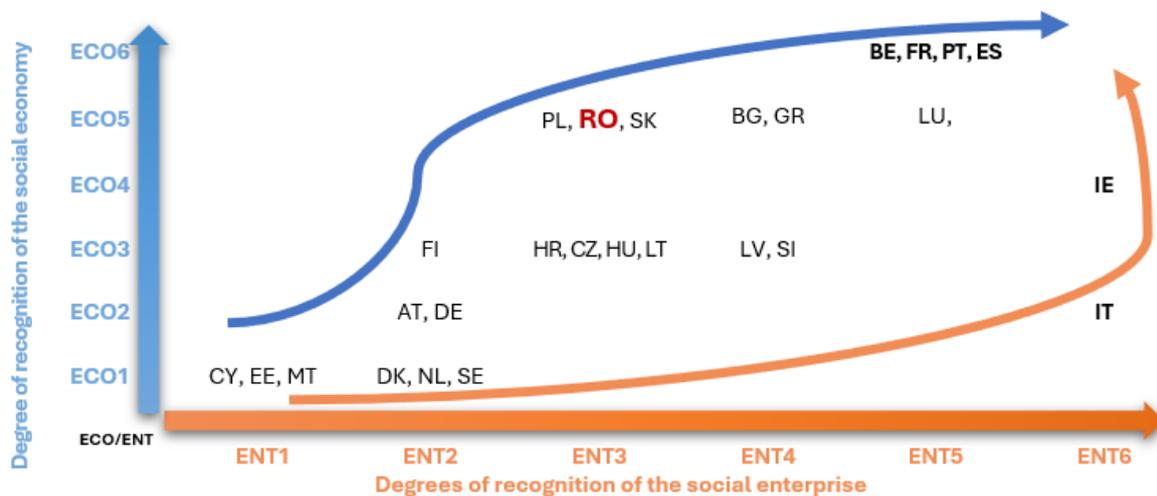
Source: *Benchmarking the socio-economic performance of the EU Social Economy* (European Commission: European Innovation Council and SMEs Executive Agency, Euricse, CIRIEC, and Spatial Foresight, 2024)

The data referring to the **Romanian** landscape on social enterprises reveal a fragmented and small-scale sector (Table 1.2). Romania accounts for around 9,090 social enterprises under the classification used in this dataset, a relatively modest number compared to other EU Member States. The country shows a strikingly low number of cooperatives (9), which indicates that this legal form is either underdeveloped or underreported in Romania relative to its historical potential. The 1,435 associations and 93 foundations represent the most significant share of entities, but they remain few compared to countries with a more mature associative sector. An interesting picture is provided by the 5,222 mutual benefit societies, which account for more than half of all identified entities. This highlights the enduring relevance of mutual aid

structures (Romanian MBSs), which play a vital role in providing community-based financial support and represent a unique feature of the Romanian social economy landscape. The remaining category ('Other entities') is also substantial, counting 2,331 LLCs that are either authorized social enterprises or operate with a social mission under Law no. 219/2015. This reflects Romania's efforts to create a formal legal framework for social enterprises, though the relatively small number suggests that many organizations may still operate informally or have not pursued official recognition in this regard.

The **recognition of the social economy and social enterprises** varies significantly across EU Member States, shaped by different historical traditions and institutional frameworks. As Figure 1.1 below shows, countries like Belgium, France, Portugal, and Spain are located in the ECO6 sector, meaning the social economy enjoys longstanding recognition and strong self-identification among actors. Nonetheless, countries in ECO1–ECO3 either rely on alternative concepts (e.g., social innovation or CSR), maintain a strong divide between cooperatives and associations, or still face the legacy of negative perceptions toward cooperatives.

Romania is positioned in ECO5/ENT3, together with Poland and Slovakia. This combination indicates that Romania's social economy has been gaining recognition thanks to specific policy actions — notably Law 219/2015 on the Social Economy — but that the social enterprise concept remains at a relatively early stage of consolidation. ENT3 reflects that while policy support exists, the concept is still narrowly understood (often limited to work integration) and self-recognition among organisations is uneven. This means that, although Romania has established a legal and institutional framework, awareness, public acceptance, and uptake by organizations are still developing.



Note: ECO1: Predominance of other concepts/approaches in the policy discourse, including social innovation, social entrepreneurship, corporate social responsibility, democratic enterprises; ECO2: Social economy not commonly used as a concept: strong division between cooperatives (often seen as organisations promoting solely the economic interests of their members) and associations; ECO3: Poor recognition partially due to the negative perception of cooperatives versus significant recognition of traditional non-profit organisations; ECO4: Moderate recognition; ECO5: Increasing recognition thanks to specific policy actions by policymakers; ECO6: Longstanding recognition (including self-recognition). / ENT1: Emerging acceptance; ENT2: Social enterprise concept not commonly used - limited space due to traditional welfare institutions; ENT3: Policy support to develop social enterprises, but in principle narrow understanding (work integration); variable self-recognition; ENT4: Recognition of specific social enterprise types by law but moderate self-recognition of the organisations on the ground; ENT5: Recognition of specific social enterprise types challenged by the social economy and/or social and solidarity economy concepts - which enjoy broad recognition; ENT6: Strong legal and/or policy recognition and large self-recognition.

Figure 1.1. Degrees of recognition of the social economy and social enterprise in the EU Member States

Figure 1.1 is a valuable benchmarking tool: it positions Romania in the upper-middle tier for social economy recognition, while showing that it still has work to do to move towards ENT4–ENT5, where

countries benefit from stronger self-recognition and broader understanding of the social enterprise model. Such progress would not only enhance policy coherence and stakeholder engagement but would also improve access to financing and investment-readiness, as recognition is often linked to better-targeted funding mechanisms, supportive public programs, and greater confidence from investors.

Regarding the sectoral distribution, the social economy spans a broad range of sectors, with cooperatives showing a strong multi-sectoral presence. As seen in Table 1.3, they are particularly concentrated in agri-food (17,502 entities), retail (10,043), health and social care (10,175), and construction and real estate (93,220), confirming their economic diversity. Mutual benefit societies are overwhelmingly active in financial and insurance services (5,844), with smaller numbers involved in health and social care or creative sectors. Associations and foundations, which together represent the largest share of social economy entities, dominate in “other sectors” (over 630,000 combined) but also have significant activity in human health and social care (over 182,000) and education (nearly 70,000), underscoring their central role in delivering welfare and community services. This distribution highlights the social focus of the sector, with a substantial share of entities engaged in education, health, and cultural activities, even though data limitations mean the figures should be seen as a conservative estimate of the sector’s actual scale.

Table 1.3. Number of social economy entities by legal form and sector in Romania and the EU

| Sector | Cooperatives | Associations | Foundations | MBSs | Total EU entities | Romanian entities |
|--|----------------|------------------|---------------|--------------|-------------------|-------------------|
| Agri-food | 17,502 | 12,040 | 67 | 1 | 29,610 | 2,123 |
| Industry | 3,865 | 424 | 16 | 0 | 4,305 | 407 |
| Energy and utilities | 3,997 | 168 | 6 | 0 | 4,171 | 29 |
| Construction and real estate | 93,220 | 37,595 | 2,754 | 4 | 133,573 | 529 |
| Transport | 6,340 | 438 | 9 | 0 | 6,787 | 15 |
| Retail | 10,043 | 1,338 | 38 | 1 | 11,420 | 1,137 |
| Food and Accommodation | 3,411 | 3,147 | 66 | 1 | 6,625 | 72 |
| Financial and insurance services | 3,415 | 1,993 | 215 | 5,844 | 11,467 | 5,155 |
| Cleaning and landscape activities | 4,873 | 324 | 9 | 0 | 5,206 | 4 |
| Education | 4,611 | 58,175 | 11,287 | 4 | 74,077 | 4,212 |
| Human health and social care | 10,175 | 169,115 | 13,569 | 162 | 193,021 | 6,147 |
| Creative, arts and entertainment activities | 3,646 | 585,647 | 9,844 | 3 | 599,140 | 20,497 |
| Other sectors | 23,638 | 593,714 | 39,862 | 317 | 657,531 | 85,511 |
| Total | 188,736 | 1,464,118 | 77,742 | 6,337 | 1,736,933 | 125,845 |

Note: Data based on the NACE classification are not available for Germany, Ireland, Malta, Poland, and Sweden. Partial data were obtained for education, health and social work, and housing by searching for matches in the available classifications adopted at the national level.

Source: *Benchmarking the socio-economic performance of the EU Social Economy (European Commission: European Innovation Council and SMEs Executive Agency, Euricse, CIRIEC, and Spatial Foresight, 2024)*

Based on the available data regarding the sectoral distribution of **Romanian** entities operating in the social economy, one can notice the strong concentration in “other sectors” (85,511 entities) and significant representation in creative, arts and entertainment activities (20,497), education (4,212), and human health and social care (6,147). The country also shows a notable presence in financial and insurance services (5,155), reflecting the important role of Romanian MBSs. By contrast, sectors such as transport (15), energy and utilities (29), and cleaning and landscape activities (4) are almost absent, revealing a highly uneven sectoral profile. Overall, Romania’s social economy appears heavily service-oriented, with a strong social and cultural focus but relatively limited diversification into industrial or production sectors compared to EU patterns. This distribution underscores both the critical role of the sector in delivering welfare,

education, and cultural services and the untapped potential for expansion into underrepresented areas such as transport, green economy services, and cooperative retail.

To complement the findings of the ‘Benchmarking the socio-economic performance of the EU Social Economy’ study, additional data from Romania’s National Institute of Statistics (INS) – Tempo Online database were examined, offering a more detailed picture of the number and distribution of social economy entities across legal forms, thereby reinforcing and contextualizing the EU-level results. As seen in Table 1.4, the 2021 INS figures broadly validate the EU-level findings, showing similar orders of magnitude and confirming key patterns, such as the 17,811 foundations and 5,216 mutual aid associations (MBSs), even if minor differences appear due to methodological and classification nuances. Importantly, when excluding trade unions, political parties, religious organizations, homeowners’ associations, and the residual “other organizations” category, the entities with direct social impact that meet the European definition of the social economy amount to 122,754 organizations in 2023. Moreover, the data reveal a steady expansion of the sector, with the total number of social economy entities increasing from 114,604 in 2021 to 122,754 in 2023 — a growth of more than 7% in just two years. This sustained upward trend highlights the strengthening role of the social economy in **Romania**, particularly through the dynamic development of cultural associations, sports clubs, and professional and employers’ associations.

Table 1.4. The number of private administration entities in Romania by legal form

| Category | 2014 | 2015 | 2021 | 2022 | 2023 |
|--|----------------|----------------|----------------|----------------|----------------|
| Trade unions, confederations | 9,686 | 9,855 | 10,202 | 10,246 | 10,286 |
| Political parties | 42 | 44 | 63 | 61 | 65 |
| Professional and employers’ associations | 9,645 | 10,107 | 11,399 | 11,439 | 11,606 |
| Foundations | 17,718 | 17,836 | 17,811 | 17,888 | 17,922 |
| Cultural associations | 42,847 | 46,301 | 61,012 | 64,038 | 67,090 |
| Sports associations/clubs | 11,246 | 11,876 | 16,055 | 16,921 | 17,943 |
| Religious (faith-based) organizations | 19,050 | 19,238 | 20,044 | | 20,292 |
| Homeowners’/tenants’ associations | 53,851 | 54,939 | 62,307 | 63,773 | 65,040 |
| Commons/co-ownership associations | 3,218 | 3,249 | 3,111 | 3,097 | 3,092 |
| Mutual aid associations (MBSs) | 5,833 | 5,856 | 5,216 | 5,134 | 5,101 |
| Other organizations | 9,708 | 10,534 | 9,198 | 9,472 | 9,851 |
| Total entities | 182,844 | 189,835 | 216,418 | 222,236 | 228,288 |
| Total social economy entities | 90,507 | 95,225 | 114,604 | 118,517 | 122,754 |

Source: Barometer of Social Economy 2025 (Iftimoaei & Gabor, ADV Romania & SFA, 2025)

The continued growth of these entities underscores their importance as key drivers of social innovation, community engagement, and inclusive economic development. Part of this expansion can be linked to dedicated financing streams available during the 2021–2023 period, including the “Support for the Social Economy” scheme, minimis aid programs for the creation of social enterprises in urban areas, and calls supporting the development of social entrepreneurship projects. ***These initiatives have likely contributed both to the rise in the number of organizations and to the strengthening of their operational capacity, revealing how essential targeted funding is for enabling the sector to scale up its activities and increase its impact in the Romanian economy.***

(ii) Employment in the social economy in Romania and the EU

At least **11.5 million people** — representing 6.3% of total employment in the EU — work in the **social economy**. Of these, more than 6.2 million (54%) are employed in associations and 3.3 million (29%) in cooperatives. Social enterprises alone account for at least 3.9 million jobs (see Table 1.5).

Table 1.5. Number of people employed in the social economy in the EU-27 by legal form

| Country | Total | Cooperatives | Associations | Foundations | MBSs | Other |
|----------------------|------------|--------------|-----------------------|----------------------|--------------------|---------|
| Austria | 86,827 | 45,988 | 23,570 ^(a) | 6,562 ^(a) | 3,040 | 7,667 |
| Belgium | 592,279 | 8,935 | 555,438 | 7,663 | 18,187 | 2,056 |
| Bulgaria | 33,812 | 21,095 | 10,258 | 2,459 | 0 | n/a |
| Croatia | 22,946 | 2,285 | 20,381 | 280 | 0 | n/a |
| Cyprus | 4,044 | 400 | 1,799 | 1,820 | 25 | n/a |
| Czechia | 112,369 | 46,894 | 51,861 | 925 | 0 | 12,689 |
| Denmark | 179,598 | 33,602 | 112,059 | 32,445 | n/a ^(b) | 1,492 |
| Estonia | 65,721 | 8,589 | 54,480 | 1,492 | 0 | 1,160 |
| Finland | 174,262 | 92,000 | 37,721 | 24,479 | 6,594 | 13,468 |
| France | 2,590,960 | 320,313 | 2,024,845 | 108,345 | 137,457 | n/a |
| Germany | 3,426,585 | 1,000,276 | 2,020,579 | 247,583 | n/a | 158,147 |
| Greece | 96,500 | 33,548 | 49,833 | 12,095 | n/a | 1,024 |
| Hungary | 163,727 | 11,414 | 37,434 | 19,871 | n/a | 95,008 |
| Ireland | 43,520 | 43,520 | n/a | n/a | n/a | n/a |
| Italy | 1,534,828 | 1,130,741 | 167,931 | 104,863 | n/a ^(c) | 131,293 |
| Latvia | 29,619 | 4,215 | 24,324 | | - | 1,080 |
| Lithuania | 68,573 | 4,588 | 7,337 | 851 | - | 55,797 |
| Luxembourg | 21,221 | 925 | 19,076 | 645 | n/a | 575 |
| Poland | 250,400 | 33,500 | 160,800 | 56,100 | n/a | n/a |
| Portugal | 240,382 | 24,309 | 156,034 | 14,764 | 4,906 | 40,369 |
| Romania | 101,951 | 15,326 | 64,243 | 10,791 | 5,912 | 5,679 |
| Slovakia | 69,700 | 23,800 | 22,417 | 406 | 0 | 23,077 |
| Slovenia | 14,686 | 2,694 | 4,619 | 115 | 356 | 6,902 |
| Spain | 1,389,937 | 378,849 | 522,380 | 267,005 | 1,626 | 220,077 |
| Sweden | 196,836 | 51,991 | 75,157 | 25,041 | 14,984 | 29,663 |
| EU-27 ^(d) | 11,511,283 | 3,339,797 | 6,224,576 | 946,600 | 193,087 | 807,223 |

Note: (a) Data refer only to associations and foundations classified as ‘economically active’ by Austria Statistik. (b) Data on MBS included in cooperatives. (c) Data on mutual insurance companies is included in the cooperative data. Data on other mutual benefit societies is included under ‘other’. (d) The EU-27 figures do not include Malta and the Netherlands, as employment data for these countries is not available. In addition, 2021 was the main reference and, if data were not available for that year, the nearest year was used.

Source: *Benchmarking the socio-economic performance of the EU Social Economy (European Commission: European Innovation Council and SMEs Executive Agency, Euricse, CIRIEC, and Spatial Foresight, 2024)*

Overall, **Romania’s** employment structure reveals a fragmented but socially focused sector, with strong reliance on associations, meaningful contributions from MBS, and a still-emerging cooperative and social enterprise workforce. A total of 101,951 people are employed in the social economy, a figure that places it in the mid-range among EU Member States and highlights the sector’s moderate but growing economic importance (in terms of human capital). Employment is heavily concentrated in associations, which account for 63% of the total people employed in the social economy, confirming that associations remain the cornerstone of Romania’s social economy, both in terms of organizational numbers and workforce. A significant feature of Romania’s profile is the 5,912 people employed in Romanian MBSs, while the “other legal forms” category represents 5,679 employees, including those working in registered social enterprises or limited liability companies with a social mission. Given that Romania’s share of employment in the social economy is well below the EU leaders (where the share exceeds 7–10% of total employment, as

noticed in Belgium, France, and the Netherlands), this indicates substantial untapped potential for job creation if targeted policies, **investment**, and support mechanisms are deployed to stimulate growth in cooperatives, social enterprises, and other underdeveloped segments of the sector.

Although available sex-disaggregated data is scarce for some Member States, the existing ones show that women play a dominant role in the sector: in Belgium and Portugal, women represent more than 70% of the workforce in the social economy, while in France, Poland, and Italy, they account for 66%, 60%, and 46%, respectively. Women are particularly overrepresented in associations and foundations, while their share in cooperatives varies significantly by country and sector. Membership data, available for only 16 Member States, suggest over 95 million cooperative memberships and 135 million association memberships, though these figures include multiple affiliations. Volunteer participation is equally significant: data from 15 Member States indicate more than 53 million active volunteers, a figure that likely underestimates the real scale of engagement given the occasional nature of volunteering and the possibility of individuals being active in multiple organizations.

Despite data unavailability for some EU Member States, as seen in Table 1.6, at least 3.3 million people are employed in the health and social care sector, a further 702,000 in education, and 622,000 in the arts, culture and entertainment sector.

Table 1.6. Number of people employed by sector and legal form in the Romanian and EU social economy

| Romanian Sector | Cooperatives | Associations | Foundations | MBSs | Total RO employees | EU employees |
|-----------------------------------|---------------|---------------|---------------|--------------|--------------------|------------------|
| Agri-food | 673 | 3,983 | 29 | - | 4,685 | 223,434 |
| Industry | 5,000 | 222 | 99 | - | 5,321 | 125,532 |
| Energy and utilities | 2 | 86 | 6 | - | 94 | 28,447 |
| Construction and real estate | 982 | 490 | 88 | 47 | 1,607 | 128,460 |
| Transport | 3 | 41 | 2 | - | 46 | 188,335 |
| Retail | 4,426 | 532 | 168 | 43 | 5,169 | 312,903 |
| Food and accommodation | 275 | 149 | 50 | - | 474 | 91,959 |
| Financial and insurance services | - | 270 | 8 | 4,522 | 4,800 | 384,808 |
| Cleaning and landscape activities | - | - | - | - | - | 176,244 |
| Education | - | 17,313 | 1,916 | 4 | 19,233 | 702,614 |
| Human health activities | - | 10,420 | 4,968 | 3 | 15,391 | 3,387,150 |
| Creative, arts and entertainment | - | 5,368 | 423 | 12 | 5,803 | 622,947 |
| Other sectors | 3,965 | 25,369 | 3,034 | 1,281 | 33,649 | 981,417 |
| Total | 15,326 | 64,243 | 10,791 | 5,912 | 96,272 | 7,354,250 |

Note: Note that partial data was obtained for some EU countries.

Source: *Benchmarking the socio-economic performance of the EU Social Economy* (European Commission: European Innovation Council and SMEs Executive Agency, Euricse, CIRIEC, and Spatial Foresight, 2024)

As for **Romania**, the country's employment profile confirms a service-oriented and socially focused social economy, with substantial potential to expand its presence in underrepresented economic sectors. Romania's social economy employs at least 96,272 people, with the largest share working in education (over 19,200 employees) and human health activities (more than 15,300), highlighting the sector's strong contribution to welfare and human development. Significant employment is also found in "other sectors" (33,600 employees), which likely includes community services and miscellaneous social activities. Cooperatives dominate employment in industry (5,000) and retail (4,426), while mutual benefit societies are almost exclusively concentrated in financial and insurance services (4,522).

(iii) The economic size of the social economy in Romania and the EU

To provide a picture of the economic size of the social economy in Romania and the remaining EU, we will use the turnover, an indicator reflecting the revenue generated by an enterprise/sector in an economy. As seen in Table 1.7, in 2021, **turnover** for the social economy reached EUR **912.9 billion** across the 19 Member States for which data were available. The largest cooperative sectors by turnover are found in France, Italy, Spain, and Finland, largely driven by agricultural, consumer, and worker cooperatives. Associations, foundations, and mutual societies reported the highest turnover in France and Germany.

Table 1.7. Social economy turnover by legal form

| Country | Total (EUR million) | Total (% of GDP) ^(a) | Cooperatives (EUR million) | Associations (EUR million) | Foundations (EUR million) | MBSs (EUR million) | Other (EUR million) |
|----------------------|------------------------|------------------------------------|-------------------------------|-------------------------------|------------------------------|-----------------------|------------------------|
| Austria | 13,825.3 | 3.40 | 13,288.1 | n/a | n/a | 413.7 | 123.5 |
| Croatia | 1,426.5 | 2.44 | 232.6 | 1,132.9 | 61 | 0 | n/a |
| Cyprus | 182.8 | 0.71 | 182.8 | n/a | n/a | n/a | n/a |
| Czechia | 3,138.9 | 1.28 | 464.4 ^(b) | 2,262.6 | 80 | 0 | 331.8 |
| Estonia | 280.7 | 0.89 | 36.9 | 174.9 | 20.8 | 0 | 48.1 |
| Finland | 44,079.5 | 17.72 | 38,000.0 | 3,227.7 | 35 | n/a | 2,816.8 |
| France | 487,700.0 | 19.44 | 329,300.0 | 123,700.0 | 16,100.0 | 18,600.0 | n/a |
| Germany | 77,040.8 | 2.09 | 1,452.0 | 58,721.7 | 16,867.1 | n/a | n/a |
| Greece | 3,539.7 | 1.92 | 3,119.2 | 383 | 37.5 | n/a | n/a |
| Hungary | 9,097.1 | 5.87 | 1,564.4 | 1,741.7 | 1,229.5 | n/a | 4,561.6 |
| Ireland | 8,773.9 | 1.96 | 689.1 | 983.2 | 290.3 | 8.8 | 6,802.6 |
| Italy | 128,931.1 | 7.00 | 128,931.1 | n/a | n/a | n/a | n/a |
| Latvia | 11.8 | 0.04 | n/a | n/a | n/a | 0 | 11.8 |
| Lithuania | 1,051.6 | 1.85 | 702.9 | 115.6 | 12.7 | 0 | 220.4 |
| Luxembourg | 1,899.9 | 2.60 | 42.6 | 1,763.4 | 66 | n/a | 27.8 |
| Malta | 125.2 | 0.75 | 107.8 | 17.4 | n/a | 0 | n/a |
| Poland | 8,736.1 | 1.50 | 878 | 5,048.5 | 2,809.6 | n/a | n/a |
| Portugal | 10,103.3 | 4.67 | 1,867.1 | 5,824.0 | 865.8 | 491.1 | 1,055.3 |
| Romania | 1,244.7 | 0.52 | 772.6 | 320.8 | 45.5 | 0.7 | 105.1 |
| Slovakia | 2,703.0 | 2.65 | 2,507.0 | n/a | n/a | 0 | 196 |
| Slovenia | 1,732.3 | 3.33 | 734.3 | 553.6 | 23.7 | 8.9 | 411.9 |
| Spain | 107,245.5 | 8.68 | 66,509.6 | 15,188.7 | 7,754.0 | 2,251.9 | 15,541.4 |
| EU-27 ^(c) | 912,869.7 | 6.17 | 591,382.5 | 221,159.7 | 46,298.5 | 21,775.0 | 32,254.0 |

Note: (a) Calculated using the 2021 GDP data from the Eurostat database. (b) Data refers to housing cooperatives only. (c) The EU-27 figures are derived from aggregating data from individual Member States. However, due to complete missing (Belgium, Bulgaria, Denmark, Netherlands, Sweden) or partial data (Greece, Luxembourg, Malta) from several countries, these figures do not accurately represent the total turnover of the social economy at the EU level. Instead, they should be considered as a conservative estimate or lower threshold of the actual numbers. Turnover data were collected for cooperatives in 19 Member States, for associations and foundations in 16, and for mutual benefit societies and other legal forms in fewer cases. Most data were provided by national statistical offices, with 2021 as the main reference year. Where turnover data was unavailable, revenue figures were used for associations and foundations.

Source: *Benchmarking the socio-economic performance of the EU Social Economy (European Commission: European Innovation Council and SMEs Executive Agency, Euricse, CIRIEC, and Spatial Foresight, 2024) and the Eurostat database*

Romania's social economy generates a total turnover of **EUR 1.24 billion**, or 0.52% of GDP, placing it among the lower contributors in the EU-27 (at least for the available data). Cooperatives account for the

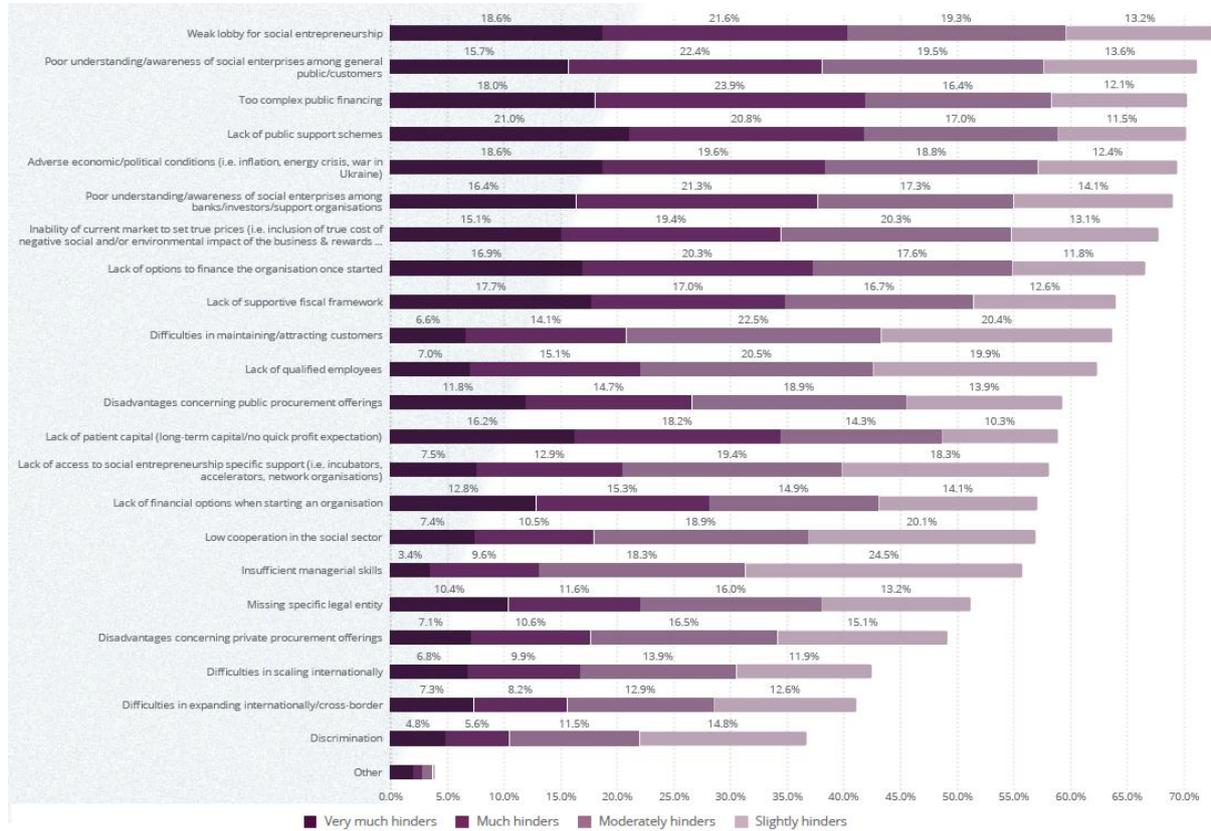
largest share (over 60%), followed by associations (around 26%) and foundations (3.65%). The contribution of MBS is marginal, while other legal forms, including social enterprises and LLCs with a social mission, contribute roughly 8.44%. This relatively modest turnover compared to EU leaders (like France, Italy, Spain) suggests a small-scale but diversifying sector, with significant room for growth — particularly in associations and social enterprises, which remain underdeveloped as economic actors. Turnover per employed person in Romania’s social economy is approximately EUR 12,200, which is six and a half times lower than the EU-27 average of around EUR 79,300. This points to lower productivity or smaller-scale economic activity among Romanian SEOs, and highlights a significant potential for growth if professionalization, scaling, and **access to financing** are improved.

1.3. Access to finance: a persistent barrier for social economy entities

Recent global assessments reinforce the idea that **access to finance remains one of the most persistent structural barriers for social economy entities**. According to The Global State of Social Enterprise Report (Schwab Foundation for Social Entrepreneurship & World Economic Forum, 2024), there are approximately 10 million social enterprises worldwide, representing over 3% of all businesses. Collectively, these organizations generate an estimated \$2 trillion in annual revenue and provide nearly 200 million jobs, highlighting their growing socio-economic relevance. Despite this scale and contribution, social enterprises face systemic constraints, most notably limited public awareness, insufficient or inadequate legal frameworks, and restricted access to capital. Data from the European Social Enterprise Monitor (Gazeley *et al.*, 2025). further illustrates this challenge: around 75% of European social enterprises seek *external financing*, including grants, equity, and debt instruments, often requiring funding equivalent to approximately 75% of their annual turnover. Extrapolating these patterns globally, the estimated financing gap becomes particularly striking. If three-quarters of the 10 million social enterprises worldwide require external financing covering 75% of their turnover, the global financing need for the sector can be approximated at \$1.125 trillion. This figure underscores both the scale of unmet capital demand and the structural misalignment between social enterprises’ financing needs and existing financial mechanisms.

The European Social Enterprise Monitor (ESEM) is a biennial survey that gathers comparative data on social enterprises across Europe. Coordinated by Euclid Network with country-level partners, its 2023–2024 edition includes insights from 1,807 social enterprises in 30 countries. Although not fully representative, ESEM provides an important evidence base to inform policy, funding, and support frameworks for the sector. Despite their recognised socio-economic contributions, social enterprises continue to face multiple structural barriers that constrain both their day-to-day operations and their capacity to scale (see Figure 1.2). According to ESEM respondents, they experienced an average of 14.5 operational barriers, of which approximately 2.7 were perceived as significantly hindering their activities. The lack of public support schemes emerged as the most frequently cited severe barrier, with 21.0% of social enterprises stating that it “very much hindered” their work, and an additional 20.8% reporting that it hindered them “to a great extent.” Likewise, the **complexity of public funding mechanisms** was reported to either very much or much hinder 41.9% of enterprises. A weak advocacy environment for social entrepreneurship and adverse economic and political conditions were also perceived as substantial obstacles, each being reported as highly restrictive by 18.6% of respondents. **Access to finance** represents a particularly persistent challenge. The ESEM data indicate that the limited availability of appropriate financing sources is the most prevalent barrier, affecting 36.4% of surveyed enterprises. This is closely followed by an insufficient number of investors engaged in social enterprise financing (31.8%) and the perception that investors do not adequately value social or environmental impact (23.6%). Additional constraints include unfavourable macroeconomic conditions (23.2%), insufficient access to investors (22.4%), and concerns related to previous financial performance (19.5%). Barriers internal to social enterprises, such as limited staff skills for accessing finance (18.8%) and the absence of a shared language that facilitates communication between funders and social entrepreneurs (16.5%), further compound the challenge. Taken together, these findings suggest that financing challenges are not solely a matter of insufficient

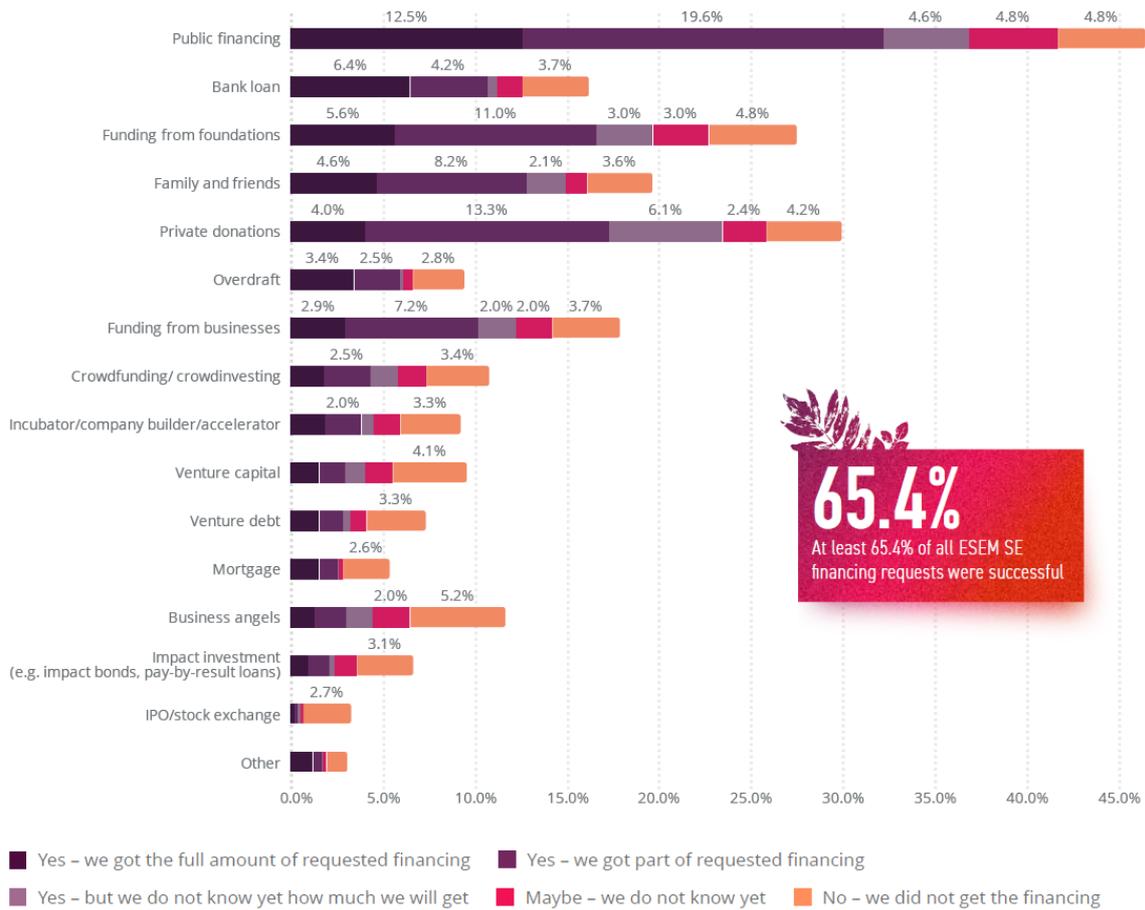
capital supply, but are structural in nature – rooted in the misalignment between financial instruments and the hybrid mission-driven business models of social enterprises, the high administrative complexity of funding processes, and persistent difficulties in measuring and communicating social impact in ways that resonate with investors.



Source: Gazeley et al. (2025)

Figure 1.2. Barriers that hinder SE organizations

To address operational and growth needs, ESEM social enterprises applied for a diverse range of external funding sources. On average, each organization requested **2.4 funding types**, and 1.5 of these requests were successful. Public financing was the most commonly sought source and also the one with the highest success rate in securing full or partial funding (see Figure 1.3). Foundation support and bank loans also showed comparatively higher rates of approval. Overall, 65.4% of all financing requests submitted in the previous 12 months were successful to some degree, with many enterprises receiving either the full or a partial amount requested. However, access to private or investment-oriented capital – such as business angels, venture capital, impact investment, or IPOs – remains significantly more limited, with a higher share of unsuccessful applications. These findings highlight a continued reliance on grant-based and philanthropic financing, alongside structural challenges in obtaining investment capital suitable for scaling and long-term development. The results reinforce the need for dedicated financial instruments tailored to the dual economic and social missions of social enterprises (Gazeley et al., 2025).



Source: Gazeley et al. (2025)

Figure 1.3. Financing requests: approval and success rates (past 12 months)

The financial projections reported by ESEM indicate relatively short funding horizons and a significant need for external capital. Most organizations can only safely plan financially for between one and six months (48.3%) or seven to twelve months (36.0%), with a median planning horizon of eight months, which indicates weak liquidity buffers. In terms of financing needs, the average external funding required over the past year was EUR 1,022,817, though **the median was EUR 100,000**, showing that most organizations seek relatively modest investment levels, often below EUR 50,000, while only a small share require over EUR 500,000. These needs represent around 60% of annual revenues, reflecting a structural reliance on external funding for both operations and development. On average, social enterprises requested financing amounting to 89.1% of their total needs, and were able to secure roughly 61.0%, leaving an average financing gap of around 39%. The financial needs of social enterprises are not merely short-term survival measures but are also linked to strategic growth ambitions (Gazeley et al., 2025).

Another relevant report for our analysis is the *Study on State Aid for Access to Finance for Social Enterprises and for the Recruitment of Disadvantaged Workers in the Form of Wage Subsidies* (European Commission, 2024). The study examines how existing State aid frameworks across EU Member States support or hinder the financial sustainability of social enterprises. It reviews national regulatory environments, financing instruments, and conditions governing public support, while also identifying systemic barriers that continue to limit social enterprises' ability to secure adequate capital for growth, professionalization, and labour-market integration activities.

Despite growing policy attention, **access to finance remains one of the most significant structural constraints faced by social economy entities across the EU**. A major obstacle is the limited availability of reliable data on social enterprises, due in large part to the absence of dedicated legal frameworks and compulsory national registries in many Member States. This constrains policymakers, investors, and intermediaries from designing targeted and scalable support mechanisms. In many Central and Eastern European countries, including **Romania**, public subsidies and grants continue to dominate the funding landscape, especially for organizations employing disadvantaged groups. While these instruments are essential, they often reinforce dependency on non-repayable aid and do not stimulate the creation of sustainable, investment-ready business models. Moreover, regulatory frameworks in the region often do not fully apply or leverage the flexibility offered by the General Block Exemption Regulation (GBER), resulting in more restrictive financing conditions than necessary. Although de minimis support is widely used because it is administratively simpler, certain GBER provisions pose significant challenges for social enterprises seeking growth capital. The requirement for high levels of private co-financing (up to 60%) is particularly difficult to meet for organizations with limited collateral or modest revenue streams. Likewise, the 10-year age limit on eligibility in some State aid measures disadvantages social enterprises, which typically require longer timelines to achieve economic stability. Together, these conditions often confine social enterprises to short-term, grant-dependent financing cycles, rather than enabling access to patient, mission-aligned capital necessary for scaling.

According to the results of the survey and the interviewees, the most common barriers that SEs face in accessing finance are as follows:

- ✓ Low return on investments
- ✓ Limits on distribution of profits
- ✓ Unattractive tax policies that don't incentivise private investments
- ✓ Overcomplicated, excessively restrictive, or inadequate national legislative and policy framework, with often insufficient or disorganized support schemes, making it difficult to navigate the opportunities.

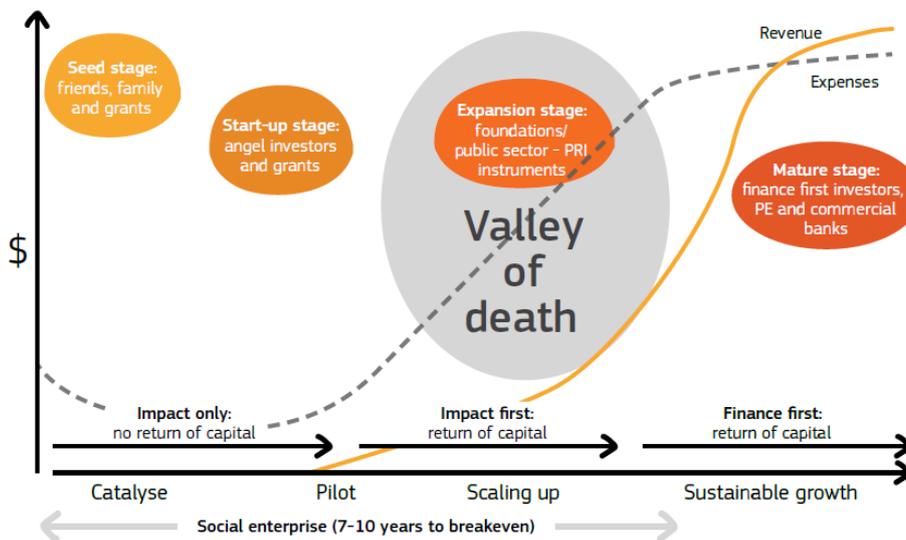
The 2022 European Social Enterprise Monitor (ESEM) Report (Dupain *et al.*, 2022) further identified the lack of funding for startups and the lack of patient capital as other barriers. Direct EU funding was found to be too complicated, administratively burdensome, with uncertain results, and not a worthwhile investment of time and capacity. In addition to social-enterprise-specific challenges, several financing barriers commonly experienced by SMEs are also highly relevant to SEs. These include lengthy and complex authorization procedures for both public and private financing, high administrative and reporting burdens, and regulatory environments that are often unpredictable or difficult to navigate. According to SME United, three structural factors are particularly constraining:

- 1) High interest rates, which not only raise the cost of capital but also exacerbate late payment problems and tighten liquidity conditions across supply chains;
- 2) Uncertainty in the broader financing landscape, including evolving sustainability reporting requirements, which has led banks to adopt more conservative lending practices; and
- 3) A reduced and increasingly complex offer of financial instruments, resulting in fewer suitable loan products for smaller entities, including SEs.

These factors reinforce the financing gap faced by social economy organizations, particularly those lacking collateral, stable revenue streams, or prior experience in managing external investment.

In **Romania**, as in many other EU Member States, the financing gap for social enterprises persists as a *structural barrier to growth and consolidation*. This gap does not simply reflect a lack of total funding, but rather a mismatch between available financial instruments and the specific needs of social enterprises. In practical terms, it manifests as insufficient funding options under favourable conditions, limited product diversity across investment ranges, and the absence of a functioning secondary market for social finance

instruments. A recurring challenge across Europe is the so-called “valley of death”, referring to the funding void between the start-up and consolidation stages, where enterprises have proven their concept but remain too small or risky for traditional investors (see Figure 1.4). Evidence from various European experiences illustrates the magnitude of this gap: in Central Europe, NESsT identifies it primarily **below the EUR 100,000 level**, while Impact in Motion (Germany) highlights scarcity of capital in the EUR 100,000–500,000 range, and Impact Hub Milan points to a transition finance gap between EUR 100,000 and 200,000.



Source: Varga & Hayday (2018) apud Bolis et al. (2017)

Figure 1.4. The range of social investors in the growth stages of social enterprises

For Romanian social enterprises, this aligns with earlier findings showing limited access to investment-ready funding beyond grant-based schemes. Addressing this gap requires capital that is timely, flexible, and aligned with the hybrid mission of social enterprises, i.e., combining financial return with measurable social impact.

1.4. External funding sources available to social economy entities

As highlighted by the OECD (2013), a structural misalignment currently exists between conventional enterprise financing instruments and the specific characteristics and needs of social enterprises. This situation underscores the necessity of a cultural shift in financial, legal, and policy frameworks and the development of financing tools tailored to the social economy. A key barrier is the insufficient understanding and recognition of the business models specific to social enterprises. Their defining features — such as limited or non-distribution of profits, prioritization of user and community needs, participatory decision-making processes, democratic governance structures, and shared or collective ownership — are often not captured within traditional financing assessments.

According to Varga & Hayday (2018), social enterprises typically require external financing throughout their entire developmental trajectory, from initial concept to scaling. Although this process is often presented in four stages (blueprint, validation, early implementation, and growth), progression is not always linear. Some enterprises may need to return to earlier stages if their business model does not withstand market testing, while others may intentionally remain small or stable if scaling is not feasible or desirable. Additionally, renewal or strategic adaptation can be necessary at any stage in response to evolving social needs or market conditions.

The nature of financing needs changes across these stages. Early-stage development (blueprint and validation) is particularly difficult to finance, as few investors are willing to assume the higher risks associated with unproven business models. As a result, philanthropic capital, family contributions, and grant-based funding often play a critical role in bridging this early-stage gap. However, such resources are typically insufficient to support later growth and organizational consolidation. While many investors express interest in social impact, only a limited number prioritize impact over financial return, leading to a structural financing gap for enterprises that generate primarily social rather than market returns.

These challenges are amplified for social enterprises operating in marginalized or underserved communities. Such organizations frequently encounter additional barriers, including weak physical or market infrastructure, beneficiaries with limited purchasing power, difficulty recruiting and retaining skilled personnel, and underdeveloped supply chains. These conditions increase operational costs and risks while limiting the potential for generating high financial returns that would attract commercial investors. Consequently, many investors either avoid early engagement with these enterprises or only become involved at later stages, once the model has demonstrated financial viability.

Social enterprises require financing for a variety of purposes, which differ according to their sectoral focus, business model, and stage of organizational development. Common financing needs include working capital to support ongoing operations, investment in fixed assets such as equipment or property, and growth-oriented capital to expand services, strengthen infrastructure, or support innovation. However, aligning these needs with available financing instruments remains a significant challenge in most markets. This misalignment stems from the fact that the risk and return expectations of investors and social enterprises often diverge, particularly where both financial and social returns must be balanced. Public and private grant-makers frequently impose restrictions on eligible expenditures, limiting the extent to which grants can be used for asset acquisition or long-term development. For example, EU-funded grant schemes for social enterprise development have traditionally excluded or limited financing for fixed capital investments. Conversely, private investors and commercial lenders typically lack patient capital and the flexibility required to accommodate mission-driven business models, often offering financial terms that are difficult for social enterprises to absorb. As a result, social enterprises continue to operate within a financing environment that is not fully adapted to their hybrid social-economic logic, constraining both operational stability and possibilities for strategic growth.

Because financial markets generally prioritize financial returns and individual ownership, they tend to overlook or undervalue the broader social value created by social enterprises. In many cases, social enterprises are compensated only for the direct cost of the services they provide, rather than for their wider social impact. The social return on investment frequently outweighs the financial return, which can lead investors to perceive social enterprises as higher-risk or less reliable compared to profit-maximizing firms. However, existing empirical evidence increasingly suggests the opposite: investments in social enterprises contribute to employment growth, social cohesion, and long-term economic resilience, representing not an expense but a strategic investment in societal well-being.

Various international initiatives have sought to adapt traditional financial instruments to support social investment, but these efforts have often proven insufficient. The logic of private capital typically involves short-term exit strategies, clear ownership concentration, and high expected financial returns — features that conflict with the organizational logic of social enterprises. In **Romania**, this challenge is intensified by the underdeveloped capital market, which limits the applicability of equity-based or investment-oriented financing models compared to countries with more mature financial ecosystems. This context reinforces the need for financial instruments specifically designed to align with the hybrid mission and governance structures of social enterprises.

In this context, financing instruments must be selected and adapted not only according to the enterprise's developmental stage, but also to the specific purpose of the investment. Table 1.8 summarizes the primary

uses of financing and the corresponding sources typically available across the social enterprise lifecycle; it is based on the experience of Echoing Green’s portfolio of 49 social enterprises.

Table 1.8. Top uses of capital by instrument type and the top sources of capital

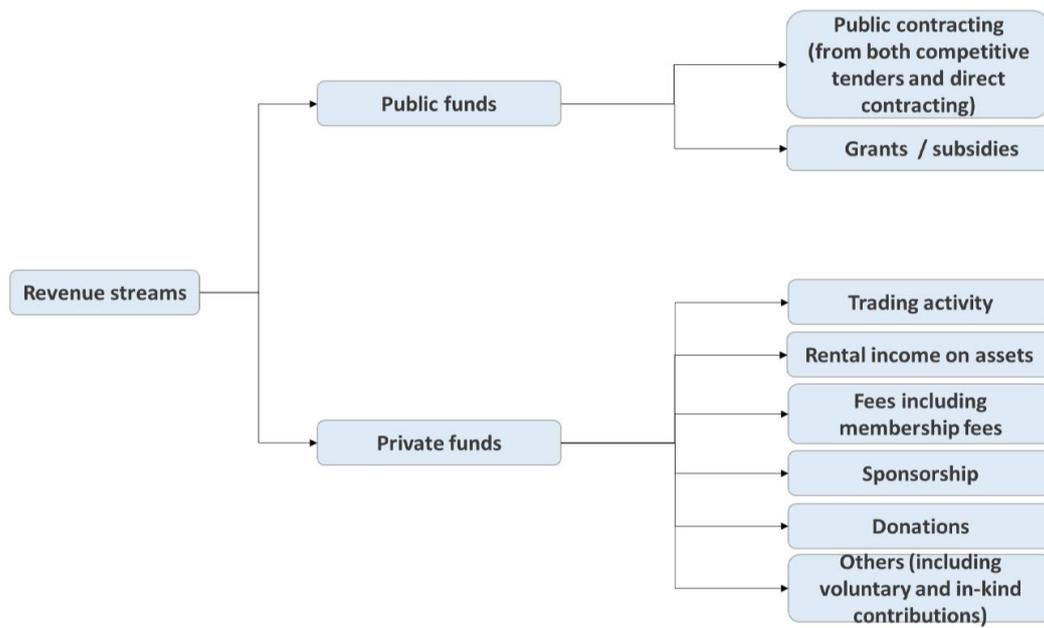
| Instrument type | Top current uses | Anticipated uses over the next 2 years | Observations |
|-------------------------|---|---|--|
| Self-funding | Working capital Salaries R&D Capex (capital expenditure) | None reported | Working capital predominates in the seed and growth sectors. Capex is more frequent in early, growth, and scale segments. |
| Grant | Salaries R&D Working capital | R&D Salaries Marketing | Only entrepreneurs in the early and growth segments cited using grants for inventory. |
| Convertible debt | Salaries Capex Working capital Marketing R&D | Salaries Marketing Working capital Capex | No standout top issues except that salaries were the leading use in seed and early segments. Convertible debt was used for inventory almost exclusively in the growth segment. |
| Debt | Working capital Capex Salaries | Working capital Capex Salaries | Anticipated use of debt for capex is highest in the early and growth segments. Salaries become a less common use of debt in the growth and scale segments. |
| Equity | Salaries Marketing R&D | Marketing Salaries Working capital | Inventory was more often a use of equity in later-stage enterprises. |

Source: Varga & Hayday (2018)

Unlike conventional for-profit enterprises, whose business models rely predominantly on revenue generated through market-based trading activities, social enterprises operate through diversified and often hybrid income structures. As illustrated in Figure 1.5, social enterprises commonly combine multiple revenue streams to sustain their operations and social mission. These typically include:

- ✓ **Market-based revenues**, such as income from the sale of goods or services to public or private clients; and
- ✓ **Non-market sources**, including government grants and subsidies, philanthropic donations, sponsorships, and non-monetary contributions such as volunteer labour or in-kind support.

This hybrid financing model reflects the dual economic and social objectives of social enterprises. While trading activity contributes to financial sustainability, non-market sources remain essential for supporting mission-driven activities that do not generate sufficient market revenue but produce significant social value.



Source: European Commission, Directorate-General for Employment, Social Affairs and Inclusion (2015)

Figure 1.5. Revenue streams for social enterprises

According to the analytical framework proposed by Varga (2025), the architecture of the social finance and impact investing landscape reveals a growing diversification of instruments and actors. Figure 1.6 provides a visual mapping of the main capital providers and the financial mechanisms currently available in the market. The figure illustrates that funders and investors are increasingly willing to experiment with innovative and repayable financing instruments, as long as appropriate partners, intermediary structures, and risk-sharing mechanisms are in place. Notably, the emergence of new actors with substantial influence or capital (highlighted in orange) signals both an expansion and a maturation of the social finance ecosystem.

| | | | Source of funding | | | Financial instrument | | | | Mechanisms | |
|--------------|------------------------|---------------------------|-------------------|-------------------|----------|----------------------|------------------|-----------------------------------|--------|------------|-----------|
| | | | grant | recoverable grant | donation | loan | convertible loan | quasi-equity (e.g. revenue share) | equity | hybrid | guarantee |
| Private | Financial institutions | Bank | | | | • | | | | | |
| | | Social bank | | | | • | | | | | |
| | | MFI | | | | • | | | | | |
| | Social investor | Impact investing fund | | | | • | | | • | • | • |
| | | Social business angel | | | | | | • | • | | |
| | | Venture philanthropy fund | • | • | | • | • | • | • | • | • |
| | Corporate | Company | • | | • | | | | | | |
| | | Corp. foundation | • | | | • | | • | | • | |
| | Philanthropic | Foundation | • | • | | • | • | • | | • | • |
| | | Individual (incl. HNWI) | • | | • | • | • | • | • | • | • |
| Crowdfunding | individual | | | • | • | • | | | | | |
| | NGO | • | • | | • | • | • | • | | • | |
| Public | Government | • | | | | | | | • | • | |
| | Municipality | • | | | | | | • | • | • | |
| | DFI | | | | • | | | | • | • | |

Source: Varga (2025)

Figure 1.6. Mapping investors against financial instruments in the social economy

According to most of the existing reports, **self-financing** is one of the primary funding sources available to social enterprises. This includes revenue generated from the **sale of goods and services**, as well as **voluntary capital contributions** made by members. In many cases, social enterprises reinvest surpluses

from their economic activity rather than distributing profits, a practice often facilitated by favourable tax provisions. The accumulation of indivisible reserves is a common mechanism used particularly by cooperatives and nonprofit organizations (associations and foundations) to support internal capital formation and long-term development. In some countries, cooperative legislation explicitly regulates the creation and management of such reserves. Another form of self-financing is represented by **voluntary loans** provided by members—sometimes referred to as social lending. In several Member States, this practice is formally regulated and serves as an additional instrument to strengthen the financial base of cooperatives and other member-based enterprises. However, these mechanisms tend to operate on a smaller scale within social enterprises compared to conventional firms. This is largely because social enterprises often face additional operational costs arising from their social mission, such as support services for vulnerable groups, participatory governance structures, or the need to maintain affordability for beneficiaries. Consequently, while self-financing remains a foundational resource, it is rarely sufficient to sustain growth or enable strategic development without complementary external funding.

The most important sources of external financing for social enterprises are as follows:

a. Government funding schemes

Government funding remains a central financing source for many social enterprises across EU Member States, typically provided in the form of grants or public service contracts for delivering services of general interest, such as labour market integration of vulnerable groups or the provision of social services. The connection between a social enterprise's mission and broader public policy goals is fundamental to these arrangements, relying on shared social objectives and a relationship of trust between public authorities and the organization.

In several Member States, social enterprises depend on continuous public financial support and collaborate closely with local or national public bodies pursuing common strategic priorities. Public procurement contracts constitute a major revenue stream for many social enterprises, especially where they are directly involved in delivering services of general interest. In such cases, revenues from service contracts play a significant role in ensuring financial sustainability. Importantly, social considerations and compliance with labour and collective bargaining standards are expected to be incorporated into procurement criteria. Public funding is also particularly important in the early stages of development and during innovation processes, as it can provide stability while new models are tested and refined.

b. Fundraising and crowdfunding

An increasing number of individuals, particularly at the community level, have shown interest in supporting social enterprises through direct financial contributions. Crowdfunding platforms, philanthropic donations, and community-based fundraising initiatives have therefore become important complementary financing channels for social enterprises. These mechanisms enable organizations to mobilize financial resources for expanding existing activities or developing new initiatives, while also strengthening community engagement and stakeholder ownership.

In some countries, additional instruments such as community bonds have been developed to facilitate citizen-led investment in socially beneficial projects (e.g., the United Kingdom model). Similarly, cooperative bonds are permitted under Romanian cooperative legislation, enabling members or supporters to contribute capital in a structured and regulated manner. These instruments allow social enterprises to diversify their financing strategies while reinforcing their community-rooted identity.

c. Social investment funds

The European Commission observed as early as 2013 that a growing number of investors are motivated not solely by financial returns, but also by the pursuit of social objectives. This shift has contributed to the gradual emergence of a social investment market within the European Union, in which investment funds allocate capital specifically to social enterprises that act as drivers of social innovation and societal

change. In support of this development, the EU adopted Regulation (EU) No. 346/2013 on European Social Entrepreneurship Funds (EuSEF), which provides a clear regulatory framework for collective investment undertakings wishing to qualify as **social entrepreneurship funds**. Under this regulation, eligible funds are required to invest at least 70% of their committed capital in enterprises that pursue measurable social objectives. Conversely, such funds may invest no more than 30% in other types of assets. This structure ensures that financial intermediaries registered under the EuSEF label maintain a strong commitment to advancing social value.

The European Economic and Social Committee has emphasized that social impact measurement must constitute a core component of social finance. Demonstrating social impact alongside financial performance is essential for capturing the full value generated by social enterprises and for legitimizing the return on investment in terms of both social and economic outcomes. In several EU Member States, social investment funds have been established using public capital, often complemented by private investment mobilized through fiscal incentives, risk-sharing mechanisms, or public-private partnership arrangements. However, the Committee recommends that incentives for private investors should be conditional on both the financial and social performance achieved, as well as on the reinvestment of profits in the further pursuit of social objectives. This ensures alignment between investor expectations and the mission-driven nature of social enterprises.

d. Credit and loan-based financing

Specialized financial institutions such as cooperative banks, ethical banks, and mutualist social finance institutions represent an important source of credit financing for social economy entities. These institutions offer financial instruments specifically tailored to the characteristics and needs of social enterprises, reflecting principles of mutual support, democratic governance, and community-centred development. These cooperative and mutualist financing mechanisms help mitigate the challenges social enterprises face in traditional credit markets, where repayment capacity is assessed primarily through financial performance rather than through combined social and economic value creation. As such, credit institutions rooted in the social economy play a unique and essential role in enabling the financial sustainability and long-term resilience of social enterprises.

According to Doiciu *et al.* (2016), the financing ecosystem for social economy entities in **Romania** remains underdeveloped and fragmented, reflecting broader structural characteristics of the sector and the national financial system. **Self-financing** represents the primary and most consistently available source of funding for Romanian SE. Cooperatives, mutual associations, and non-profit organizations often rely on revenue generated from the sale of goods and services, complemented in some cases by voluntary capital contributions from members. The Romanian cooperative sector, although legally permitted to retain indivisible reserves, does not benefit from significant fiscal incentives that could stimulate capital growth. As a result, self-financing ensures basic operational continuity but rarely supports expansion or professionalization.

With regard to the 4 main types of external financing mentioned above, while some mechanisms formally exist, their practical accessibility, scale, and sustainability vary significantly.

- i. **Government funding** has played an important role in supporting SEOs, especially through European Structural and Investment Funds (ESIF) and national employment-focused subsidies. Programs supporting start-ups, such as those under the ESF, created temporary windows of growth in earlier programming periods (2010–2012; 2014–2015). Public financing continues to be essential for early-stage development and innovation, but remains inconsistent and often short-term, limiting long-term sustainability.
- ii. **Fundraising initiatives** and **community-based crowdfunding** are emerging as supplementary financing mechanisms, particularly for small-scale development or local initiatives. While there is growing public interest in supporting community-driven SEOs, the scale of these contributions is

modest and often insufficient to meet larger capital needs. Crowdfunding and philanthropic giving play an important motivational and community-building role, but they do not yet represent a systematic or reliable funding source in Romania.

- iii. Romania currently lacks operational **social investment funds** dedicated to financing social enterprises. Although the EU-level regulatory framework (e.g., EU Regulation 346/2013 on European Social Entrepreneurship Funds) provides a structural model, the Romanian market has not yet developed corresponding investment vehicles. Interest exists among stakeholders, and policy discussions are ongoing, but practical implementation remains absent. The underdevelopment of the domestic capital market, combined with limited investor familiarity with social impact investment, continues to hinder progress. The absence of such instruments contributes to the persistent financing gap identified in earlier sections of this report.
- iv. The most relevant financial actors for SEOs in Romania are **cooperative banks** organized within the CREDITCOOP system. These institutions provide short- and medium-term credit tailored to local needs, particularly for microenterprises and small cooperative groups. However, their capacity is constrained by the relatively small scale of cooperative capital and by regulatory frameworks that limit risk exposure. Previous attempts by commercial banks to support social enterprise financing — such as the BCR community banking initiative launched in 2016 — did not evolve into a sustained, sector-wide offer. In addition, credit access for newly established or employment-centred SEOs remains difficult due to insufficient collateral, low liquidity, and higher perceived risk profiles.

In addition, as the Country report on **Romania** suggests, several contextual factors further shape the financing landscape for social enterprises in Romania (Lambru & Petrescu, 2019). **Public funding** remains heavily project-based, with grants primarily supporting start-up and early operational phases rather than long-term consolidation or scaling. This dependency on cyclical funding windows introduces discontinuity and limits strategic planning horizons. To diversify revenues, many associations and foundations have established limited liability companies under their ownership, enabling them to carry out commercial activities while maintaining their social mission. This hybrid structure has become an important workaround in the absence of stable funding instruments, although it requires navigating complex administrative and fiscal obligations.

Crowdfunding is gaining visibility as a supplementary funding mechanism, particularly for community-based initiatives and project-specific campaigns. However, this option is mostly accessible to associations and foundations and is constrained by fiscal and regulatory limitations, making it insufficient as a primary financing solution.

Access to **bank credit** remains extremely limited. Most social enterprises – especially those organized as associations – face significant challenges due to the lack of collateral and their perceived high-risk profile. Cooperative banks, operating within the CREDITCOOP network, represent one of the few consistent institutional alternatives, offering short- and medium-term credit tailored to social economy actors. Nevertheless, their reach remains modest, and previous attempts by commercial banks to establish dedicated credit lines (e.g., BCR's GoodBee) have been discontinued.

Currently, no operational **social investment funds** are active in Romania, despite previous attempts to introduce such instruments through international intermediaries. The absence of mission-aligned, patient capital mechanisms significantly limits the capacity of Romanian social enterprises to scale and professionalize.

Finally, the broader institutional environment continues to impede financing access, as social enterprises face persistent gaps in managerial, financial, and marketing capabilities. Simultaneously, the policy framework does not yet provide a predictable or supportive environment for mission-oriented finance. These structural constraints reinforce the broader financing gap and limit the sector's capacity to achieve sustainable growth.

1.5. A focus on equity-based funding instruments for the social economy

Focusing our attention now towards equity-based financing, this form of external investment provided by owners or investors in exchange for partial ownership of an enterprise remains in the company over the long term, unlike debt-based financing instruments. Financial returns for investors in social enterprises arise from *dividends* or from *increased enterprise valuation*, which enhances the value of their ownership stake. This approach allows for larger and more flexible investments, supporting business scalability and attracting private capital to a sector historically dependent on public or philanthropic funding (a still strong feature of the social economy). Since the early 2000s, policy discussions and investment initiatives at both EU and national levels have increasingly emphasized **equity financing as a pathway to enhance the financial sustainability and independence of social enterprises** (Scheck & Blazy, 2023).

However, the adoption of equity-based financial instruments in the social economy still remains limited. A combination of structural and cultural barriers continues to constrain their effective implementation. On *the demand side*, many social enterprises exhibit low investment readiness, limited understanding of equity mechanisms, and a general reluctance to engage with investors due to concerns over mission drift and loss of autonomy. On *the supply side*, investors often show inflexible expectations regarding financial returns, which are difficult to reconcile with the hybrid, impact-oriented business models of social enterprises. Furthermore, early-stage social ventures frequently struggle to access loan financing because of high perceived risk and limited cash flow to sustain interest payments. In this context, equity capital could serve as a crucial bridge, enabling social enterprises to consolidate operations, invest in innovation, and build a foundation for long-term growth. Nonetheless, realizing this potential requires the creation of dedicated social investment funds and mission-aligned investors capable of valuing social and environmental impact alongside financial performance.

Different forms of equity-based financial instruments have emerged within the social finance ecosystem, mirroring traditional equity instruments while being adapted to the specific constraints and mission-driven nature of social enterprises. Although these instruments perform the same fundamental financial function, **providing long-term risk capital**, they are designed to **accommodate the hybrid value proposition, governance structures, and profit-distribution limitations typical of social and solidarity economy entities**. Within the social economy, the most frequently used and relevant forms of equity-like financing include (Scheck & Blazy, 2023):

- a) **Bootstrapping.** This instrument refers to the practice of launching and expanding a venture using the founders' own financial resources, creativity, and cost-efficient operational strategies. While common in early-stage entrepreneurial settings, self-funding plays a significant role in the social economy, particularly where external capital is scarce or difficult to access. Although it preserves full autonomy, its capacity to support growth is inherently limited.
- b) **Business angels.** These are private individuals who provide early-stage equity investment alongside mentoring, technical expertise, and access to professional networks (e.g., suppliers, customers, or co-investors). In the social economy, angel investors remain relatively rare, yet their engagement can offer crucial early validation and capacity-building support to impact-oriented ventures.
- c) **Venture capital (VC).** This involves equity investment from specialized firms targeting enterprises with high growth potential. VC investors typically acquire a minority stake and offer strategic guidance to accelerate scaling. While VC is widely used in the commercial startup ecosystem, its applicability in the social economy is limited by social enterprises' hybrid mission, modest profit expectations, and longer time horizons for return.
- d) **Private equity/growth equity.** Growth equity provides capital to enterprises that have already demonstrated financial viability and are seeking to expand their operations. Although private equity firms may invest in established social enterprises, often for scaling or professionalization, their reliance on substantial financial returns and exit strategies can create tension with mission-preservation objectives.

- e) **Quasi-equity (equity-like instruments/mezzanine capital).** These instruments bridge the gap between debt and equity by offering flexible repayment terms and by not requiring transfer of ownership. These instruments, such as subordinated loans, participatory loans, or convertible bonds, are particularly well-suited to social enterprises that cannot or do not wish to dilute control, yet require patient capital that mirrors equity in terms of risk tolerance. They are increasingly recognized as an effective tool for aligning financing with the mission-driven nature of social economy entities.
- f) **Catalytic capital.** It refers to investments designed explicitly to unlock additional financing and mitigate market failures by accepting higher risk or lower returns than conventional investors. Examples include guarantees, social impact bonds, blended finance structures, and mission-aligned investments from philanthropic or public institutions. Catalytic capital plays a pivotal role in crowding in private investment, reducing barriers to market entry, and supporting impactful but financially constrained social enterprises.

In Romania, the potential of equity-based financial instruments remains largely untapped (including quasi-equity), primarily due to the early stage of development of the domestic impact investment ecosystem and the limited familiarity of local investors with hybrid social-economic business models. Despite this, the peculiarities of the Romanian social economy (dominated by small, undercapitalized entities with constrained access to traditional credit) make equity-like and catalytic instruments particularly relevant. Quasi-equity, subordinated loans, guarantees, and blended finance structures offer promising pathways to bridge persistent financing gaps while safeguarding mission integrity. As Romania advances toward establishing dedicated social investment vehicles, these instruments could form the backbone of a more inclusive and mission-aligned capital market, enabling social economy organizations to scale their impact sustainably.

2. BEST PRACTICES IN ESTABLISHING AND MANAGING SOCIAL INVESTMENT FUNDS

2.1. Overview of common fund models for impact investing

In the literature and practice of different countries, what are broadly referred to as **social investment funds** can take a wide range of fund types and operate under various labels. These labels capture different shades of impact investing and may include, for example, *sustainable finance funds*, *responsible or ESG investment funds*, *sustainability or ethically oriented funds*, or *impact-driven investment funds*. Although the terminology varies, they all seek, to differing degrees, to combine financial returns with positive social and/or environmental outcomes.

At the same time, several underlying fund types are commonly used to channel impact investment. The most widespread of these are presented in Table 2.1, illustrated with examples from three EU countries (France, Italy, and Spain). Other fund types (such as hedge funds, sovereign wealth funds, or infrastructure funds) can also engage in impact investing, but they are less frequently structured or marketed primarily for this purpose.¹

¹ *Hedge funds* primarily focus on maximizing financial returns, often over the short to medium term, and are generally not designed for social impact. Sovereign wealth funds (SWFs) are also not primarily “social investment funds,” although some, such as Norway’s Government Pension Fund Global (GPF), apply robust ESG policies. Infrastructure funds may invest in socially relevant sectors such as healthcare, education, and transport, but these strategies are typically framed as “infrastructure investing” rather than explicitly as social investment.

Table 2.1. Common models for Social Investment Funds

| Fund type | Typical structure | Best fit for | Investors | Liquidity | Pros | Cons | Examples |
|--|---|--|--|--|---|--|--|
| Mutual Funds (SRI Funds /ESG Funds) | Open-ended UCITS (retail) | Mainstreaming social/ESG investing for everyday savers | Retail + institutional | High (daily NAV) | - Accessible to small savers; - Regulated; - Transparent; - Liquid. | - Impact mostly indirect (e.g., via ESG screens); - Limited to listed securities. | Italy: Etica Sgr (Valori Responsabili line) Spain: Santander Sostenible Bonos; BBVA Futuro Sostenible France: Amundi Responsible Investing range; Natixis Mirova Funds |
| Private Equity / Venture Capital Impact Funds | Closed-ended, (approx. 7-10 years) | Direct investment in social enterprises, cooperatives, and startups | Institutional & High-Net-Worth-Individuals (HNWIs) | Low (illiquid, long lock-in) | - Deep, measurable social impact; - Long-term value creation; - Active role in enterprises. | - Illiquid; - Higher risk; - Limited to professional investors. | Italy: Fondazione Social Venture Giordano Dell'Amore; Oltre Impact; Social Impact Italia Spain: Creas; Ship2B Ventures France: France Active (Investissement); Inco Ventures ; Phitrust |
| Social Housing / Real Estate Funds | Closed-end real estate funds | Affordable housing, student housing, elderly care, and healthcare facilities | Institutional (often with public backing) | Low (long-term lock-in) | - Tangible social benefit; - Stable rental income; - Supported by public policy. | - Capital intensive; - Slow to show impact; - Limited diversification. | Italy: Fondo Investimenti per l'Abitare (FIA); Fondo Nazionale dell'Abitare Sociale (FNAS) Spain: Fondo Social de Vivienda; Sareb social housing programs France: Fonds de Logement Intermédiaire (FLI); Ampere Gestion (CDC Habitat) |
| Fund of Funds (Impact FoFs) | Closed-end, invests in other impact funds | Diversified exposure to multiple social impact funds | Institutional (often blended finance) | Low-medium (depends on FoFs structure) | - Diversification; - Risk sharing; - Crowds in private investors. | - Indirect impact; - Higher costs (two layers of fees); - Complex governance. | Italy: FOF Impact Investing (Fondo Italiano d'Investimento SGR) Spain: SpainNAB initiatives (impact investing umbrella) |

| Fund type | Typical structure | Best fit for | Investors | Liquidity | Pros | Cons | Examples |
|-----------|-------------------|--------------|-----------|-----------|------|------|---|
| | | | | | | | France: Candriam Impact One; CDC initiatives |

2.2. Approaches to establishing and managing Social Investment Funds: a comparative analysis of France, Italy, and Spain

Given the aim of this research, we further focused our analysis on impact-driven Private Equity (PE) and Venture Capital (VC) funds. We examined commonalities and differences in how social investment funds are set up and managed, using six illustrative cases from three EU countries: **France** (*France Active (Investissement); Inco Ventures*), **Italy** (*Fondazione Social Venture Giordano Dell'Amore; Oltre Impact*), and **Spain** (*Creas; Ship2B Ventures*). Where relevant, we also drew on additional impact funds to refine and nuance the analysis. The main sources of information were the official websites and annual (impact) reports of the funds listed above.

(i) Organizational model & legal form

The most widespread organizational model in impact investing is the **independent private fund manager**. These are regulated entities (SGR² in Italy, SGEIC³ in Spain, or SGP⁴ in France) that raise and manage closed-end private equity or venture capital funds. Their governance mirrors that of mainstream private equity firms, with clear fiduciary duties and investor protections, but they integrate explicit social or environmental objectives into their investment process. *Oltre Impact* in Italy and *Creas* in Spain are examples of this model: professional fund managers that target mostly growth-stage companies while embedding ESG criteria or proprietary impact rating systems. Additional examples include: Sefea Impact SGR (Italy); Phitrust (France); Socialni Inovatori (Slovakia); Inpulse (Belgium).

Closely related is the **group-based model**, in which a regulated fund management arm operates within a larger mission-driven organization (ecosystem). In this structure, the investment vehicle applies professional private equity practices, while the broader group engages in ecosystem activities such as incubation, training, or advocacy. This dual arrangement ensures a pipeline of investable projects and alignment between financial investments and social missions. *Ship2B Ventures*, part of the *Ship2B Group (Ecosystem)* in Spain (see Box 2.1 below), and *INCO Ventures*, embedded in the wider *INCO Group* in France, exemplify this organizational form. Additional examples include Trividend (Belgium).

² SGR stands for *Società di Gestione del Risparmio* (Asset Management Company). It is the legal form defined under Italian law for companies authorized to set up, manage, and market investment funds, and manage individual portfolios on behalf of third parties. SGRs are regulated by Banca d'Italia and CONSOB (the Italian securities regulator). They must comply with EU directives like UCITS and AIFMD, depending on the type of funds they manage.

³ SGEIC stands for *Sociedad Gestora de Entidades de Inversión Colectiva de Tipo Cerrado* (Management Company for Closed-Ended Collective Investment Schemes). It is the legal form under Spanish law for firms authorized to: create, manage, and administer closed-end investment funds or companies, raise capital from qualified investors, and make and monitor investments according to the fund's strategy. SGEICs are regulated by the CNMV (Comisión Nacional del Mercado de Valores), Spain's securities regulator, in line with the EU AIFMD.

⁴ SGP stands for *Société de Gestion de Portefeuille* (Portfolio Management Company). It is the official legal status in France for firms authorized to: create, manage, and market investment funds, and manage discretionary portfolios for third parties. SGPs are licensed and supervised by the Autorité des Marchés Financiers (AMF), the French financial markets authority. They operate under French law in line with EU directives (UCITS and AIFMD). An SGP can manage both retail funds and alternative investment funds, depending on its authorization.

Box 2.1. The Ship2B organizational model

Ship2B Ventures is the impact investment arm of the broader **Ship2B ecosystem**, a Spanish initiative dedicated to accelerating the transition toward an economy with measurable social and environmental impact. Legally structured as a regulated venture capital management company (*SGEIC*), Ship2B Ventures manages dedicated impact funds such as the *BSocial Impact Fund* with the support of institutional investors, including the European Investment Fund and Banco Sabadell.

The Ventures entity is embedded in a wider ecosystem built around the **Ship2B Foundation**, a non-profit organization that plays a crucial role in cultivating the pipeline of impact entrepreneurs. Through thematic acceleration programs (e.g., Tech4Climate, Tech4Health, Tech4Social), training initiatives, and advocacy work, the Foundation fosters social innovation and supports early ventures in preparing for investment readiness. This dual structure - a non-profit foundation for ecosystem development and a regulated venture fund manager for capital deployment - ensures both a steady flow of impact-oriented deal opportunities and strong alignment between entrepreneurial support and financial investment.

Ship2B's ecosystem approach is distinctive in Europe: by combining acceleration, awareness, and capital under one umbrella, it bridges the gap between social entrepreneurship and professional venture finance. The Ventures arm translates the Foundation's mission into scalable investments, while the Foundation anchors its investment strategy in the broader movement for a more inclusive and sustainable economy.

Source: Ship2B Foundation website (<https://www.ship2b.org/en/>) and Ship2B Ventures website (<https://www.ship2bventures.com/>)

A different structure is a **foundation (NGO) acting as an investor**, where a philanthropic organization channels resources into impact ventures while also supporting the broader ecosystem. Unlike private fund managers, these foundations combine grants and blended-finance instruments with direct investment. *Fondazione Social Venture Giordano Dell'Amore* in Italy, linked to *Fondazione Cariplo*, is emblematic of this hybrid model, supporting both social enterprises and the ecosystem that sustains them.

Finally, the **public-private investment platform** represents a more institutionalized model, often initiated by state development banks or solidarity finance networks. These platforms do not operate as conventional fund managers but act as catalytic intermediaries, channelling public and private resources into specialized funds, intermediaries, or guarantee schemes. *Social Impact Italia*, launched by the European Investment Fund and *Cassa Depositi e Prestiti*, and *France Active Investissement*, embedded in a national network of one national association, 35 regional associations, and three financial institutes, illustrate this model. Their organizational distinctiveness lies in their ability to blend public mandates with private capital mobilization, extending the reach of impact finance into underserved areas. Additional examples include *Seed Capital Bizkaia* (Spain).

(ii) Clear statement of values

Social Investment Funds consistently define themselves through purpose and investment strategy statements in which social and environmental objectives are inseparable from financial goals. They place **impact at the centre of their identity**, not as a peripheral element but as the rationale for their existence (Table 2.2). Intentionality is an important feature, with impact being deliberately built into business models and investment strategies. Additionally, funds emphasize their role in mobilizing capital, knowledge, and developing ecosystems that would otherwise remain underdeveloped. Importantly, they **align their success with long-term value creation for society, rejecting short-term and speculative approaches** in favour of what could be described as “patient” (*Fondazione Social Venture Giordano Dell'Amore*) or “sober” (*INCO Ventures*) finance.

Table 2.2. Impact embedded in the definition of organizational identity

| Fund | Examples of purpose and strategy statements |
|--|--|
| Fondazione Social Venture Giordano Dell'Amore | <p>“Orienting finance towards a change of perspective: investing with patience, generating impact.”</p> <p>“Promote the culture of impact investing and social innovation in Italy, fostering the widest dissemination of best practices and skills.”</p> |
| Oltre Impact | <p>“We invest in meaningful business models, addressing real social or environmental challenges of our society.”</p> <p>“We invest in companies with an integrated model, in which impact is pursued at the very center of the business activities and not as a lateral feat.”</p> <p>“We measure the impact of our investees, committing to measure positive change they are able to generate.”</p> |
| Creas | <p>“Another world is possible... Fairer and more inclusive, more equitable. More accountable... We are working to make this a reality and to generate, from a new angle, a systemic, transformative change, by mobilizing capital, energy and talent”</p> <p>“We champion the creation of an ecosystem of investors, companies and workers to generate a multiplier effect and build an increasingly sustainable and respectful society through investing.”</p> <p>“We put impact at the heart of our decisions and investee management, as we are positive that impact is a long-term value creation factor.”</p> |
| Ship2B Ventures | <p>“We invest in impact startups to tackle the major social and environmental challenges while generating economic returns.”</p> <p>“This is about profitability, with impact.”</p> |
| France Active Investissement | <p>“(We) seek to build a more cohesive, solidarity-based and sustainable society... aims to bring about social transformation... contributes to the financial inclusion of entrepreneurs with the least access to bank services, finances the most socially ambitious companies, helps develop a favorable environment for socially-committed entrepreneurs, and works towards making finance more responsible”</p> |
| INCO Ventures | <p>“supporting and financing the development of structures that respond directly to social and environmental challenges”</p> <p>“we defend a vision of sober finance, rooted in reality and creating value for all: citizens, employees, entrepreneurs and investors”</p> |

Source: websites and impact reports of the selected Social Investment Funds

Nevertheless, the funds share a belief in the **compatibility of financial returns and social transformation**. *Ship2B Ventures* and *INCO Ventures* explicitly frame impact and economic returns for investors as mutually reinforcing. *Creas* goes further by linking investment to systemic or cultural change, positioning finance as an engine of broader societal transformation. *France Active Investissement* and *Fondazione Social Venture Giordano Dell'Amore* underline the importance of inclusion and access, extending finance to entrepreneurs and organizations traditionally left outside mainstream markets.

Taken together, the purpose and strategy statements illustrate a shared conviction that impact is not an optional dimension of investment but the very foundation of how capital should be mobilized. Whether through ecosystem-building, inclusive finance, or accountability in measuring results, the investigated funds converge on the idea that their legitimacy rests on their capacity to deliver both financial performance and meaningful social and environmental outcomes.

(iii) Areas of intervention

Selected Social Investment Funds direct their interventions toward domains that integrate both social and environmental objectives (Table 2.3). While their approaches vary, their investment activities can broadly be clustered into five major thematic areas:

a. Social inclusion & welfare. *Fondazione Social Venture Giordano Dell'Amore* has backed In-Domus, a student housing project, and PerMicro, one of Italy's leading microcredit providers for excluded

entrepreneurs. *Oltre Impact* has invested in healthcare networks such as Santagostino, which provides affordable and accessible medical services, and Chi Odia Paga, a legal tech startup offering services to victims of online hate. *Creas* has financed Cuideo, a company delivering home care for dependent elderly people, ensuring dignity and quality of life. *France Active Investissement* extends credit to entrepreneurs excluded from traditional banking and has financed projects in social housing. *INCO Ventures* has invested in inclusive companies such as Les Alchimistes, which combines environmental recycling with social employment.

Table 2.3. Key areas of intervention for the selected Social Investment Funds

| Fund | Key sectors / Themes of intervention |
|--|---|
| Fondazione Social Venture Giordano Dell'Amore | <ul style="list-style-type: none"> • Social cooperatives; social enterprises; benefit corporations (“B-Corps”); innovative socially-driven start-ups; socially-driven for-profit companies. • Priority areas: demographic challenges (aging, depopulation); territorial welfare (vulnerable groups, digital services); employability (youth, NEETs); social housing (students, seniors); environmental protection & biodiversity (green innovation, circular economy); cultural participation, cultural heritage. |
| Oltre Impact | <ul style="list-style-type: none"> • Business models addressing essential social/environmental needs. • Areas: community & local development; education & employment; sustainable finance; health; personal care & well-being; food & agriculture; mobility & smart cities; clean energy; sustainable goods & services. |
| Creas | <ul style="list-style-type: none"> • Companies solving social/environmental challenges. • Focus: inclusion and care for vulnerable populations; sustainable and circular consumption; regenerative and circular economy models. |
| Ship2B Ventures | <ul style="list-style-type: none"> • Early-stage startups with scalable social/environmental impact. • Themes: quality of life and health; education and skills; climate and environmental solutions. |
| France Active Investissement | <ul style="list-style-type: none"> • Social and solidarity economy projects financed through solidarity savings. • Focus: financial inclusion of entrepreneurs with the least access to bank services; socially ambitious companies; socially committed entrepreneurs; responsible finance. |
| INCO Ventures | <ul style="list-style-type: none"> • Social impact enterprises; cooperatives; associations. • Areas: fight against exclusion; promotion of social cohesion; environmental protection. |

Source: websites and impact reports of the selected Social Investment Funds

b. Health & well-being. *Oltre Impact* demonstrates a strong health focus through investments such as Raremark, a digital community supporting patients with rare diseases, and the Santagostino medical network. *Ship2B Ventures* has invested in healthtech startups like Admit Therapeutics, which develops early diagnostic tools for Alzheimer’s, and Able Human Motion, which creates lightweight exoskeletons for people with mobility impairments. *Creas* also directs capital to healthcare ventures addressing the needs of vulnerable populations.

c. Education, skills & employability. *Fondazione Social Venture Giordano Dell'Amore* has supported projects like Jobiri, a digital career coaching platform designed to support young people and NEETs enter the labour market, as well as Artonauti, an educational game that teaches art in innovative ways. *Oltre Impact* has backed initiatives in professional training, such as MadeProgram, a school combining design, art, and local cultural traditions. *Ship2B Ventures* invests in startups that bridge education and skills gaps, while *Creas* highlights job creation and inclusive employment as impact outcomes across its portfolio.

d. Environmental sustainability & circular economy. *Creas* has invested in Back Market, a European leader in refurbished electronics that reduces electronic waste, while also supporting companies in regenerative and circular business models. *Fondazione Social Venture Giordano Dell'Amore* backs environmental startups such as Agrorobotica, which develops robotic systems for precision agriculture,

and Bella Dentro, a company tackling food waste by selling “imperfect” products. *Oltre Impact* has invested in Evolvere, active in renewable energy solutions, and TrapView, which provides pest-monitoring systems for sustainable agriculture. *INCO Ventures* has supported Phenix, a company offering software to reduce food waste, and La Ruche qui dit Oui!, a platform that connects local farmers with consumers to promote sustainable food systems. *Ship2B Ventures* has also channelled investments into climate-tech startups addressing emissions and environmental challenges.

e. Community & cultural development. *Fondazione Social Venture Giordano Dell’Amore* has financed cultural participation projects and heritage preservation initiatives, recognizing culture as a driver of social cohesion. These include BASE Milano, a hub for cultural and social innovation, and Music Innovation Hub, which fosters social entrepreneurship in the music industry. *France Active Investissement*, through its solidarity finance,⁵ has supported cultural associations and locally-based projects that strengthen communities. *Oltre Impact* has invested in Wonderful Italy, a company that develops tourism experiences in underserved territories, helping generate income and employment in local communities.

Two main approaches (models) can be observed in how Social Investment Funds define their sectors of intervention:

- ✓ **A multi-sector model**, spreading investments across a broad range of social and environmental domains. *Fondazione Social Venture Giordano Dell’Amore*, for example, channels resources into welfare services, education, employability, housing, environmental innovation, and culture. *Oltre Impact* follows a similar path, investing in healthcare, sustainable mobility, legal tech, renewable energy, and food and agriculture.
- ✓ **A sector-focused model**, concentrating on a smaller number of verticals where greater depth and systemic impact can be pursued. *Ship2B Ventures*, for example, explicitly structures its portfolio around three axes: health and quality of life, education and employment, and climate innovation. *Creas* also narrows its activity to priority areas - social inclusion, care and health, and circular economy models - where it aims to mobilize capital and talent to achieve transformative outcomes.

A single fund manager may operate several investment vehicles, either following a broader sectoral approach aligned with the organization’s main areas of activity or targeting specific sectors or sectoral challenges (see the example of *INCO Ventures*’ investment vehicles in Box 2.2).

Box 2.2. *INCO Ventures* investment vehicles: general vs. specific targets

Within the general scope of supporting entrepreneurs for the transition towards a more sustainable, decarbonized, and inclusive economy, *INCO Ventures* operates five investment vehicles (funds). While they all share a commitment to generating measurable social and environmental impact, they differ in their sectoral (and, in some instances, geographic) focus:

1. ***INCO Investment*** - targets impact organizations that generally contribute to fighting exclusion, social cohesion, and environmental preservation.
2. ***Abeille Impact Investing France*** - targets organizations with a strong social and environmental impact, particularly in the circular economy, collaborative economy, and impact fintech sectors.

⁵ In the French context, *solidarity finance* (“*finance solidaire*”) means saving and investment products that deliberately channel part (or all) of the money collected toward projects and organisations with strong social utility (e.g., social inclusion, employment, affordable housing), with the saver/investor accepting that financial return is not the primary objective. It most often takes the form of solidarity savings products, notably “90/10” funds (typically 5-10% invested in “solidarity” issuers and the remainder in conventional assets), sharing products where a portion of returns is donated, and direct financing of social enterprises. Solidarity finance is frequently identified in practice by the Label Finansol, which signals the product’s solidarity nature and disclosure commitments. More information is available on Banque de France’s website (<https://www.banque-france.fr/fr/publications-et-statistiques/publications/finance-solidaire>).

3. **Generali Impact Investing** - targets organizations that are seeking to improve the lives of disadvantaged people, particularly families in precarious situations, or with an environmental impact.
4. **Sycomore Impact Employment by INCO** - targets organizations that create inclusive jobs, especially by employing people who face difficulties accessing work, or by creating jobs in economically disadvantaged geographic areas.
5. **Invest Île-de-France Seed Capital** – targets organizations in the Paris region that provide innovative and sustainable solutions in the fields of the circular and collaborative economy, ageing well, inclusion and insertion, or education and commitment.

Source: INCO Ventures website (<https://ventures.inco-group.co/>)

The multi-sector model is often chosen by funds that see themselves as ecosystem builders. By investing in a wide range of domains, they can respond flexibly to emerging social needs and attract a more diverse pool of entrepreneurs.

- ✓ **Advantages:** breadth and adaptability - it allows funds to spread risk across sectors, foster cross-sector synergies, and support systemic impact at multiple levels of society.
- ✓ **Disadvantages:** risk of dilution of expertise and resources - funds may struggle to build deep sectoral knowledge or to generate large-scale change in any single area.

The sector-focused model, in contrast, is typically chosen by funds that aim to achieve greater depth and measurable transformation in well-defined fields. By limiting their scope, these funds can develop specialized expertise, attract co-investors aligned with their priorities, and build strong ecosystems around particular challenges.

- ✓ **Advantages:** focus and depth - it enables funds to deliver more targeted impact and to position themselves as leaders within specific domains.
- ✓ **Disadvantages:** reduced flexibility and resilience - funds risk being overexposed to trends or challenges within their chosen sectors and may miss opportunities outside their defined scope.

Another important distinction lies in whether capital is directed to early-stage startups or to more established growth-stage businesses:

- ✓ **Startup-oriented funds** back young companies with innovative models and high scalability potential. *Ship2B Ventures* best exemplifies this approach, through its investment in early-stage healthtech such as Admit Therapeutics (Alzheimer’s diagnostics) and assistive technologies like Able Human Motion (lightweight exoskeletons).
- ✓ Most funds concentrate on **growth-stage companies** that already demonstrate solid business performance and measurable impact. *Creas Impacto*, for example, targets companies at the late/growth stage and includes in its portfolio businesses such as Refurbed (refurbished electronics), Patatam (circular fashion), and Smileat (organic baby food), all of which have moved beyond the startup phase to scale operations across Spain and Europe.

These two divergent orientations reflect distinct strategies: startup-focused funds emphasize innovation and disruptive potential, whereas growth-stage investors focus on scaling validated solutions and reinforcing inclusive businesses with long-term societal and environmental impact. A fund manager may operate several investment vehicles designed to back companies at different stages of maturity, with early-stage businesses typically carrying higher risk and attracting smaller investment, while growth-stage enterprises receive larger commitments (see Box 2.3 for the example of the subsequent *Creas* investment vehicles).

The dominant approach across the investigated Social Investment Funds is **project-based investing**, where the primary criterion for investment is the project’s capacity to deliver measurable social or environmental impact rather than the legal form of the organization. This is especially clear in the case of *Oltre Impact*, *Ship2B Ventures*, *Creas*, and *INCO Ventures*, which invest in a variety of entities, from tech

startups to SMEs and cooperatives, provided that the underlying business model addresses pressing societal or environmental challenges and offers potential for growth or systemic change. Nevertheless, some funds **incorporate entity-based preferences** linked to the social economy tradition. *Fondazione Social Venture Giordano Dell'Amore*, for instance, explicitly directs capital toward social cooperatives, social enterprises, and benefit companies. Therefore, while a subset of funds anchors its investments in specific legal categories that guarantee a social purpose, the majority adopt a more flexible, project-driven orientation, ensuring that impact potential is the decisive factor for funding.

Box 2.3. Creas investment vehicles: supporting entrepreneurs at different stages

- **Creas Desarrolla**

Creas Desarrolla is the vehicle designed to support *early-stage impact entrepreneurs*. Its mission is to accompany innovative startups that are still shaping their business model and need resources to validate and scale their first solutions. By providing smaller, more flexible tickets, Creas Desarrolla takes on higher levels of risk to help entrepreneurs cross the critical early development phase. This makes it a cornerstone for nurturing innovation and experimenting with new approaches to social and environmental challenges.

- **Creas Impacto**

Creas Impacto, in contrast, targets *growth- and expansion-stage enterprises*. It invests in companies that already demonstrate a solid business performance, measurable impact, and the ability to expand nationally or internationally. With larger tickets, Creas Impacto provides the financial strength and strategic support needed to scale validated solutions. Its aim is to reinforce inclusive, sustainable business models that can achieve long-term societal and environmental transformation.

- **Creas Impacto II**

Building on the experience of the first fund, Creas Impacto II is currently being developed with a target size of EUR 70 million. Although not yet finalized, this second vehicle is designed to back approximately a dozen growth-stage impact companies in Spain and across Europe. With larger resources than its predecessor, Creas Impacto II aims to consolidate Creas's position as a leading European impact investor for *mature enterprises*.

Source: Creas website (<https://creas.es/en/>)

(iv) Capitalization and typical ticket size

The scale of capitalization varies widely across funds (see Table 2.4 for the selected Social Investment Funds and Box 2.4 for additional examples), reflecting both the **maturity of the fund manager and individual vehicle** and the **development of the impact investment market** in which it operates. *Fondazione Social Venture Giordano Dell'Amore* (EUR 11.7 million) is a smaller vehicle, embodying not only its more recent establishment but also a strong philanthropic mission, which leads it to prioritize breadth of support through modest, patient investments rather than large-scale capital deployment. Intermediate funds, such as *Creas* (EUR 30–70 million) and *Ship2B Ventures* (EUR 60 million), illustrate the growing maturity of the Spanish market and the consolidation of impact investment as an asset class. At the upper end, *Oltre Impact* and *INCO Ventures*, established in 2006 and 2011, respectively, and each managing around EUR 130 million, demonstrate the ability of established fund managers in more developed markets to attract significant volumes of capital and sustain the scaling of impact enterprises.

The average investment size is closely linked to the **growth stage of the recipient business** and to the **strategic choices of the fund managers**. *Fondazione Social Venture Giordano Dell'Amore* typically invests EUR 50–200k, tailored to early-stage or smaller social ventures consistent with its philanthropic orientation. *INCO Ventures* differentiates ticket size through its multi-vehicle structure: most vehicles, designed for organizations in development stages, invest EUR 0.5–1.5 million, while *Investir Île-de-France Seed* targets smaller-scale seed projects with EUR 150–500k. In the mid-range, *Creas (Impacto)* usually invests EUR 1–3 million, appropriate for growth-stage companies seeking expansion capital. At the higher end, *Oltre Impact* has progressively scaled its average ticket from ~EUR 0.5 million in its first fund to ~EUR

5 million in Oltre III, exemplifying how fund managers expand investment size in parallel with their own maturity and expertise, being able to address the financing needs of later-stage large-scale impact enterprises.

Table 2.4. Overall capital managed and typical ticket for the selected Social Investment Funds

| Fund | Capital managed/ portfolio | Typical ticket/ investment size |
|--|---|--|
| Fondazione Social Venture Giordano Dell'Amore | EUR 11.7 million (at the end of 2024): <ul style="list-style-type: none"> • EUR 2.5 million invested in 4 financial vehicles • EUR 9.2 million invested in 52 entrepreneurial initiatives | Various entrepreneurial investment sizes, ranging between ~EUR 50 – ~900k. Most tickets are modest: examples in their portfolio usually show individual investments like EUR 50-200k in early/growth-oriented social ventures. |
| Oltre Impact | EUR 129 million across three funds (Oltre I + II + III), +45 supported impact businesses: <ul style="list-style-type: none"> • Over EUR 50 million Oltre I and Oltre II vehicles, 40 supported social impact companies • Oltre III target ~ EUR 100 million, first closing ~EUR 53 million, ~EUR 78 million secured so far, 8 companies supported | Average ticket size varies by investment vehicle: <ul style="list-style-type: none"> • ~ EUR 0.5 million/investment (Oltre I) • ~ EUR 2 million/per investment (Oltre II) • ~ EUR 5 million/investment (Oltre III) |
| Creas | +EUR 30 million capital managed, +15 impact companies supported (for Creas Desarrolla and Creas Impacto) Creas Impacto II, the new instrument created in 2024, targets ~ EUR 70 million. | Ticket size typically between EUR 1-3 million per company for Creas Impacto |
| Ship2B Ventures | EUR 60 million capital managed mostly through BSocial Impact Fund, 53 startups supported | Not explicitly stated but estimated that investment tickets vary from smaller to up to ~ EUR 1-3 million depending on stage. |
| INCO Ventures | +EUR 130 million capital (as of June 2024) managed through 5 funds (INCO Investment, Abeille Impact Investing France, Generali Impact Investment, Sycomore Impact Employment by INCO, Invesst Île-de-France Seed) +120 structures of all statuses financed | <ul style="list-style-type: none"> • INCO Investment, Abeille Impact Investing France, Generali Impact Investment, and Sycomore Impact Employment by INCO - ranging between EUR 500k and 1.5 million • Invesst Île-de-France Seed – ranging between EUR 150–500k |

Source: websites and impact reports of the selected Social Investment Funds

Box 2.4. Some additional examples...

Phitrust Partenaires (France, launched in 2006)

- ✓ Portfolio values: Part B-2026 – EUR 13.4 million; Part C-2034 – EUR 21.9 million (reserved for qualified investors with a minimum EUR 100k investment)
- ✓ Targets innovative social enterprises that are economically viable and deliver measurable social and/or environmental impact (Part B-2026), and ambitious social enterprises needing growth capital (Part C-2034)
- ✓ Typical ticket size of EUR 200k –1 million

Makesense SEED I (France, launched in 2019):

- ✓ Fund size of EUR 8.2 million
- ✓ Focuses on the pre-seed phase of business development
- ✓ Typical initial ticket of EUR 50–150k with the ability to re-invest EUR 200–400k at subsequent funding rounds

OPES Italia SICAF (Italy, launched in 2019):

- ✓ Secured EUR 20 million commitments from EIF & CDP in 2019, the target was up to EUR 40 million
- ✓ Focuses on the seed/ early-stage phase of business development
- ✓ Provides investment ranging from EUR 100k to over EUR 2.5 million, in incremental tranches

Avanzi Etica SICAF (Italy, launched in 2020):

- ✓ Manages capital of EUR 19.6 million (as of June 2024)
- ✓ Targets Italian businesses, at all stages of business development (pre-seed, seed, first-stage, acceleration/development)
- ✓ Average investment size of EUR 500k

Fondo Bolsa Social (Spain, launched in 2020)

- ✓ Fund size of ~EUR 22 million
- ✓ Focuses on early-stage social enterprises (*Seed line*) and enterprises with a proven model in the market, seeking to grow or upscale (*Series A line*)
- ✓ Typical investment of EUR 200k – 1 million

Seaya Andromeda (Spain, launched in 2024):

- ✓ Closed at EUR 300 million in July 2024
- ✓ Backs later-stage, scaling businesses specializing in climate tech
- ✓ Typical initial investment of EUR 10–40 million

Source: websites of the selected Social Investment Funds

(v) Impact management

Although they operate in different countries and segments of the impact ecosystem, selected Social Investment Funds share a common commitment to managing and demonstrating the social and environmental impact generated by their investments. Key approaches include:

a. Clearly-defined impact objectives. A common feature across all Social Investment Funds is the explicit definition of impact objectives before investing. These objectives clarify what social and/or environmental change each investment is expected to generate and help align investor expectations with the company’s mission. In addition, defining impact objectives ex-ante ensures clarity, consistency, and intentionality in impact creation. *Creas*, for instance, establishes objectives through its Social Impact Multiple framework, which requires setting 3 to 5 KPIs with four-year targets for every portfolio company. These KPIs guide the expected social or environmental outcomes of each investment. *INCO Ventures* prepares an “impact roadmap” for each portfolio company, defining 5-10 indicators tailored to the company’s mission, across a five-year horizon. This roadmap determines how impact will be assessed. Similarly, *Oltre Impact* sets qualitative and quantitative objectives for each company, documented in an ESG Action Plan jointly developed with the company’s management.

b. Impact embedded into due diligence processes. Impact is integrated directly into due diligence processes, complementing financial and operational assessments. *Creas* conducts ESG analysis and uses the B Impact Assessment to evaluate governance quality, social practices, environmental management, and overall responsible business conduct. *Oltre Impact* uses a structured ESG checklist to analyse potential risks and opportunities before deciding on an investment. This assessment supports responsible investment decisions and forms the baseline for future monitoring. *INCO Ventures* applies its proprietary “Inco Ratings” system to score each company’s social and environmental performance and the robustness of its impact model. *France Active Investissement’s* due diligence focuses on the social utility of the supported entrepreneur or association, giving particular weight to job creation and inclusion.

c. Impact indicators and measurement frameworks. All Social Investment Funds rely on impact indicators to track progress and quantify results. *Creas* selects a small set of indicators for each company

and uses them to calculate its *Social Impact Multiple*. *Oltre Impact* tracks indicators based on recognised ESG standards and EU requirements (see Figure 2.1). *INCO Ventures*' impact roadmap links each indicator to relevant Sustainable Development Goals (SDGs). *Ship2B Ventures* shapes its indicators using the five dimensions of the Impact Management Project, ensuring a consistent assessment of what change is produced, who benefits, and how substantial the improvement is. *Fondazione Social Venture Giordano Dell'Amore* defines qualitative and quantitative indicators within its Theory of Change, distinguishing between what is delivered (outputs) and what actually changes for people (outcomes). *France Active Investissement*, which operates at a national scale, focuses on macro indicators such as the number of jobs created or safeguarded and where supported entrepreneurs are located.

d. Impact monitoring and follow-up. Regular monitoring allows Social Investment Funds to verify progress, adjust strategies, and maintain accountability, with the final aim to ensure that investments remain aligned with their impact objectives. *Creas* reviews progress annually and recalculates its Social Impact Multiple for each investee. *Oltre Impact* conducts annual monitoring using a post-investment ESG checklist and reviews progress against the ESG Action Plan. *INCO Ventures* schedules at least one review meeting per year for each investee, incorporating new data into its impact dashboards. *France Active Investissement* monitors its support annually via its network, aggregating regional data (e.g., enterprises supported, jobs created or consolidated) into national reports and thematic impact studies. *Ship2B Ventures* applies quarterly monitoring of impact indicators at the investee level. *Fondazione Social Venture Giordano Dell'Amore* combines ongoing monitoring with targeted evaluations to measure the effectiveness of funded initiatives.

e. Impact reporting. All Social Investment Funds communicate impact results through public reports, contributing to transparency and ecosystem learning. *Creas* and *Oltre Impact* publish annual impact reports with detailed KPI results and portfolio case studies. *INCO Ventures* issues social and environmental impact reports that consolidate company-level progress and classify outcomes according to the SDGs. *Ship2B Ventures* produces annual impact reports summarising beneficiary reach, environmental gains, and progress across priority areas such as climate, education, and quality of life. *Fondazione Social Venture Giordano Dell'Amore* releases both annual impact reports and evaluations from its Evaluation Lab. *France Active Investissement* publishes annual key figures and occasional in-depth impact studies on job creation, business sustainability, and inclusion.

Figure 2.1. Impact assessment framework. The case of Oltre Impact

| | |
|---------------------|---|
| IMPACT GOALS | Each investment is screened to ensure that it provides a significant contribution to one of the three main goals: contributing to the empowerment of individuals, to their health and to a cleaner environment. |
| SDGs | Each investment is classified, from the very first screening, for its contribution to SDGs, helping in aggregating impact in a standard manner. |
| OUTCOMES | Check for outcomes, namely positive changes that the company is capable to generate for its beneficiaries (in addition to outputs, i.e., the performance of the company). |
| KPIs | For each outcome, metrics are identified that can estimate whether the outcome is being achieved. |

Source: adapted after *Oltre Impact's Impact Report 2022*, p. 10 (<https://www.oltreimpact.com/wp-content/uploads/2023/06/Annual-Impact-report.pdf>)

f. Impact-oriented governance practices. Social Investment Funds embed impact directly into how they are governed, and several common governance practices stand out:

- ✓ **Linking incentives to impact performance.** Part of the managers' remuneration is explicitly tied to impact results, not only to financial performance. *Creas*, for instance, links the variable remuneration (carry) of its team to the level of achievement of the Social Impact Multiple for the fund's portfolio companies, while *Oltre Impact* states that a high share of its carried interest (i.e., 70%) depends on reaching pre-defined impact KPIs at the fund level.
- ✓ **Using dedicated bodies to oversee impact.** Governance structures often include specific bodies or committees that bring in investors and experts to oversee impact and mission. *Oltre Impact and Ship2B Ventures* work with advisory or investment committees where impact objectives and KPIs are reviewed and validated. *Fondazione Social Venture Giordano Dell'Amore* has a Board of Directors, a Board of Statutory Auditors, and an Advisory Committee that together oversee the Foundation's impact-oriented strategy. *France Active Investissement's* governance bodies include public and private partners (banks, social-economy networks, NGOs, etc.), ensuring that social impact perspectives are represented in strategic decisions.
- ✓ **Formalising impact commitments in contracts and processes.** Impact targets are not just informal aspirations but are written into investment documentation and core processes. *INCO Ventures*, for instance, creates an "impact roadmap" for each company, annexed to the financing contract. *Ship2B Ventures* requires impact indicators and forecasts to be agreed with entrepreneurs at the investment stage and then tracks them throughout the life of the investment.

(vi) Financial vs. social/environmental return

Expected financial returns are generally described qualitatively rather than through explicit targets or reported performance figures, and most Social Investment Funds do not publicly specify target IRRs or realised returns. Instead, they position themselves along an impact–return spectrum using narrative formulations. *Fondazione Social Venture Giordano Dell'Amore*, for instance, explicitly refers to "moderate expected returns" and structures its vehicles with long time horizons and incentives that prioritise the achievement of impact outcomes over financial gain. In contrast, *Creas* frames its strategy around demonstrating that impact investing can also be financially viable ("our goal was to show that impact investing can be profitable"), indicating an ambition to combine impact with sustainable financial performance, even if no numeric targets are disclosed. For *Ship2B Foundation*, the notion of return is presented primarily in social and environmental terms: the focus is on transforming sectors and boosting the "impact economy", rather than on delivering a defined financial yield to donors or programme partners, and no explicit financial-return objectives are, once again, mentioned.

(vii) Additional (non-financial) support

Across Social Investment Funds, support goes well beyond the provision of capital. They systematically combine finance with strategic guidance, and capacity and ecosystem building, with the explicit aim of increasing both the viability and the impact of the organisations they back. *Key areas of additional support* include:

- ✓ **Strategic and operational support.** Many funds actively help portfolio organisations formulate/refine and execute their strategy. For example, *Creas* offers support on strategy, operations, governance, communication, and access to key stakeholders, while *Oltre Impact* follows a hands-on approach, working closely with the management team on strategic and financial decisions.
- ✓ **Acceleration, training, and capacity-building.** Several funds provide programmes to strengthen skills and business models. *Fondazione Social Venture Giordano Dell'Amore* runs incubation and acceleration initiatives and provides specialised training. *Ship2B Foundation* offers tailored

acceleration, mentoring, and sector-specific programmes. *INCO Ventures* complements its funds with programmes that help social and green entrepreneurs launch and grow.

- ✓ **Ecosystem building and networking.** Social Investment Funds also position themselves as ecosystem builders. *Creas* and *Fondazione Social Venture Giordano Dell'Amore* organise calls, workshops, and events to develop the impact investing and social innovation field, while *Ship2B Foundation* actively connects startups with large companies, investors, and other partners to open up collaboration and growth opportunities.

Besides providing direct capital, some Social Investment Funds also assume a key role in **attracting complementary capital**. For example, *France Active Investissement* explicitly states that its intervention is designed to crowd in additional financing from banks and co-investors, aiming to mobilise further resources rather than maximise capital gains at exit.

(viii) Exit strategy

- ✓ **Holding period.** Overall, the investigated funds provide **patient capital**, although **a standard holding period is not always disclosed**. *Fondazione Social Venture Giordano Dell'Amore* explicitly announces a long-term investment horizon of up to 20 years, designed to align with the needs of social economy actors. *France Active Investissement* typically intervenes for a maximum of 5 years, extendable up to 7 years in specific cases of investment financing. For *INCO Ventures*, exit plans and timing are designed to be aligned with the impact vision and objectives of the investee, guaranteeing the impact of the participation. For most cases, including *Oltre Impact*, the duration of the investment is influenced not only by financial considerations but also by the achievement and preservation of impact.
- ✓ **Exit routes and conditions.** Exit routes vary according to the type of instrument used (equity, quasi-equity, loans, etc.). For *France Active Investissement*, exit is achieved when the participative loan or quasi-equity instrument is fully repaid over the agreed term. For *Creas*, exits have mainly taken the form of trade sales or partial sales to strategic or impact-aligned buyers. In most cases, **exits are actively managed to preserve and, where possible, strengthen the impact of the enterprise**. The selection of buyers is crucial, with funds seeking acquirers whose business and strategy are consistent with the original impact thesis. *INCO Ventures*, for example, favours buyers whose models are compatible with the company's impact mission. *Ship2B Ventures* incorporates impact/ESG clauses in shareholder agreements, so that exit conditions and future ownership are constrained by agreed impact commitments. In some cases, **financial benefits at exit** or during the life of the instrument are linked to impact performance. *France Active Investissement*, for instance, may reduce the interest rate when predefined social impact results are achieved.

PART B. NEEDS ASSESSMENT OF SOCIAL ECONOMY ORGANISATIONS⁶

3. SURVEY ANALYSIS

3.1. Overview of the data collection process and scope

This section uses data collected through a structured questionnaire addressed to organizations active in Romania's social impact field. A total of 114 respondents initially participated in the survey, representing a diverse range of entities, including social enterprises, NGOs with economic activities, cooperatives, and other mission-driven organizations engaged in addressing social or environmental challenges. After data cleaning, four institutions were removed from the dataset, representing public bodies, public agencies, and one public educational institution. The remaining organizations (**110 respondents**) provided valuable insights into the operational reality of social economy actors, their financing needs, and their perspectives on the establishment of a Social Investment Fund (SIF) tailored to the Romanian context.

The questionnaire was designed around **three core sections**, each targeting a specific dimension essential for understanding the financing landscape and the strategic positioning of social economy entities:

- ✓ **Section A. General information and economic-financial profile.** This section captured key organizational characteristics, including legal form, field of activity, operational model, revenue structure, financial stability, and current challenges related to economic sustainability. The data provides a baseline understanding of the diversity and maturity levels within the sector.
- ✓ **Section B. Expansion and development plans and their financing.** Respondents detailed their strategic orientations for future growth, anticipated investment needs, existing funding sources, and barriers to securing capital. This section sheds light on both the ambition and the constraints that shape expansion trajectories, particularly in relation to medium- and long-term investment requirements.
- ✓ **Section C. Relevance of a Social Investment Fund and preferred design options.** The final section explored the perceived utility of a SIF, expectations regarding its financial instruments, governance, and accessibility, as well as preferred ticket sizes and support mechanisms. The responses are critical for calibrating the fund's structure to real market demands.

The survey was preceded by an informative introduction, which clearly communicated the study's objectives: assessing financing needs and exploring the feasibility of establishing a Social Investment Fund in Romania. Participants were also informed that the research is funded under the AFIN – Social Investment Fund project, financed by the European Union through ESF+/EaSI, and that all data would be handled ethically and confidentially.

⁶ In Parts B and C of this report, consistent with our methodological framework, Social Economy Organisations (SEOs) refers to all entities potentially in scope for the Social Investment Fund (i.e., legally recognised/registered social enterprises as defined by Law no. 219/2015 on the Social Economy, regardless of legal form; NGOs engaged in economic activities; conventional enterprises operating in sectors of high social relevance). In addition, Social Investment Fund (SIF) is used as a generic term for an impact-driven investment vehicle, irrespective of the specific legal structure that will be chosen.

3.2. Thematic analysis and findings

Section A. General information and economic-financial profile

Years of establishment: The distribution of respondents by year of establishment reveals a steady expansion of Romania’s social impact ecosystem over the past three decades, with a marked acceleration in more recent years. Our sample could be described as predominantly young, dynamic entities, reflecting a sector still in active formation and strongly influenced by recent funding opportunities and evolving policy frameworks (Figure 3.1). Only a small number of organisations in the sample were founded before 2000 (8 in total), reflecting the early and relatively limited development of the sector during the post-transition period. A gradual increase becomes visible from 2001 onward, with 12 entities founded between 2006 and 2010 and another 11 emerging during 2011–2015. This pattern suggests a slow but consistent consolidation phase, coinciding with broader institutional recognition of the social economy at national and European levels. The most substantial growth occurred after 2015, which could be connected to the rapid expansion of EU-funded programmes supporting social enterprise development, heightened public interest in socially oriented business models, and the emergence of dedicated support initiatives.

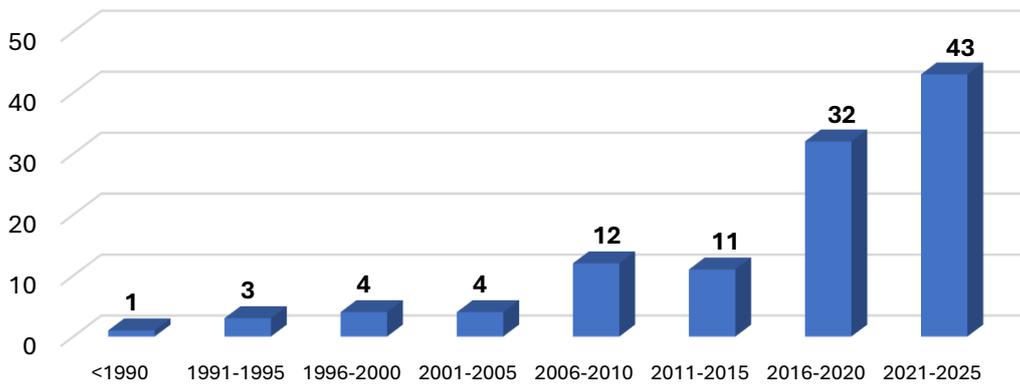


Figure 3.1. Founding year distribution of surveyed organisations

Geographical coverage: The geographical distribution of the surveyed organizations shows a clear concentration in the *North-East Region*, which records 54 organizations, the highest share nationwide (see Figure 3.2). It is followed by the *Center Region* with 17 organizations and the *North-West Region* with 8, indicating a stronger presence in the northern part of the country. Bucharest–Ilfov also holds a notable position with 13 organizations, reflecting its role as a central administrative and economic hub. In contrast, the *South-East*, *South-Muntenia*, and *West Regions* each register only 6 organizations, showing a more modest representation. The *South-West Region* stands out through the absence of any organizations in the sample, highlighting a territorial gap. Overall, the distribution suggests an uneven spread, with strong concentrations in the North-East and Center Regions and significantly lower organizational presence in the southern and western parts of the country. Such results are largely in line with the questionnaire-based study from the 2025 Barometer of Social Economy (Iftimoaei & Gabor, ADV Romania & SFA, 2025), confirming the strong concentration of organizations in the North-East Region and the important role of Bucharest–Ilfov. However, there are two noticeable differences: the current dataset shows a significantly higher presence in the Center Region and a complete absence of organizations in South-West Oltenia, whereas the 2025 Barometer reported at least minimal activity there (two entities). Overall, the patterns are similar, with a few regional deviations.

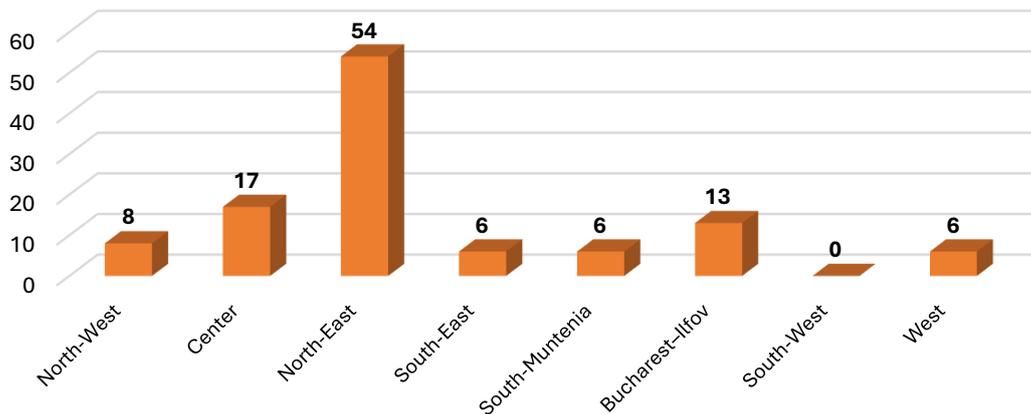


Figure 3.2. Geographical coverage of surveyed organisations

Main area of activity: The results indicate a strong concentration of activities in urban areas, with 67 organizations primarily operating in towns or cities (Figure 3.3). This suggests a continued centralization of economic resources and opportunities in urban environments, likely driven by better infrastructure, easier market access, and a higher availability of skilled labour. In contrast, only 29 organizations report operating predominantly in rural areas, highlighting a considerably lower presence in villages and communes and a possible dependence on urban contexts for development and sustainability. At the same time, the substantial number of organizations active at the national (30) and regional (25) levels suggests a growing capacity to engage beyond the local sphere and to extend operations across multiple territories. However, international outreach remains limited: only 7 organizations operate predominantly at the European level, indicating that while national and regional expansion is relatively common, internationalization – particularly within the EU market – still appears to be at an early stage.

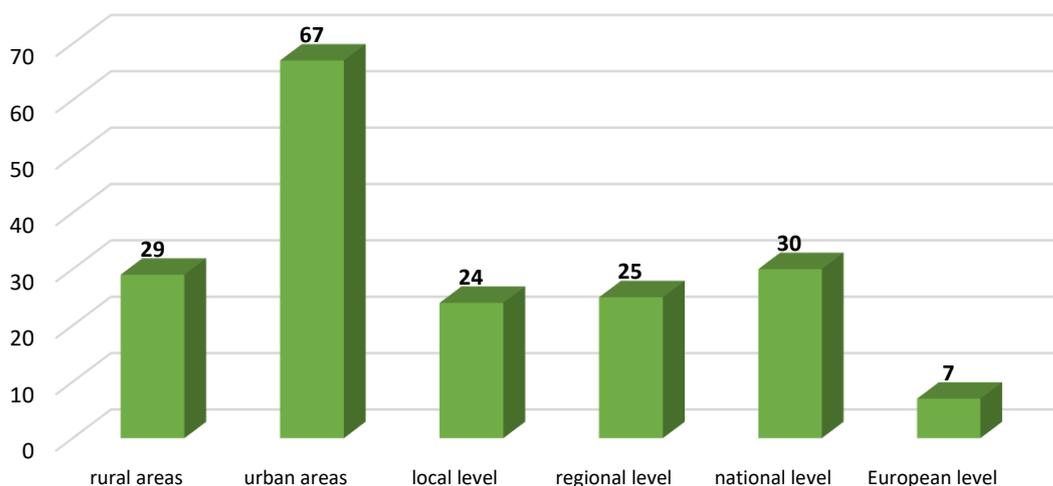


Figure 3.3. Main area of activity of surveyed organisations

Legal form of the surveyed organizations: The surveyed organizations operate under a variety of legal forms, with the most prevalent being Limited Liability Companies (LLCs), totalling 54 entities (see Figure 3.4). This indicates a substantial presence of privately held commercial organizations within the analysed sample of 110 entities. The second-largest group consists of 49 associations or foundations established under Romanian Law (GO 26/2000), reflecting a strong representation of the nonprofit sector. This

distribution aligns with the 2025 Barometer of Social Economy (Iftimoaei & Gabor, ADV Romania & SFA, 2025), where associations, foundations, and LLCs also represent the dominant legal forms.

A smaller segment – comprising 7 entities – falls under “other forms of legal organization.” This group includes 2 Authorized Natural Person (‘Persoană fizică autorizată’), 1 Individual Enterprise (‘Întreprindere Individuală’), 1 Cooperative Society, and 3 Individual Psychology Practice Offices (‘Cabinete Individuale de Psihologie’). Although less prevalent, these structures contribute to a more diverse organizational landscape. Overall, the distribution reflects a mixed ecosystem dominated by private commercial and nonprofit entities, complemented by a smaller but diverse set of professional, cooperative, and individual practice-based organizations.

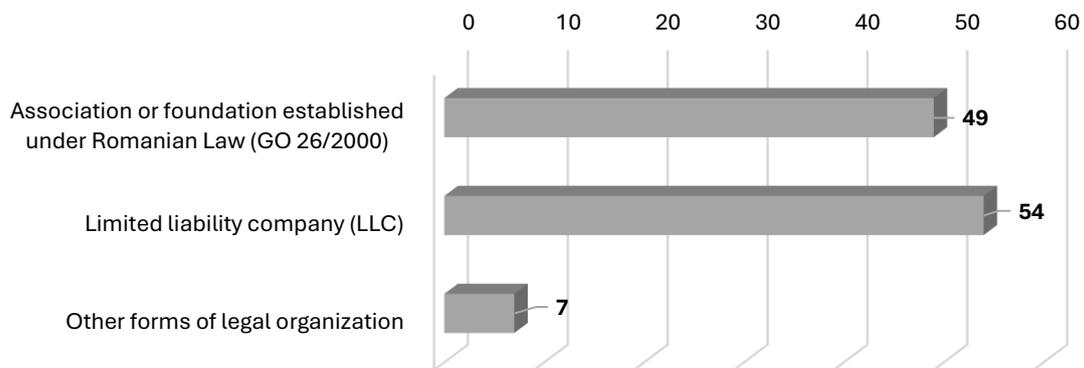


Figure 3.4. Legal form of the surveyed organizations

Legal status & social impact certification: Among the 110 organizations included in the analysis, most respondents reported holding specific authorizations or classifications relevant to their field of activity (Figure 3.5). The most frequently reported status is that of a legal entity with social impact, indicated by 61 organizations. This reflects a strong prevalence of mission-driven entities whose operational purpose aligns with generating measurable social value. Additionally, 41 organizations hold a social enterprise certificate issued by the County Employment Agency (AJOFM) in accordance with Law no. 219/2015, revealing formal recognition as social enterprises under the national regulatory framework. A smaller number (2 organizations) possess a work-integration social enterprise certificate, also issued by AJOFM, indicating compliance with more stringent criteria related to employment of vulnerable groups. Only 6 entities stated that they do not have a direct social impact, representing a marginal share of the sample.

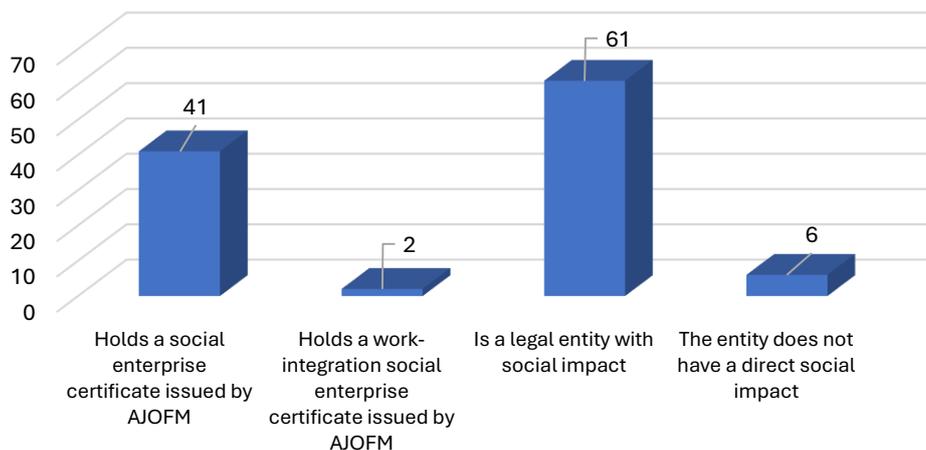


Figure 3.5. Legal status & social impact certification of surveyed organisations

Employment size: According to the dataset, the organizations included in the sample employ a total workforce that is predominantly concentrated in small enterprises (Figure 3.6). The majority of respondents (87 organizations) reported having between 1 and 9 employees, indicating that micro-sized entities represent the core of the analysed landscape. An additional 19 organizations fall within the category of small enterprises, employing between 10 and 49 people. Only 4 organizations reported having between 50 and 249 employees, positioning them within the medium-sized enterprise segment. This distribution highlights the strong prevalence of micro and small organizations within the Romanian social impact sector, with medium-sized entities representing only a marginal share of the sample. The overall structure reinforces the profile of a sector dominated by relatively small employers, consistent with broader patterns observed in the social economy. On average, for the 76 entities for which we have specific data, the average number of employees is 10.76, while the median is 4.00.

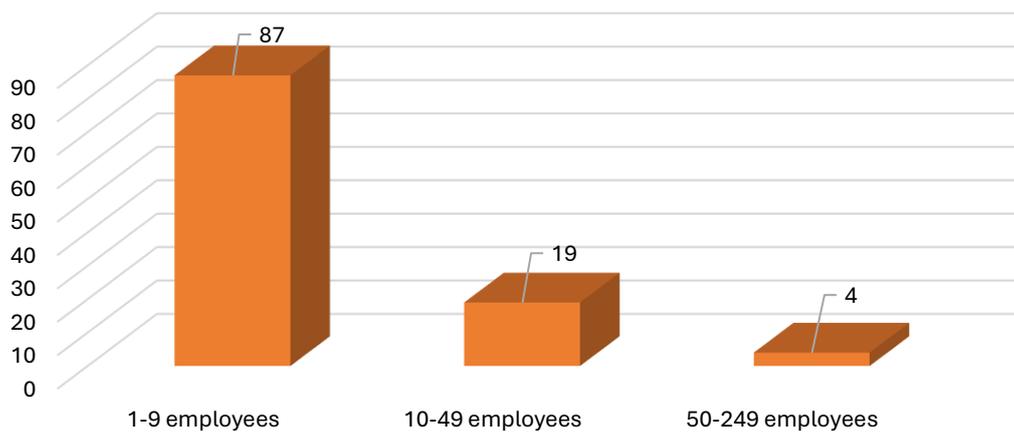


Figure 3.6. Employment size of surveyed organisations

Next, the questionnaire included a filter question designed to ensure that only organizations aligned with the potential beneficiary profile of an SIF continued to the subsequent sections. Specifically, respondents were asked whether their organization generates revenues from economic activities – an essential criterion, given that such funds target entities capable of combining social mission with revenue-generating operations. Out of the 110 organizations analysed, **87 entities** answered “Yes” to this filter question, indicating that they generate income through economic activities. These organizations proceeded with the remaining items in the questionnaire. The remaining entities – those responding “No” – were excluded from further sections, as their operational model does not meet the eligibility criteria typically associated with social impact investment instruments. This initial filtering highlights that a significant share of the surveyed organizations (nearly *4 out of 5*) operate under hybrid models where social objectives are complemented by economic activity, reinforcing their potential suitability for future impact-oriented financing mechanisms.

Main fields of activity: The distribution of the main fields of activity reported by the 87 surveyed organizations reveals a diverse operational landscape, with a notable concentration in service-oriented sectors (Figure 3.7). The largest group falls under **Other Service Activities** (33 organizations), a category that typically includes a wide spectrum of community, personal, and social support services such as recreational and leisure activities, counselling and assistance services, various professional support functions, and small-scale production or repair activities. The prominence of this category suggests that many organizations operate in flexible, community-responsive domains that do not fit neatly into traditional economic sectors but nonetheless play an essential role in addressing social needs and delivering value at the local level.

The second-largest group consists of organizations active in **Health & Social Work** (20 entities), confirming the significant role of social and health services within the landscape of potential beneficiaries of an SIF. This is consistent with the broader structure of the Romanian social economy, where health and welfare services constitute a substantial segment.

Other relevant sectors include Information & Communications (6 organizations), Arts, Culture & Recreation (4), and Hospitality (Hotels & Restaurants), Manufacturing, and Wholesale & Retail Trade—each with 3 organizations. These groups highlight the presence of both creative industries and commercially oriented entities within the sample. Smaller shares are recorded in Administrative & Support Services (3 entities), Professional, Scientific & Technical Activities (2), Transport & Storage (2), Education (2), Energy Supply (2), and Agriculture, Forestry & Fishing (2). The smallest representation appears in Utilities & Waste Management (1 organization) and Construction (1 organization).

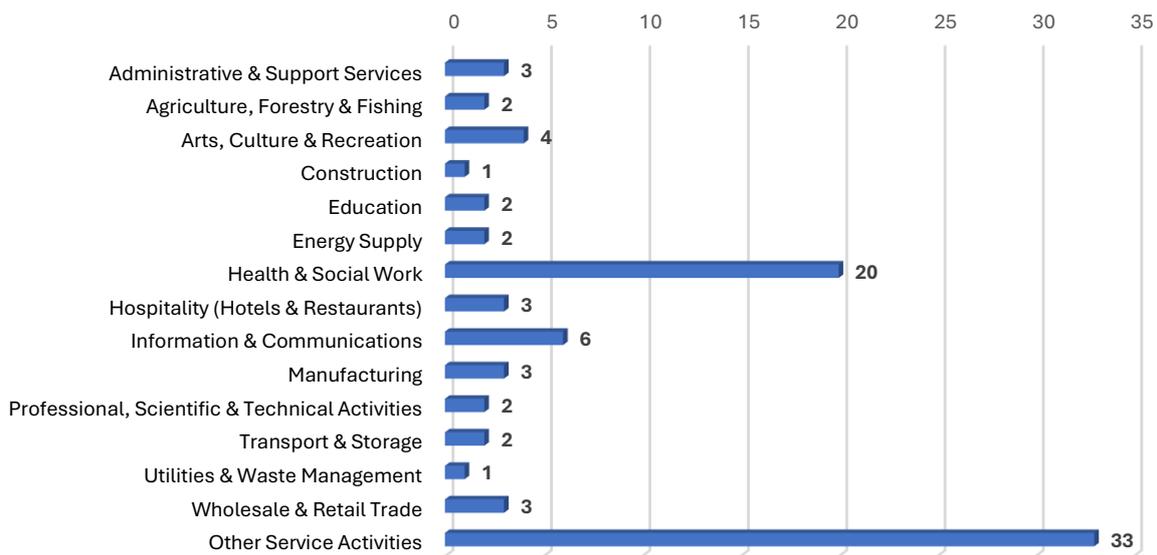


Figure 3.7. Main fields of activity of surveyed organisations

Use of financial instruments (last three years): With regard to the financing sources used by the 87 surveyed organizations over the past three years reveals significant variations in reliance on different financial instruments (Figure 3.8). Overall, the results highlight a financing environment dominated by grants, particularly European funds, while debt-based instruments (both banking and non-banking) and investment-based mechanisms are used at very low levels. The distribution suggests lingering constraints regarding financial literacy, risk tolerance, or institutional readiness for credit and investment products, as well as a broader structural challenge: the insufficient tailoring of conventional financial instruments to the needs of social-impact organizations.

In particular, **European funds** (financing through national operational programmes and EU community programmes) emerge as the most relevant financing source among respondents. Although 41 organizations reported not having used them at all, a substantial group rated their use at the highest levels: 29 organizations used European funds “to a very large extent,” and 5 used them “frequently.” An additional 9 reported moderate utilization. This suggests that, for a considerable segment of organizations, EU financing constitutes a critical mechanism for supporting operational or developmental activities, consistent with the broader trend in the social economy sector of relying on grant-based funding.

In contrast, **bank loans** for working capital or investment purposes remain only marginally used. A large majority (69 entities) reported no use, and only 8 indicated having relied on bank credit to a very large extent. The limited uptake of bank loans may reflect barriers such as stringent eligibility requirements, lack

of collateral, perceived financial risks, or limited familiarity with formal credit products among nonprofit and impact-oriented entities.

A similar pattern is observed for **microcredits** from non-bank financial institutions (NBFIs). A total of 73 entities did not use this instrument at all, while only a small number reported moderate (1), high (3), or very high use (9). Use of **national or international investment funds** is almost entirely absent. 84 entities report no use, while only one entity indicates frequent use, and none report very high use. This near-complete lack of engagement underscores a persistent structural gap in the accessibility or suitability of investment-fund instruments for organizations in the social economy, which typically operate with lower profit margins, limited growth potential, and missions that are not always aligned with the expectations of mainstream investors.

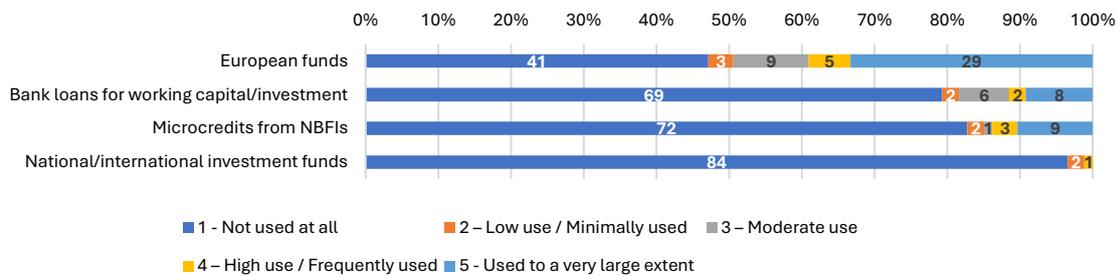


Figure 3.8. Financing sources over the past three years of surveyed organisations

The investment activity over the past three years: The distribution of the results analysing this aspect reveals a relatively balanced but cautious investment landscape among the surveyed organizations (Figure 3.9). A notable share (29 entities) reported having carried out **considerable investment projects with a significant impact on their activity**. This indicates that more than ¼ of the respondents engaged in substantial development or modernization efforts, suggesting a degree of strategic commitment to strengthening the business capacity or expanding services. Another 23 entities implemented **small-scale investments with only minor impact**. These particular cases may reflect incremental improvements or maintenance-related expenditures rather than transformative initiatives, pointing to more conservative investment behaviours or, as we will see, limited financial resources. In contrast, 34 organizations stated that **no investments were made** during this period. This is the largest group and suggests that a considerable segment of the ecosystem has faced specific barriers (financial, legal, or strategic) that prevented investment activities. The lack of investment may also indicate difficulties in accessing funding, low organizational capacity, or a focus on maintaining basic operations rather than pursuing development. Only one respondent reported not knowing whether investments had been made, which indicates overall good visibility of financial and strategic decisions among most organizations.

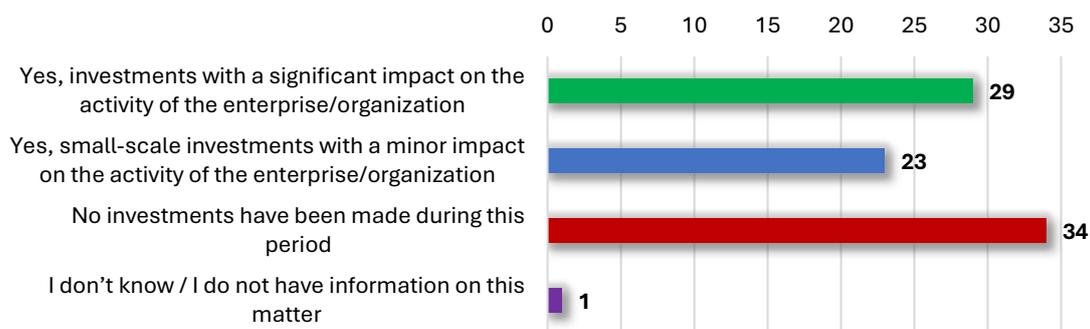


Figure 3.9. The investment activity over the past three years of surveyed organisations

Financial challenges: With regard to the question “Do you consider that your enterprise/organization has faced difficulties in financing investment projects over the past 3 years?”, the results indicate a mixed landscape (Figure 3.10). A considerable share (32 entities) reported experiencing **significant difficulties**, pointing to major obstacles in accessing the necessary financial resources. These constraints were substantial enough to affect the implementation of their investment initiatives, suggesting structural barriers or limited financing opportunities for certain types of entities. An additional 17 entities encountered **minor difficulties**, meaning that while they faced occasional challenges, these did not substantially hinder their investment projects. Together, these two groups represent nearly 50% of all respondents, highlighting that difficulties in securing funding remain a common issue within the sector. Additionally, 18 entities mentioned that they did not face difficulties, indicating that their financial resources were adequate and stable for supporting investment activities. This suggests that a subset of organizations has more reliable access to funding or benefits from stronger internal financial capacity. Finally, 20 entities selected ‘Not applicable’, implying that these organizations either did not undertake investment projects during this period or were not in a position where such challenges could be assessed. This group underscores the heterogeneity of investment behaviour across the sample, with some entities not engaging in investment-related activities at all.

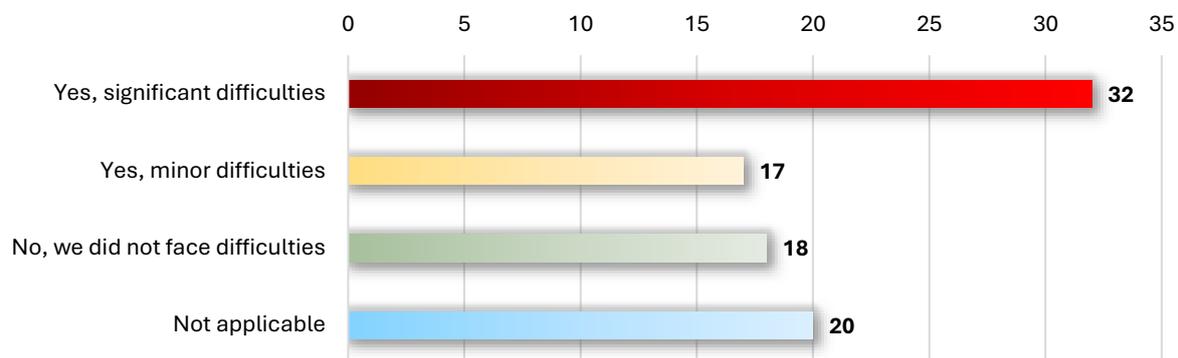


Figure 3.10. Difficulties in financing investment projects of surveyed organisations

Section B. Expansion and development plans and their financing

This section explores the strategic development and expansion plans that enterprises and organizations anticipate for the next three years. Respondents were invited to outline initiatives that may require investment, such as diversifying economic activities, expanding community services, increasing social or environmental impact, or strengthening financial and operational sustainability. By examining expected investment needs, preferred funding sources, and perceived barriers to accessing capital, this section provides insight into both the ambition and the constraints that shape future growth trajectories. Organizations without planned development or expansion initiatives were redirected to the next section.

Expansion and/or development plans: With regarding the question “Does your enterprise/organization have expansion and/or development plans that require investments in the next 3 years?”, the results indicate a strong forward-looking orientation among the surveyed organizations, with an overwhelming majority expressing intentions to pursue expansion or development initiatives that will require investment in the next 3 years (Figure 3.11). This signals a sustained demand for investment resources and support mechanisms in the coming years. Among the total of 87 entities, 31 entities (35%) reported having concrete plans already in the implementation phase, suggesting that a significant share of entities are actively engaging in growth-oriented activities.

An additional 25 entities have concrete plans that have not yet entered implementation, reflecting a structured but still preparatory stage of strategic development. Meanwhile, 28 entities are at an idea or conceptual stage, indicating early-stage exploration of potential investment projects and highlighting a pipeline of initiatives still under consideration. Only 3 entities reported having no plans for expansion or development, representing a very small minority (3.4%). This distribution suggests that the ecosystem is highly dynamic, with most entities demonstrating interest in growth, diversification, or increased social or environmental impact.

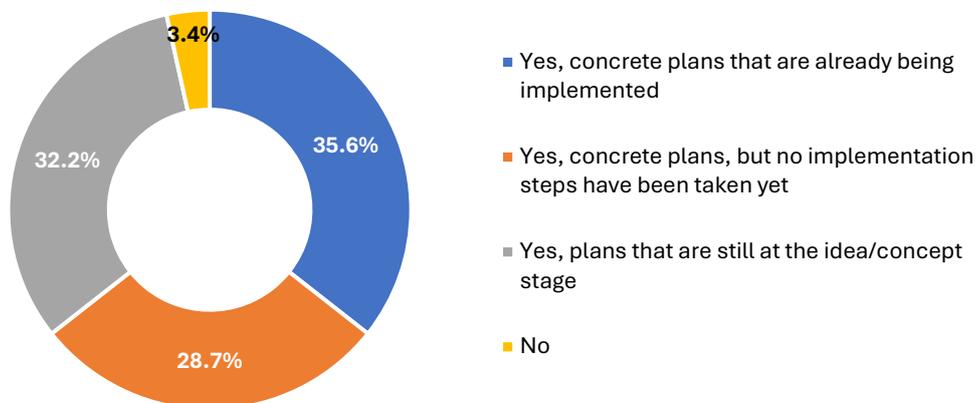


Figure 3.11. Expansion and/or development plans among the surveyed organisations

Investment intentions: With regard to the question “What types of investments is your enterprise/ organization considering in order to implement its expansion and/or development projects?”, the results reveal a strong focus on strengthening operational capacity and improving infrastructure to support future expansion (Figure 3.12). The most frequently cited investment type is the purchase of equipment, machinery, or vehicles, selected by 61 entities. This indicates that many entities seek to modernize or scale up their productive or service-delivery capabilities. A similarly large share (53 organizations) plan investments in the renovation, arrangement, or expansion of workspaces, suggesting that physical infrastructure remains a key priority, either due to increased activity levels or the desire to enhance service environments.

Digital transformation is also a significant area of interest, with 48 entities aiming to invest in software, platforms, or automation technologies. This highlights a growing recognition of the role digital tools play in improving efficiency, outreach, and overall competitiveness. Beyond these core areas, several organizations are oriented toward mission-driven expansion. A total of 28 entities intend to develop infrastructure for working with vulnerable groups (such as training facilities or day centers), indicating an ambition to deepen their social impact. Meanwhile, 24 entities plan to create new production lines or revenue-generating services, demonstrating an appetite for diversification and new business development. Other strategic directions include the development of sales channels (23 entities), reflecting the need to strengthen market access, and the establishment of new economic units within the organization (11 entities), such as small manufacturing or service operations.

The eight responses falling under “Other types of investment projects” further enrich this picture. These include initiatives related to professional training, promotional and educational activities targeting future generations, marketing development, establishing new operational points, acquiring commercial space, creating specialized infrastructure in niche areas (such as small-scale agricultural demonstration facilities), or developing new economic units or services (e.g., animal care facilities). Collectively, these responses suggest a blend of strategic, mission-driven, and market-oriented investment directions that go beyond standard infrastructure or equipment upgrades.

Overall, the distribution of responses shows a balanced mix of capacity-building, infrastructure enhancement, digital transformation, and mission-oriented investments, reflecting the diverse pathways through which organizations aim to strengthen their future sustainability and impact.

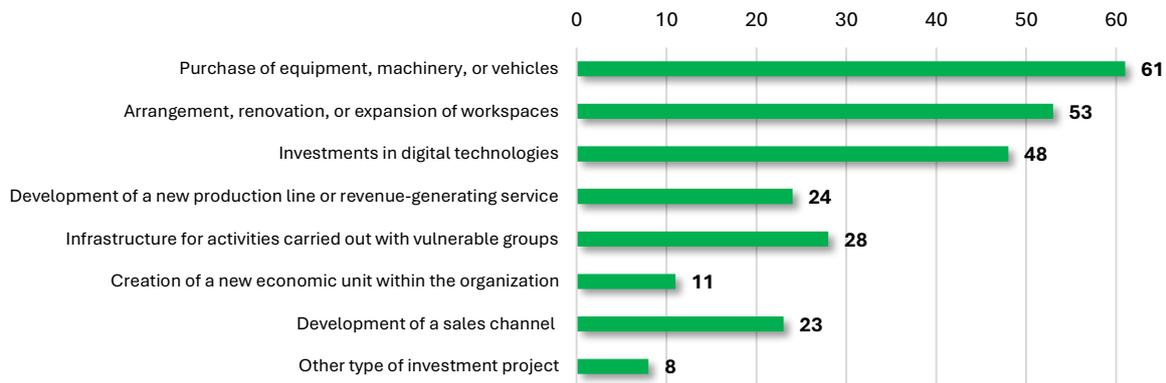


Figure 3.12. Investment intentions among the surveyed organisations

Positive social and/or environmental impact: With regard to the question “Which of the following aspects describe the positive social and/or environmental impact of the investments your enterprise/organization is considering?”, the results highlight a strong commitment among organizations to generating meaningful social and environmental value through their planned investments (Figure 3.13). The results reveal a *balanced mix of social inclusion, community development, environmental sustainability, and innovation-driven impact priorities*. Organizations envision their future investments not only as instruments for operational growth but as levers for broader social transformation, strengthening local economies, reducing inequalities, and improving community well-being. Several impact areas stand out, reflecting both the mission-driven character of the surveyed entities and the diverse needs of the communities they serve.

In particular, the most frequently cited impact, reported by 42 entities, is *supporting local entrepreneurship and the social economy*. This suggests a strategic orientation toward strengthening local economic ecosystems, fostering micro-enterprise development, and reinforcing the broader social economy infrastructure. Closely aligned with this is the emphasis on *improving the quality of life in the local community*, selected by 41 respondents. These initiatives typically involve community infrastructure, service provision, or cultural and recreational activities that enhance well-being and social cohesion at the local level.

A significant share of organizations also take into account effects linked to *job creation for disadvantaged groups* (40 entities) and *improved access to employment, skills development, and personal development services* (39 entities). Together, these priorities point to a strong focus on labour-market inclusion, particularly for vulnerable populations such as individuals with disabilities, NEETs youth, or individuals leaving care institutions. Similarly, 37 respondents underline contributions to the *active social inclusion of marginalized individuals*, reinforcing a holistic understanding of inclusion that extends beyond employment to community participation and social support.

Environmental objectives are also well represented. *Promoting environmental sustainability* (30 entities) and *advancing responsible consumption and circular practices* (31 entities) signal a growing awareness of ecological challenges and the role of social economy actors in addressing them through resource efficiency, pollution reduction, waste minimization, and the adoption of greener technologies.

Regarding *service and product development*, service innovation was selected by 32 entities, while product innovation was highlighted by 24 respondents. These responses indicate an ongoing interest in expanding

or enhancing service offerings and designing new or improved products that carry social or environmental benefits.

Finally, foundational social impact areas, such as improved access to general-interest social services (28 entities) and reducing social inequalities (24 entities), remain important, underscoring the sector’s role in addressing gaps in healthcare, education, housing, and essential social services.

Only 3 entities identified an additional type of expected impact beyond the predefined categories, suggesting that the questionnaire successfully captured the main strategic priorities. The responses provided (*specialized support services for victims of violence; promoting healthy and local food consumption and preventive health practices; and fostering mental well-being*) indicate that these organizations operate in highly specific niches.

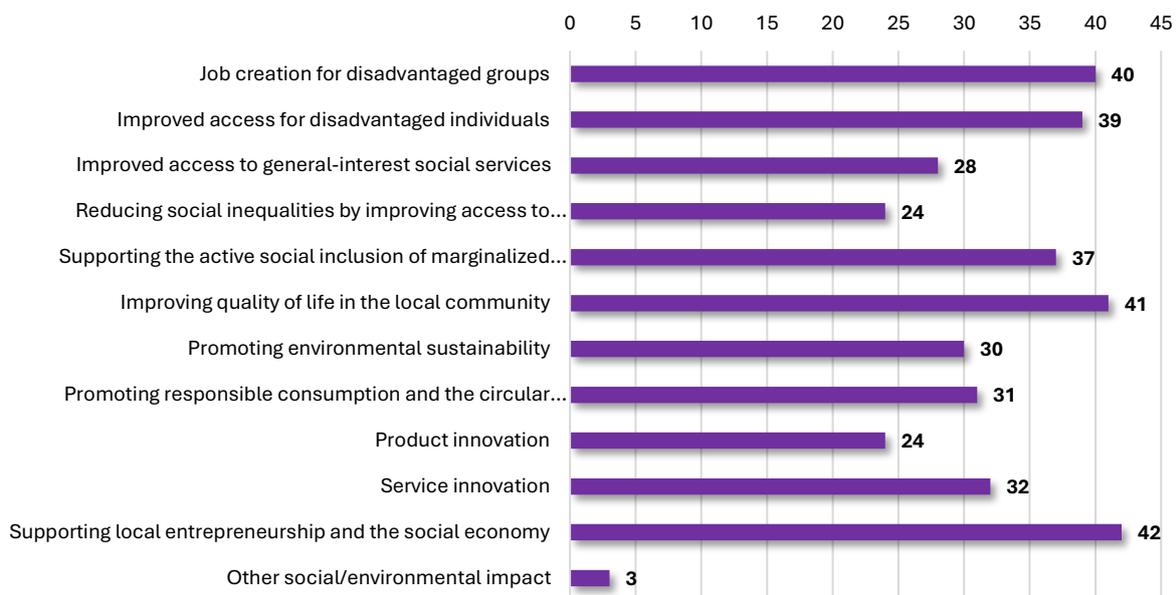


Figure 3.13. Positive social and/or environmental impact of investments among the surveyed organisations

Financial needs for the next 3 years: With regard to the question “*What is the estimated total value of the financial resources your enterprise/organization needs to successfully implement the planned expansion and/or development projects for the next 3 years?*”, the results of the study confirm a strong and growing demand for investment capital across the surveyed organizations (Figure 3.14). Consistent with the earlier finding that nearly all entities have forward-looking development plans (many of which are already in implementation), these results reveal that most organizations anticipate substantial financial commitments to realize their strategic ambitions.

The largest share of respondents (31 entities) estimates investment needs *between EUR 50,000 and 100,000*. This might suggest that many are preparing for medium-scale development efforts such as upgrading equipment, expanding service capacity, or introducing new revenue-generating activities. Almost as many (30 entities) would like to require *more than EUR 100,000*, indicating a significant cohort pursuing large-scale or transformative projects, typically involving infrastructure development, creation of new economic units, or major technological or operational enhancements.

A smaller yet relevant group (17 respondents) foresees needs *between EUR 10,000 and 50,000*, reflecting targeted improvements or incremental development initiatives. Very small-scale investments are rare, with only one organization estimating a need below EUR 10,000. Additionally, five organizations reported

being unable to estimate their investment needs at this stage, which may signal early conceptual planning or limited internal capacity for financial forecasting.

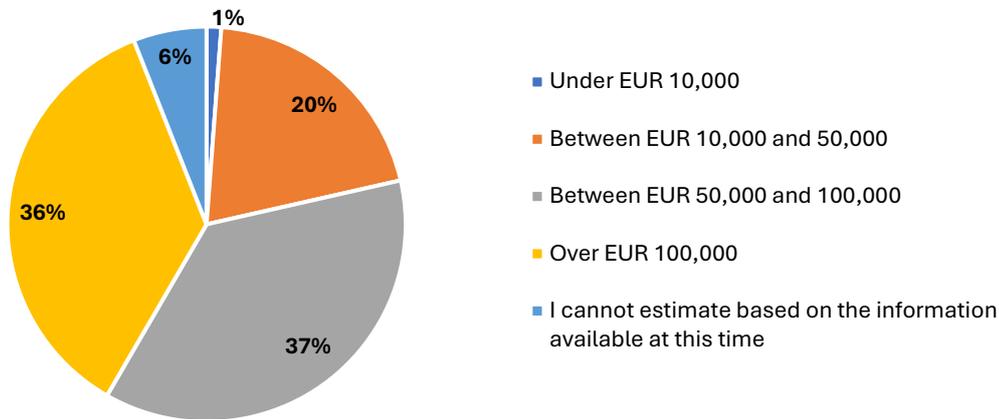


Figure 3.14. Financial needs for the next 3 years among the surveyed organisations

When comparing these results with the 2025 Barometer of Social Economy (Iftimoaei & Gabor, ADV Romania & SFA, 2025), several differences and notable similarities emerge. Both studies highlight **a strong demand for medium- to large-scale financial resources over the next three years**, but the distribution across value categories differs significantly. In our study, the majority of organizations anticipate needing between EUR 50,000 and 100,000 or over EUR 100,000, indicating a clear shift toward larger and more transformative investments, a trend aligned with the strong expansion intentions reported earlier. By contrast, the ADV study shows that most organizations estimated more modest needs, primarily between EUR 10,000 and 50,000, with only a smaller segment considering amounts above EUR 100,000. Both studies confirm that very small investment needs (under EUR 10,000) are rare, yet the ADV sample includes outliers planning investments of EUR 1 million or more, a pattern not observed in our dataset.

When asked to indicate the exact value (in EUR) of their planned development projects, only 36 out of the 84 organizations reporting expansion or development intentions were able to provide a concrete estimate. The reported amounts vary considerably – from EUR 6,000 to EUR 500,000 – alongside two exceptional outliers of EUR 1 million and EUR 12 million. Excluding these two extreme values, the remaining 34 responses point to an average estimated investment need of approximately EUR 150,000, while the median stands at EUR 100,000. These figures reinforce the earlier conclusion that most organizations are preparing for medium- to large-scale investments, reflecting ambitions that go beyond incremental improvements and signal a strategic orientation toward substantial growth or transformation (see Box 3.1)

Funding gap for the next 3 years: With regard to the question “*To what extent do you consider that your enterprise/organization will be able to finance the planned expansion and/or development projects for the next 3 years from its own resources or equivalent sources (profit, savings, revenues from economic activity, member contributions, loans from associates/shareholders, etc.)?*”, the results point to **a substantial funding gap across the ecosystem** (Figure 3.15). A clear majority of organizations (69 respondents) report that they would be able to cover less than 30% of the required investment value from their own resources, underscoring limited internal financial capacity and a high dependency on external financing mechanisms. An additional 10 entities estimate that they could finance between 30% and 50% of their investment needs, while only 5 organizations indicate the ability to cover more than half of the project value through internal means. This distribution reinforces earlier findings that most planned projects are medium- to large-scale initiatives and confirms that internal liquidity alone is insufficient to sustain these ambitions. Consequently, the results highlight a pronounced need for accessible, appropriately structured external financing instruments – particularly those tailored to the realities of social economy entities – to ensure that organizations can move from planning to effective implementation.

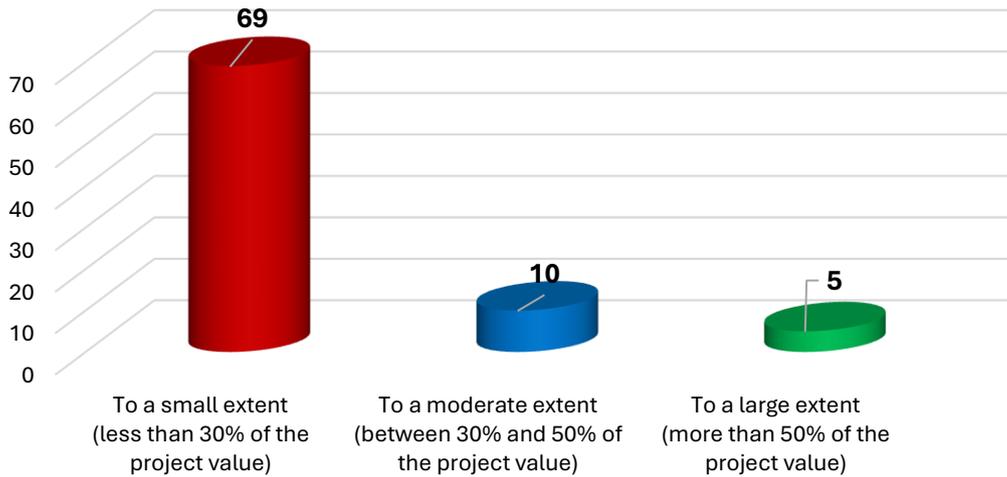


Figure 3.15. Funding gap over the next 3 years

Box 3.1. Market size estimates for certified social enterprises

Based on the value of the financial resources that SEOs reported needing to successfully implement their investment projects over the next three years, we attempted to provide a numerical estimate of the market size. This estimate refers only to one segment of the total market targeted by the SIF, namely the social enterprises authorized under Law no. 219/2015, for which the exact number of enterprises with active certification can be obtained from the Single Register of Social Enterprises ('Registrul Unic de Evidență a Întreprinderilor Sociale' – RUES). As of October 2025, there were 5,647 social enterprises with valid certification.

Under a pessimistic scenario, taking the lower bound of the estimated financing needs for development over the next three years, this corresponds to an expected average investment value of EUR 61,750 per organisation, or a total market size of almost **EUR 350 million**. After accounting for the ability of SEOs to co-finance their projects from their own resources, the average funding need from external sources is reduced to EUR 50,175 per enterprise, or a total external financing volume of over **EUR 280 million**.

As an alternative approach, the surveyed organizations were also asked, where possible, to provide explicit figures for the value of their planned investment projects over the next three years. Based on these data, extrapolated to the entire population of certified social enterprises, the overall investment volume would be substantially higher, over **EUR 810 million**, with external funding needs of almost **EUR 650 million**.

! While these figures point to a significant market potential and strong justification for a Social Investment Fund, they should nevertheless be **interpreted with caution, given the low representativeness of the sample**.

Section C. Relevance of a Social Investment Fund and preferred design options

This section examined the perceived relevance and potential added value of establishing a **Social Investment Fund** for the surveyed enterprises and organizations. The fund is envisioned as a dedicated financial mechanism that would primarily provide support in the form of equity-type financing through a specialized institution, with the aim of fostering sustainable development, innovation, and enhanced social impact among beneficiary organizations. For entities whose legal form does not allow for the use of share capital, the model may include the creation of a separate, economically oriented entity under their control to ensure eligibility for such financing.

When asked whether they had heard about Social Investment Funds prior to participating in this market study, a slight majority of respondents (48 entities) indicated prior awareness, while a significant

proportion (39 entities) reported no previous knowledge of such instruments, pointing to a notable information gap (Figure 3.16).

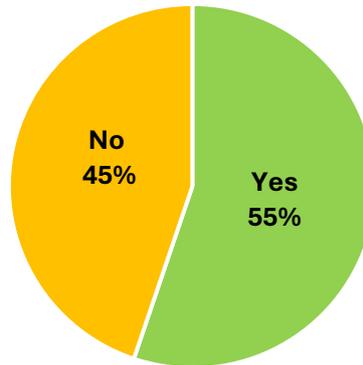


Figure 3.16. Awareness level regarding the Social Investment Fund

With regard to the question “*To what extent do you consider that establishing a Social Investment Fund in Romania would be relevant for an entity similar to your enterprise/organization?*”, the results indicate a **strong endorsement for the establishment of an SIF in Romania** (Figure 3.17). A large majority of respondents express a high level of interest, with 60 entities stating that such a fund would be relevant to a very great extent for entities similar to their own, and an additional 18 considering it relevant to a great extent. This overwhelming support suggests that the perceived need for dedicated investment mechanisms tailored to social-impact organizations is both significant and widespread. A smaller group (7 respondents) considers the fund relevant to some extent, indicating a more moderate but still positive perception. Only 2 respondents believe that such a fund would not be relevant at all, and none assessed its relevance as low. Overall, these numbers highlight a clear and robust demand for such a financial instrument.

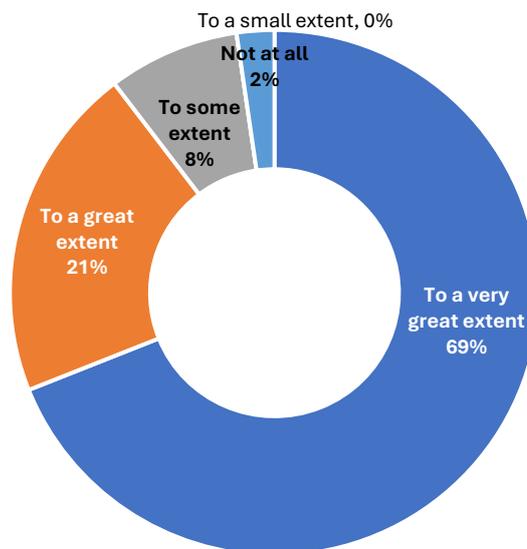


Figure 3.17. Relevance of establishing a Social Investment Fund

With regard to the question “*What types of financing would you expect a Social Investment Fund to offer?*”, the responses reveal a balanced but highly heterogeneous outlook among organizations (Figure 3.18). A notable share of respondents expressed interest in either **full equity** financing (18 responses) or **quasi-equity** instruments combining equity with subordinated loans (also 18 responses), suggesting that many entities recognize the value of flexible, long-term capital structures tailored to mission-driven initiatives.

However, the largest group (22 entities) indicated a preference for **both full equity and quasi-equity**, highlighting a demand for blended investment approaches that can accommodate different needs, risk levels, and organizational models. At the same time, a substantial proportion of respondents (29 entities) reported that they *cannot assess what types of financing such a fund should offer*. This points to a significant knowledge gap regarding investment instruments and underscores the importance of capacity-building, financial literacy initiatives, and clear communication about how social impact investment mechanisms function.

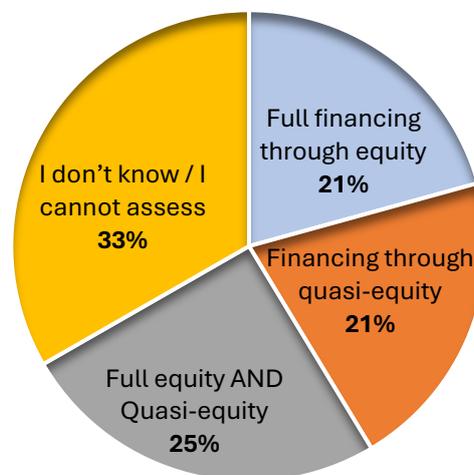


Figure 3.18. Types of financing expected from a Social Investment Fund

In response to the question “*What types of additional services would you expect a Social Investment Fund to provide, beyond financing?*”, the results reveal that organizations place **a high value on a broad suite of non-financial support mechanisms that complement investment capital** (Figure 3.19). The most frequently expected service is *legal and financial consultancy*, selected by 71 respondents (81%), indicating a strong need for expert guidance in navigating regulatory, contractual, and financial obligations associated with investment projects. Closely following, *technical assistance, mentoring in project implementation, and access to networks and partnerships* were each selected by 62 respondents (71%), underscoring the importance of hands-on operational support and opportunities for collaboration within the ecosystem. A substantial number of organizations, 58 entities (67%), also expect *strategic advisory services for securing funding, reflecting an interest in strengthening fundraising capacity and long-term financial sustainability*. Access to educational resources and social-impact business accelerators was selected by 55 respondents (63%), while support for organizational capacity development was highlighted by 51 entities (58%).

Only two respondents identified “other types of support,” suggesting that the predefined service categories largely reflect the additional needs perceived by most organizations. The two supplementary expectations mentioned (“support for measuring and reporting social impact” and “the creation of a hybrid umbrella fund combining impact investments with social grants to advance a social micro-housing finance program”) indicate highly specialized needs relevant to a smaller subset of entities.

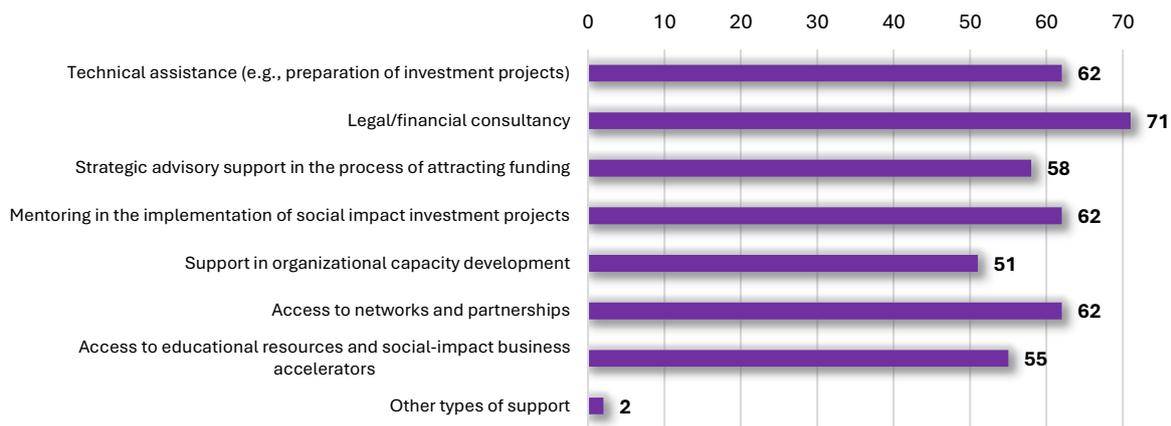


Figure 3.19. Expected additional services from a Social Investment Fund

With regard to the question “What percentage of the total financing required for an enterprise’s/organization’s expansion and/or development project do you think a Social Investment Fund should cover?”, the responses reveal a clear expectation that such a Fund should play **a substantial financial role in supporting development initiatives** (Figure 3.20). The largest share of respondents (27 entities) believe that the Fund should cover between 75% and 100% of project costs, indicating a strong reliance on external capital, most likely driven by limited internal resources or the scale of planned investments. An additional 22 entities consider that an appropriate contribution would be between 50% and 75%, reinforcing the idea that most entities (over 56%) expect such a Fund to assume at least half of the financial burden associated with expansion projects. A smaller group (18 entities) envision a more balanced co-financing model, with the Fund covering between 25% and 50% of total needs, while only 8 respondents believe that the Fund should contribute below 25%, suggesting a preference for larger personal financial commitments. Meanwhile, 12 organizations indicated that they cannot estimate an appropriate level at this time, which may reflect uncertainty regarding project scope, internal financial planning, or the specific conditions under which such financing would be accessed.

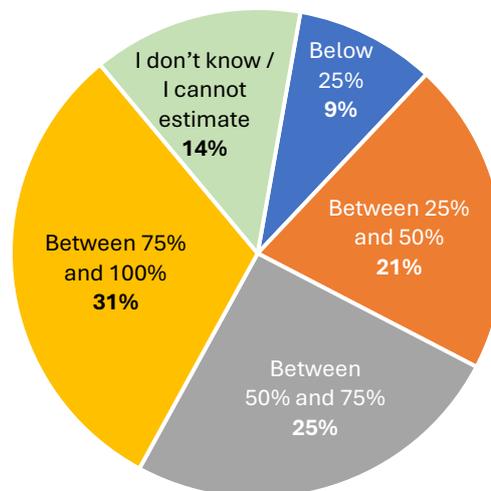


Figure 3.20. Preferred share of project financing to be covered by a Social Investment Fund

With regard to the question “Considering the needs and scale of projects relevant to your enterprise/organization, what would be an appropriate financing amount for a single project offered by a Social Investment Fund?”, the responses **indicate a clear preference for medium-sized financing packages**, reflecting the scale and ambition of the development initiatives pursued by the surveyed

organizations (Figure 3.21). The largest group of respondents (35 entities) considers an amount **between EUR 50,000 and 100,000** to be appropriate for a single project. This suggests that many organizations envision investment needs that go beyond incremental improvements, typically involving substantial upgrades, service expansion, or the development of new economic activities. Two equally sized groups (21 entities each) identified funding between EUR 10,000 and 50,000 and over EUR 100,000 as suitable. Very small funding amounts are almost irrelevant in this context, with only one organization indicating a need below EUR 10,000. Additionally, 9 respondents were unable to estimate an appropriate financing level, which may indicate early-stage project planning or limited internal capacity to assess financial requirements.

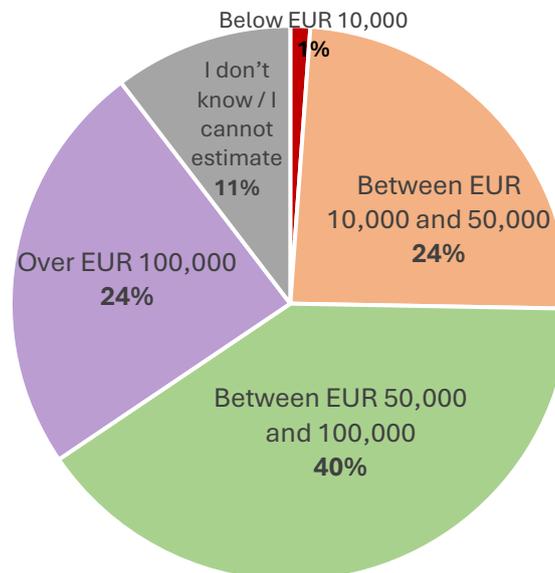


Figure 3.21. Preferred financing amount per project by a Social Investment Fund

With regard to the question “*How important do you consider the following characteristics of a Social Investment Fund to be for it to be perceived as relevant and accessible for your enterprise/organization?*”, the results demonstrate a remarkably **strong consensus on the key features that such a fund must embody in order to effectively address the needs of social economy organizations** (Figure 3.22). Across all listed characteristics, the overwhelming majority of respondents rated them as either highly important (4) or very important (5), indicating **clear expectations regarding accessibility, transparency, and alignment with the operational realities of mission-driven entities**.

The most critical features (each receiving over 70 “very important” ratings) are easy access for small and medium-sized organizations, clear and transparent eligibility and financing conditions, and the possibility of financing long-term social impact projects. These findings underscore that organizations value predictable, user-friendly financing mechanisms that recognize the long development cycles typical of impactful social and environmental initiatives. Other essential characteristics, such as technical assistance and support services, simplified application procedures, and impact assessment mechanisms adapted to local contexts, also received predominantly high and very high importance scores. This highlights the sector’s need for more than capital alone: organizations expect a fund structure that reduces administrative burdens, offers capacity-building, and ensures that evaluation frameworks are fair and context-sensitive.

Meanwhile, characteristics such as a low own-contribution rate and tolerance for the specific risks associated with social and environmental projects were also regarded as important by a majority of respondents, signalling that financial accessibility and risk-sharing remain central concerns for many social economy actors. Only a minimal number of respondents rated any characteristic as unimportant or

of low importance, confirming that the proposed fund attributes align closely with the practical requirements and expectations of potential beneficiaries.

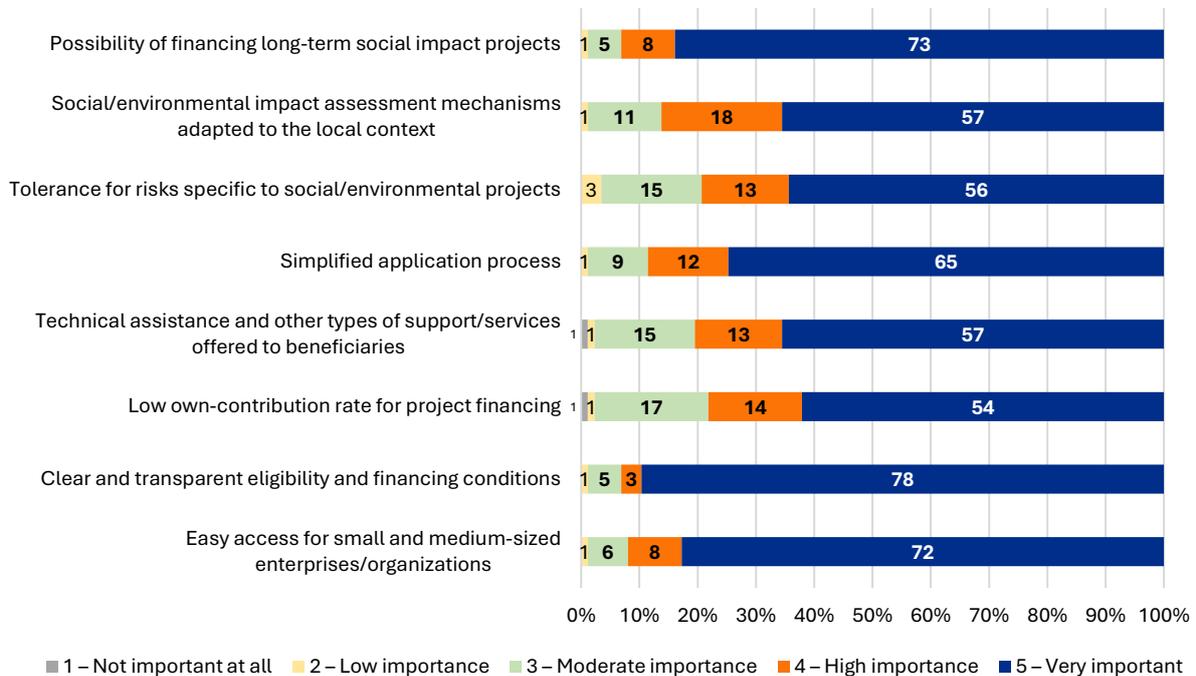


Figure 3.22. Perceived importance of key characteristics of a Social Investment Fund

With regard to the question “*What do you consider to be the main obstacles your enterprise/organization might face in accessing a Social Investment Fund?*”, the responses reveal **a range of structural and informational barriers that could hinder organizations from effectively engaging with such a financial instrument** (Figure 3.23). The most frequently cited challenge is the lack of sufficient information (57 respondents), underscoring a significant knowledge gap regarding the purpose, functioning, and eligibility conditions of Social Investment Funds. A substantial number of organizations also highlight insufficient administrative or financial capacity to apply (46 respondents), pointing to internal resource constraints that may limit their ability to navigate application processes properly, meet documentation requirements, or engage in complex investment procedures.

Eligibility-related barriers (38 respondents) constitute another major concern, suggesting that the legal form, age, or operational profile of many entities may not align with typical investment-fund criteria. Additionally, the lack of experience in accessing external financing (36 respondents) further complicates their ability to engage confidently with more sophisticated financial mechanisms. Finally, a smaller yet notable share (15 respondents) mentions lack of trust in such instruments, reflecting concerns about transparency, long-term obligations, or perceived risks.

The five responses specifying “other obstacles” point to a set of context-specific concerns not fully captured by the predefined categories, including: worries about “high interest or return expectations”, “conditions imposed after financing is granted”, “an insufficient legal framework for hybrid instruments in the NGO sector”, “the burden of existing loans on managerial capacity”, and “anxiety rooted in limited financial or entrepreneurial literacy”.

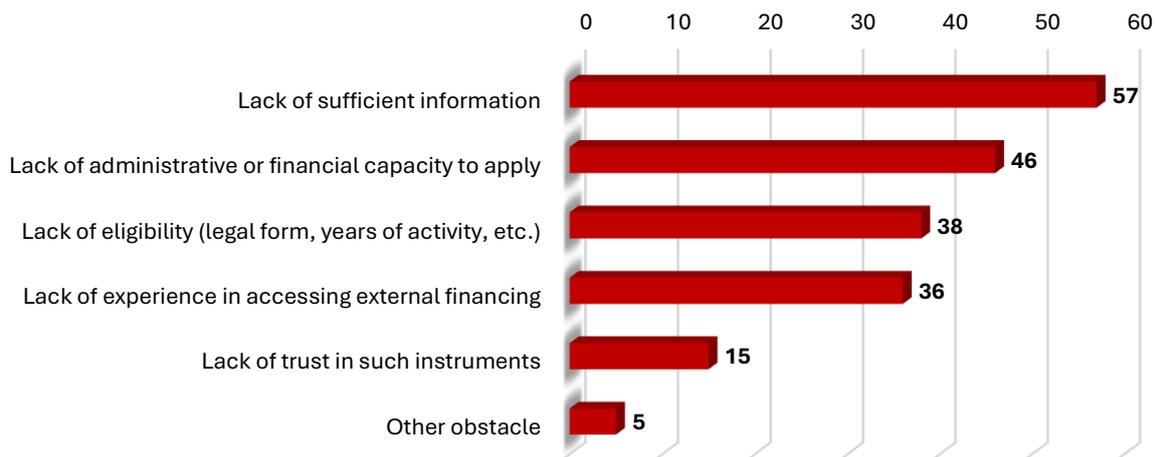


Figure 3.23. Main obstacles in accessing a Social Investment Fund

With regard to the question “If your enterprise/organization were to access the resources of a Social Investment Fund through a capital increase, what do you consider to be the optimal timeframe for the fund to withdraw from the organization’s share capital?”, the responses reveal **a strong preference for flexible or impact-dependent exit horizons rather than fixed, short-term timelines** (Figure 3.24). The largest group of respondents (27 respondents) stated that *the optimal timeframe cannot be defined in advance and should instead depend on the achievement of specific impact or performance objectives*. This highlights a strong desire for alignment between financial support and mission-driven outcomes, emphasizing that social impact projects often require adaptable investment horizons.

A significant share of respondents favour medium-term exit windows, with 20 organizations preferring a 3–5 year timeframe and another 20 opting for 5–7 years. These responses suggest that many organizations view social impact investments as multi-year efforts requiring stability and predictability, but not indefinite engagement. Shorter exit expectations are less common: only 7 entities consider a withdrawal in under 3 years to be optimal, probably indicating that rapid exit cycles are generally perceived as unrealistic. Finally, 8 organizations reported being unable to assess an appropriate timeline – an understandable outcome given the complexity of equity-based instruments within the social economy sector and the limited familiarity many entities have with such mechanisms.

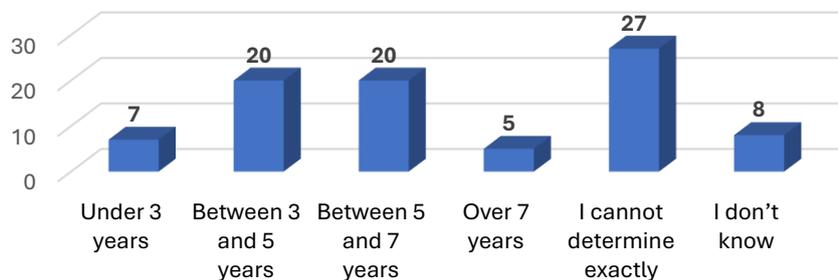


Figure 3.24. Preferred exit timeframe for a Social Investment Fund

With regard to the question “What sources of information or actors do you believe could positively influence your enterprise’s/organization’s decision to access the resources of a Social Investment Fund?”, the responses indicate **a strong reliance on practical, credible, and directly applicable sources of guidance** (Figure 3.25). The most influential factors appear to be good practice examples from within the social economy sector (selected as “highly” or “very” relevant by 71 respondents), personalized consultancy from specialists in social impact finance (70 respondents), and detailed information provided directly by the fund

itself (73 respondents). These preferences highlight the importance of *clear communication, hands-on support, and real-world evidence in building trust and facilitating informed decision-making*.

Recommendations from similar organizations (67 respondents rating them as highly or very relevant) and access to networks and support structures within the social economy (70 respondents across high and very relevant categories) also play a significant role. This suggests that peer learning, community-based knowledge exchange, and sectoral support ecosystems are critical mechanisms for encouraging fund uptake. Public authorities are perceived as less influential, with a more mixed distribution of responses – while some organizations regard them as helpful, many assign only moderate or low relevance to their role. Similarly, events such as conferences, webinars, or financing fairs, as well as articles, guides, and online resources, are viewed as moderately relevant but not as decisive as personalized or peer-driven sources.

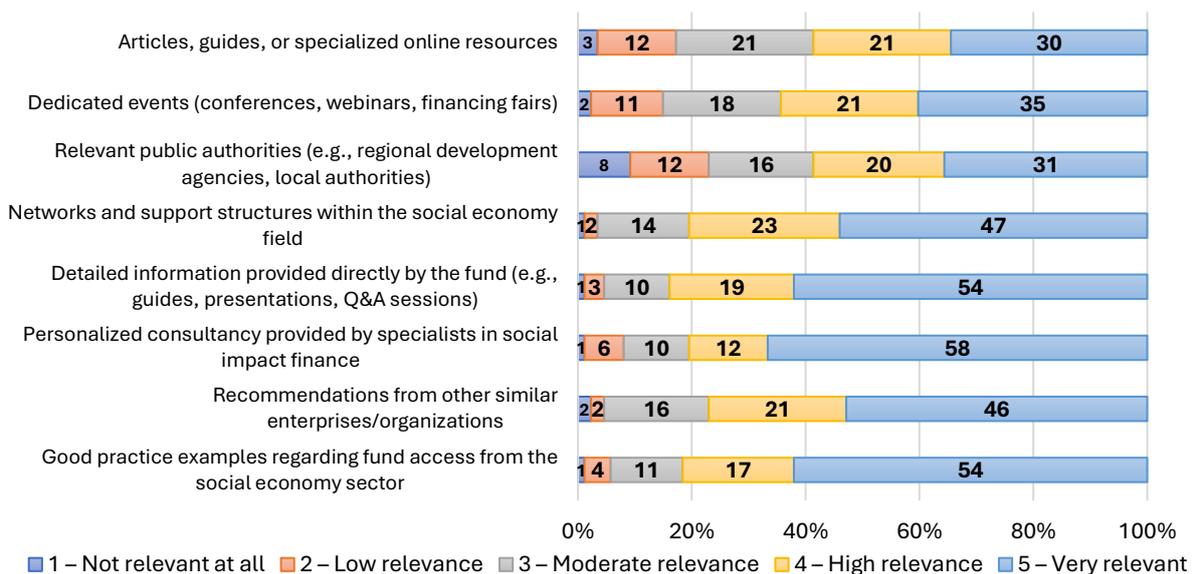


Figure 3.25. Relevance of information sources and key actors in influencing the decision to access a Social Investment Fund

4. FOCUS GROUP WITH ROMANIAN SEOs' REPRESENTATIVES

4.1. Design and participant profile

The focus group was designed as a complementary qualitative instrument to deepen and contextualize the findings emerging from the survey analysis. Its purpose was to continue the primary data collection process in a manner that captures **grassroots-level insights**, practice-based understanding of the realities faced by Social Economy Organizations (SEOs). While the questionnaire provided a broad, data-driven overview of financing needs, development plans, and perceptions regarding a potential SIF, the focus group enabled a more detailed exploration of the mechanisms, challenges, and expectations experienced directly by practitioners. Through guided discussions structured around key thematic areas, the focus group generated richer insights into day-to-day operational dynamics and strategic considerations, thereby enhancing the evidence base and ensuring a more accurate and contextually grounded picture of market conditions.

The methodological design of the session emphasized structured dialogue, thematic coherence, and diversity of perspectives. The discussion was structured into **three thematic blocks**, mirroring the core dimensions examined in the questionnaires:

- ✓ **Theme A. Development prospects of Social Economy Organisations and barriers.** This section examined the growth outlook of SEOs, focusing on the main constraints that limit organizations' ability to transform ideas into concrete development projects.
- ✓ **Theme B. Available funding for Social Economy Organisations' development.** In this section, participants reflected on how well existing financial instruments on the market meet the investment needs of SEOs. The conversation explored past experiences with funders and requirements that create difficulties, and explored potential areas for improvement that would help SEOs access and use financial instruments more effectively.
- ✓ **Theme C. Openness and expectations towards equity financing through a Social Investment Fund.** The final theme focused on a less familiar mechanism, namely the use of equity (capital increase) provided by an SIF. Discussions addressed motivations for accepting such financing, perceived risks, and SEO's expectations regarding funding conditions.

The structure promoted both breadth and depth of discussion, allowing participants to reflect not only on their organizational realities but also on the broader ecosystem conditions affecting social investment readiness in Romania.

A total of **11 participants** attended the focus group, representing **10 different SEOs**. To ensure relevance and comparability, the SEOs were selected based on two major criteria: a minimum operational history of at least 3 years and direct experience with (or clear interest in) development or expansion projects. Details on other specific features of the participants are provided below.

Organizational type: The focus group brought together 4 LLCs and 6 NGOs (3 foundations and 3 associations). The participating SEOs include formally registered social enterprises under Law no. 219/2015, work integration social enterprises (WISEs), and authorized protected units under Law no. 448/2006. One association holds public-utility status under Romanian law. Some NGOs brought additional expertise as grant administrators for social enterprises, in creating and managing social enterprises, and in operating crowdfunding platforms for social impact initiatives.

Years of operation: All participating SEOs have been *active for over 3 years*, with the oldest established nearly 35 years ago. This confirms their status as mature SEOs.

Geographical coverage: The 10 participating SEOs are spread across Romania's development regions, indicating a broad national footprint: *2 from the North-East Region, 2 from the North-West Region, one from the Centre Region, one from the South-West Oltenia Region, and 4 from the Bucharest-Ilfov Region.*

Sectoral coverage: The participating SEOs span a *wide range of sectors*, including work integration and inclusive employment, social services for vulnerable groups, education and training, circular economy and environmental initiatives, and health and care services. In addition, the portfolio includes *ecosystem enablers* that provide grant administration, advisory support, training, and capacity building for social enterprises, as well as advocacy to strengthen social economy policy and regulation.

4.2. Thematic analysis and findings

Theme A. Development prospects of Social Economy Organisations and barriers

Looking at the *social economy sector as a whole*, participants noted that Romania is currently experiencing a **strong wave of newly established social enterprises**, largely driven by EU funding through the European Social Fund Plus (ESF+) and the Just Transition Fund (JTF). According to data referenced during the discussion, approximately 5,800 social enterprises are being created through the Education and

Employment Programme (PEO) and Inclusion and Social Dignity Programme (PIDS), with a further approximately 1,000 enterprises supported via the Integrated Territorial Investments (ITI) Danube Delta and the Just Transition Programmes. While this growth is widely seen as an opportunity, some participants expressed **strong concern about the sustainability of this new generation of start-ups**. They stressed that the key challenge is not merely to create thousands of new SEOs, but to ensure that a significant number of “*functional enterprises*” remain active once the current funding wave comes to an end. In this context, one stakeholder described the development prospects of SEOs as “*very fragile*”, underlining the risk that many start-ups may not survive after grant funding ceases.

At the level of individual organizations, a clearer and more strategic vision for development emerged, particularly in the case of SEOs with a longer track record. Participants outlined concrete growth objectives, such as expanding their business over the next three years, opening one or two additional workshops, or securing new premises.

In general, SEOs see **good prospects for developing their business activity** and recognise the **importance of building a solid economic base as a precondition for maintaining and expanding their social impact**. One business owner explained that placing too much emphasis on social impact in the early years, while neglecting the economic side, had slowed the enterprise’s growth. Another reported that, after several years of operation, they deliberately shifted focus towards business development as a prerequisite for sustaining social impact, acknowledging that “*it is important for the business to work, so that you can then create opportunities on the social side*”, and that the two dimensions “*go hand in hand*”. A further participant argued that all social enterprises should aim for scalability, sustainability, and profitability and that, even if managing SEOs is more demanding, the model can scale both economically and socially, especially when *integrating social innovation*.

Nevertheless, participants underlined that **financial sustainability varies significantly across sectors**, which in turn shapes both strategic choices and growth plans. While some SEOs operate in market segments where profitable activities seem feasible and can support the social mission, others face tighter margins and more limited revenue potential. For instance, one participant representing an NGO highlighted the organization’s ambition to reach at least break-even, with profit considered a longer-term objective.

A series of **barriers** were identified that constrain the development prospects of SEOs, including:

- **Limited funding availability for growth.** While participants acknowledged that there are “*many funds for start-ups*”, they stressed that resources for the development, scaling, and consolidation of existing SEOs are much more limited. Moreover, EU-funded schemes managed at the national level, which typically support start-ups in the sector, were described as “*extremely burdensome*” and “*destined to fail from the outset*”, making it very difficult for SEOs “*to achieve economic efficiency*” and hindering their development plans.
- **Regulatory barriers and high administrative burden.** Legislative constraints and cumbersome administrative procedures were mentioned as significant obstacles to focusing on core activities and strategic development. Participants pointed to a “*very heavy administrative burden*” affecting SEOs, regardless of their legal form. These organizations must comply with multiple layers of regulation: the general rules applicable to all businesses, the specific requirements associated with their chosen sector (e.g., authorisations, certifications), as well as the obligations stemming from their social enterprise status.
- **Limited understanding, recognition, and support from public authorities and market actors.** An important obstacle relates to the lack of sufficient understanding of the social economy sector among both public authorities and clients. On the one hand, SEOs struggle to make clients “*understand who we are, what the social economy is*”, which affects market access and partnership opportunities. On the other hand, participants felt that public authorities do not sufficiently recognise that SEOs generate

tangible results and contribute to policy objectives, and that this is not adequately reflected in public policies (e.g., public procurement practices). Insufficient public support, both in terms of dedicated policies and financial mechanisms, was seen as an important barrier to development.

- **Tensions between social mission and economic efficiency.** A challenge highlighted by some participants is the need “to maintain the social purpose of the enterprise while being economically efficient”. One noted that finding the “magic formula” to balance social objectives and business performance is difficult and that “this balance is quite hard to achieve”. The combination of social objectives with production activities was perceived as particularly demanding, and some participants remarked that SEOs are “not competitive like traditional businesses because they also do other things in the world”, such as providing support to vulnerable groups.
- **Other barriers.** Participants highlighted a *weak entrepreneurial mindset within the sector*, noting a predominantly social rather than business-oriented approach in some SEOs, particularly among NGOs. This limits their capacity to identify and capitalise on market opportunities. In addition, the lack of *tools to measure overall (social and economic) impact* makes it more difficult to demonstrate value to potential partners and funders and to support informed strategic decision-making.

Theme B. Available funding for Social Economy Organisations’ development

Participants reported using a **mix of funding sources**, combining to varying degrees their own revenues from sales of products and services with external funding (project-based grants from both EU funds and the state budget; donations and sponsorships from private companies or individual supporters; credit from banks and NBFIs).

A high dependency on grants is revealed within the sector, with grants described as “a fairly well-known instrument for many social entrepreneurs”. By contrast, **the use of bank credit or other forms of debt remains limited**. Several participants mentioned that they had “avoided loans... because it is complicated to have a loan”, that they had “refused offers from commercial banks because the conditions were very demanding”, or that they had not yet used credit for business development. Where bank credit was used or is considered, it is mostly for real estate or construction investments. Some organizations engaged with specialized social finance providers and reported that accessing a loan from a dedicated social finance institution was more “straightforward”. **Other financial instruments, such as investment funds** (and, to some extent, even bank credit), **remain largely unfamiliar**.

Overall, participants expressed the view that **funding is available for the sector** but is **more accessible for start-ups than for the development of existing SEOs**. Organizations that have already proven their model over several years often struggle to find appropriate instruments to scale up or consolidate their activities. One participant, for example, called for “scale-up grants” targeted at organizations that have been operating for 2–5 years and have demonstrated sustainability, noting that such companies “could have a greater potential to employ people from vulnerable or disadvantaged backgrounds than start-ups”. Another participant emphasised the need to create an instrument “to support companies that are in a growth phase and need to scale up their business”.

Participants identified a range of **obstacles** that SEOs face when trying to access existing financial instruments, stemming from:

- **Unrealistic or rigid grant requirements.** Several participants referred to grant conditions that proved difficult or even counterproductive in the current economic context. One example concerned the obligation “to maintain the number of employees from last year or two years ago, when the market was very good and businesses were doing well, and then to hire three more employees”. Faced with such requirements, the organization “had to give up this development and return the funds”. Others also stressed that “a development grant should have more realistic indicators”, particularly regarding employment targets.

- **Eligibility criteria for grant schemes that do not support competitive social enterprises.** With regard to programmes funded from EU funds, participants mentioned cases where *“the funder requires the entrepreneur to meet certain eligibility conditions that make them incompatible with the development of a social enterprise”*. They felt there was *“no match between those who have the knowledge and drive to develop scalable social enterprises and the way we finance them... which is based on arbitrary criteria that do not encourage the competitiveness of these social enterprises”*. Grants were also described as *“terribly burdensome and somehow doomed from the outset to end in failure”*, to the point where *“it is impossible to achieve economic efficiency as they are designed”*.
- **Lower productivity linked to the social mission.** Participants pointed to the *“generally lower productivity”* associated with the social mission, for example, due to employing people from vulnerable groups. As a result, SEOs *“have no chance in SME development programmes”* where selection criteria focus heavily on economic performance and profit, making it difficult for social enterprises to compete with conventional businesses. This, in turn, reinforces the need for other forms of public support (such as subsidies, grants, and tax incentives) to compensate for this lower productivity.
- **Collateral requirements and lack of adapted risk assessment for credit.** An obstacle in accessing bank or NBFIs loans is the lack of collateral, such as immovable property, that could be pledged to secure financing. In addition, participants reported that traditional financiers *“do not know how to measure”* the combined social and economic impact of SEOs, which complicates credit risk assessment and can lead to unfavourable conditions or refusals.
- **Lack of experience and unfamiliarity with external financing instruments (beyond grants).** Participants emphasised that many SEOs are insufficiently prepared to use more sophisticated financial instruments, and the *“lack of know-how among entrepreneurs in using these financing instruments”* is a major barrier. As one participant put it, *“social entrepreneurs do not have the knowledge, they do not understand how such a mechanism works. A lot of education and training is needed to access different types of financing”*.

Referring to different financing options, participants also highlighted several **potential areas for improvement and types of support** that would help SEOs access and use financial instruments more effectively:

- **More flexible and phased grant requirements.** Referring in particular to EU-funded programmes, participants suggested that certain indicators, especially those related to employment, should be applied gradually rather than immediately upon receiving the grant. For example, the obligation to hire new staff could be phased in over a three-year period, instead of becoming a burden from day one.
- **Strategic follow-up after the start-up phase.** Participants argued that grant administrators for social enterprises should develop a medium- and long-term strategic component, supporting entrepreneurs who have completed the start-up phase to move towards accessing other types of financing. As one participant noted, *“the market is not prepared, people do not know how to apply”*.
- **Support with applications.** Participants emphasized the need for practical support in preparing applications to different funders and suggested that consultancy services for drafting grant applications should be eligible costs. They also highlighted the need for guidance in preparing credit applications to financial institutions.
- **Combining funding with additional support.** Echoing models such as the Social Finance Association, participants called for financing packages accompanied by non-financial support, including mentoring and guidance on business planning, financial management, or growth strategies.
- **Capacity building and financial education.** There is a strong demand for support to help organisations move from purely non-profit models towards more entrepreneurial or hybrid social business models. This involves strengthening entrepreneurs’ ability to *“become entrepreneurs first and then social entrepreneurs”*, including support to prepare robust business plans and to articulate a strategic vision that aligns economic sustainability with the organisation’s social mission. In addition, more financial

education is needed within the sector to understand how different financial instruments (such as loans, investment funds, and impact funds) work and how they can be used in practice.

- **Communities of practice and expertise sharing.** Participants proposed attracting representatives of the mainstream business sector to mentor small entrepreneurs in the social economy, and creating platforms or communities of practice where experienced entrepreneurs and SEOs can connect, exchange expertise, and jointly develop both their business and social impact.

Overall, a dual set of needs is emphasized. On the one hand, **more and better adapted financing instruments are required** to support SEOs' development. On the other hand, **systematic efforts should be made to "prepare the market"** by strengthening SEOs' capacities and supporting the ecosystem so that they can effectively access and use these instruments.

Theme C. Openness and expectations towards equity financing through a Social Investment Fund

Overall, the discussions highlighted that **SIFs are still little known and poorly understood among Romanian SEOs** ("investment funds and impact funds remain an unknown for many social entrepreneurs as a mechanism"). This, once again, points to the need for *enhanced financial education and tailored support to familiarise SEOs with more complex, alternative financing instruments*. Once the basic functioning of a SIF was briefly explained, however, participants were able to identify several potential benefits and to outline the conditions under which they would consider using such an instrument and their expectations.

Participants pointed to a number of **attractive features and benefits** of equity financing through an SIF:

- **Access to large amounts of capital for major development projects.** For sizeable investment projects, equity was seen as a way to secure the necessary resources and potentially unlock access to complementary funding, such as debt, by strengthening the balance sheet. As one participant explained, "one of the reasons I would accept equity financing would be that it helps me increase our social capital, so that we can access an investment loan". Another noted that many companies which had experienced rapid growth in recent years "were... taken over by investment funds", reinforcing the perception that equity investment can be an important driver of expansion.
- **Support for scale-up and access to new markets.** Participants perceived that an SIF could provide a comprehensive package of instruments, offering not only investment capital but also support "to take you to the next level of development, scaling and access to new markets".
- **Know-how and strategic guidance.** Access to expertise was seen as a major advantage ("we would be very interested in the know-how we could obtain, to go to the next level"). The fund was perceived as an actor "interested in helping you grow, beyond just getting the money back", bringing valuable experience in management and business growth.
- **Access to networks.** Participants valued the potential "market we could access through the network... to which the fund would create access". The possibility to connect to broader networks and value chains was viewed as particularly useful for SEOs with proven models that are seeking to scale beyond their local markets.

Despite recognizing these potential benefits, participants also expressed some **concerns** and emphasized some **expectations**:

- **Preserving social mission and values.** Maintaining the organization's social mission and values emerged as a non-negotiable condition. One participant remarked: "I imagine that once an investment fund comes in... it will try to maximise profit so as to have as high a return as possible after a few years". Specific concerns were raised in relation to authorized social enterprises, which are required to reinvest 90% of their profit in their social mission. One participant questioned how an equity investor's financial expectations could realistically be met if only up to 10% of profit is available for dividends

“will they be satisfied to receive only 10%, or will there be other financial conditions they impose?”; “what investment fund would agree not to receive more than 10% of the profit as dividends?”). Ultimately, the participant stated very clearly that “the condition would be that the investment fund does not ask me to give up the status of authorized social enterprise.”

- **Alignment of values.** Participants stressed the need for strong compatibility between the values and mission of the fund and those of the organization. As one participant put it, *“the main factor in choosing the investment fund is values, mission. We will clearly go with an investment fund that supports social impact”*, while another underlined that *“value affinity is very important.”*
- **Contractual clarity, transparency, and legal support.** Given their limited familiarity with how SIFs operate, participants highlighted the importance of being able to properly read and negotiate investment contracts (*“It is absolutely necessary that I know how to read and negotiate the contract”*). They acknowledged that *“there is currently (no) capability, no competence among us”* in this area and suggested that legal consultancy should be provided at the negotiation stage, so that social entrepreneurs can fully understand contractual clauses and implications.
- **Involvement in decision-making and governance.** Participants generally viewed the involvement of a SIF in decision-making as potentially positive, provided it operates at a strategic (macro) level rather than interfering with day-to-day management. They considered it valuable to have *“an exchange of views”*, noting that *“other opinions help us”* and that *“it is always good to consult on business decisions, especially the big ones”* (i.e., strategic decisions). It was seen as natural for a fund to monitor results *“not only at the end but also along the way”* and, in some cases, *“to intervene with a person who is part of the board, with know-how in management”*. Participants accepted that *“it is somehow normal for the fund... to have ways to intervene when there are significant deviations from the situation at the time of negotiation”* but stressed that this *“requires good faith on both sides”*.
- **Realistic profitability expectations and balance with social objectives.** Participants recognised that a SIF will have financial expectations (*“normally the expectations are financial, when you are making a profit”*). At the same time, they considered it *“absolutely necessary”* that the fund also recognizes social impact and supports *“a harmonious combination”* of social and financial results. Many SEOs already assume growth commitments (*“all of us who have this type of business, with social impact, naturally assume growth in turnover and profit, which we reinvest in our activity, both in the social part and in the business part”*). However, a key concern was *“how much growth we will be asked to deliver”*. One participant emphasised that *“the profit target should be lower than it would be for traditional businesses”*. Participants were generally willing to commit to specific indicators and targets, such as *“gradual growth of turnover and coherence with social impact”*. No single benchmark for acceptable profitability was suggested, as *“it depends on the project and the sector”*.
- **Investment size expectations.** When asked about the potential size of investments they would consider or need, participants mentioned a wide range of values, reflecting both small and large-scale projects. Indicative amounts ranged from approximately EUR 15,000 at the lower end (for smaller projects), through intermediate levels of EUR 100,000–200,000, and up to around EUR 1,000,000 for larger development projects.

5. INTERVIEWS WITH ROMANIAN SEOs’ REPRESENTATIVES

5.1. Design and participant profile

The interview component of the study was conceived as the third pillar of the primary data collection process, complementing both the quantitative insights obtained through the survey and the collective, discussion-based perspectives emerging from the focus group with SEOs representatives. Its purpose was to explore, in greater depth, the individual experiences of SEOs with investment projects and their

financing, the structural barriers they faced when seeking to develop or scale their activities, and their expectations regarding the financing through a Social Investment Fund. The interviews enabled the **gathering of highly granular, experience-based information** that cannot be fully captured through standardized instruments. By engaging directly with founders, managers, and financial decision-makers, this method allowed the research to fine-tune and contextualize earlier findings, ensuring a more nuanced and accurate understanding of real-world challenges and needs within the social economy ecosystem.

Methodologically, the interviews were designed as semi-structured, one-to-one discussions of approximately 60 minutes (and more), conducted either face-to-face or online, depending on the interviewees' availability. This approach ensured both comparability across cases and the flexibility needed to explore organization-specific contexts. Each interview followed a coherent structure covering three major thematic areas:

- ✓ **Theme A. Investment activity and development prospects of Social Economy Organisations.** This section examined SEOs' recent and planned investment projects, focusing on their value, sector, intended social impact, and how they aligned with each organization's overall development strategy. It also analysed the main obstacles encountered and how these challenges led to adjustments in the initial budget, timeline, or goals.
- ✓ **Theme B. Financing of Social Economy Organisations' investment/development projects.** This section examined how SEOs financed their investment projects, i.e., what funding sources they used or tried to access, their experience with each, and the amounts needed. It also explored funders' specific requirements, unmet financing needs, what an ideal new financial instrument should offer, and relevant non-financial support.
- ✓ **Theme C. Attitudes and expectations towards equity financing through a Social Investment Fund.** The final section explored SEOs' attitudes towards opening their capital to an SIF, particularly their motivations, perceived benefits, and concerns about control and governance. It also examined the acceptable level of investor involvement, reasonable financial and performance conditions, and the funding volume that would fully meet their social investment needs.

To ensure analytical relevance, the sample was deliberately composed mostly of mature SEOs (organizations operating for at least 3 years), which had either completed investment projects in the past 24 months or were implementing such initiatives at the time of the interview. As in the other research components, all ethical standards were upheld, including informed consent, confidentiality assurances, and GDPR-compliant data handling.

In total, the interview cohort consisted of the **owners and managers of 12 SEOs**, selected to reflect the heterogeneity of the Romanian social economy sector and to capture diverse sectoral and geographical contexts, as follows:

Organizational type: The sample includes 5 enterprises (organized as LLCs), 6 NGOs with economic activity (5 associations and one foundation), and one cooperative. Two NGOs (associations) have incubated and developed social enterprises organized as LLCs under their umbrella, thereby gaining hands-on experience in transitioning from non-profit to for-profit models and in managing the challenges of acting as sole or majority shareholder in social enterprises. This dual role enabled them to bring valuable insights from both the NGO and the enterprise perspectives. The enterprises in the sample include both formally registered social enterprises (as defined by Law no. 219/2015) and conventional firms that operate in socially relevant sectors (e.g., healthcare, renewable energy) or in other industries but pursue a social dimension in their activities (e.g., a financial intermediation company that also promotes financial education initiatives). Notably, one enterprise is certified both as a work integration social enterprise (WISE) and as an authorized protected unit under Law no. 448/2006, while one association has been granted the public-utility status under Romanian law and is certified as a protected unit through an affiliated LLC. One business owner brings a dual perspective, combining his entrepreneurial experience with his role as an investment manager at the North-East Regional Development Agency, and bringing

important sectoral expertise in technology start-ups. Taken together, this structure reflects the complex network of SEOs in Romania, along with their interconnections and specific authorizations.

Years of operation: 11 out of the 12 SEOs have been operating for more than 3 years, confirming their status as mature SEOs. Among these, 9 have been active for over 5 years, and 5 for more than a decade, with the oldest organization established over 30 years ago. The sample also includes one start-up, founded in 2023, which was deliberately selected to capture the perspective of newly-created ventures; despite its short history, it shows strong growth prospects and innovative potential.

Geographical coverage: The 12 respondent SEOs are spread across several of Romania's development regions, ensuring a diverse territorial perspective: 6 from the North-East Region (4 in Iași, 2 in Piatra-Neamț), 3 from the Bucharest-Ilfov Region (Bucharest), one from the South-East Region (Galați), one from the Center Region (Brașov), and one from the West Region (Timiș). While most are headquartered in major urban centers, their activities extend to smaller towns and rural areas through service provision, community-based initiatives, and educational programs, thereby amplifying their local and regional impact.

Sectoral coverage: The 12 SEOs are active in a diverse range of sectors within the Romanian social economy, reflecting both service provision and entrepreneurial initiatives. Relevant areas include: social and educational services (elderly care, support for disadvantaged children and families, early childhood education, teacher training, financial education), work integration and social inclusion (employment of persons with disabilities or from other vulnerable groups), environmental sustainability (recycling, fair trade, zero-waste, renewable energy production); sustainable retail and food systems (ecological farming, markets promoting local producers and responsible consumption; promotion of a sustainable lifestyle); consultancy and training services (project management and advisory services with a social focus); innovation and entrepreneurship (hubs supporting skills development and community initiatives, development of assistive technologies in the health sector).

Economic size & employment: The 12 SEOs show significant variation in their economic size, with recent annual turnovers ranging, with one exception of smaller-scale activities, from approximately EUR 100,000 to over 5 million. The majority operate within the lower hundreds of thousands of euros, reflecting the typical scale of Romanian SEOs. By employment size, 7 SEOs are micro-level organizations (with fewer than 10 employees), two fall into the small-level category (10–49 employees), and three are medium-sized organizations (50–250 employees), one of which employs more than 100 staff.

5.2. Thematic analysis and findings

Theme A. Investment activity and development prospects of Social Economy Organisations

(i) Previous and/or ongoing investment projects of Social Economy Organisations

Ten out of twelve SEOs reported recent or ongoing investment projects, showing that development is a central component of their strategy. Investment activities range from modest infrastructure upgrades to over EUR 1 million projects, usually supported by EU grants. Specific examples include: the establishment of a resource center for refugees; the doubling of production capacity, accompanied by the creation of a physical store in a shopping mall and the launch of a new company for perfumes and home fragrances, all designed to expand employment opportunities for persons with disabilities; the development of an educational hub focused on non-formal learning; the acquisition and modernization of a kindergarten to integrate children with disabilities. Other initiatives include the creation of a new school, the opening of an educational center for complementary child activities, and a new social enterprise specializing in catering and events. Many of these projects place **a strong emphasis on social and environmental impact**,

including the integration of children with special educational needs (such as autism), the employment of persons with disabilities, and the promotion of sustainable consumption and responsible lifestyles.

From a financial perspective, reported investment projects range from *small-scale initiatives of around EUR 10,000–20,000* (e.g., laboratory or tea house equipment upgrades, physical store) to *large-scale infrastructure projects exceeding EUR 400,000–500,000*, such as the purchase of a kindergarten or the development of a new school. The **majority of projects, however, fall in the EUR 50,000–150,000 range**, covering activities like the establishment of a new social enterprise for catering and events, the expansion of production facilities, or the creation of new service spaces. Only **a limited number of SEOs have managed to secure larger investment volumes, typically through EU or other types of grants**, while others note that their more modest project sizes are directly linked to restricted access to financing. This distribution illustrates both the *sector's capacity to implement substantial, transformative projects when resources are available and its dependency on external funding opportunities to move beyond incremental upgrades*.

(ii) Development prospects of Social Economy Organisations

Looking at the medium-term prospects of their organizations, **several interviewees outlined ambitious growth and development plans**, many of which require substantial investment in infrastructure and specialized facilities. One organization emphasized the need to acquire its own buildings for service activities, as reliance on premises owned by local authorities creates uncertainty due to unpredictable contracts. Another is preparing to expand its commercial activities (a bakery and a plastic-free retail outlet), while stressing the importance of preserving its “plastic-free, natural store concept”. Planned initiatives also include the acquisition of a production hall, the establishment of a residential center for elderly care in rural areas, the creation of a comprehensive educational campus with training facilities, practice spaces, and accommodation, as well as new professional training programs. In addition, one respondent is preparing to move from laboratory-scale production to industrial-scale manufacturing of a medical device currently in clinical testing. These plans **highlight both the sector's growth potential and the structural challenges** it faces in scaling business models while safeguarding their social and environmental missions.

From a financial perspective, **planned/prospective investments are often more ambitious than the projects implemented in recent years**, reflecting the need for property acquisitions, new production capacities, or the scaling of existing business models. For example, the acquisition of a building for workshops and service activities is estimated at EUR 300,000–400,000 (rising to about EUR 500,000 when including equipment and fittings). Larger initiatives include a residential care center for the elderly and the acquisition of a new production hall, both valued at around EUR 1.5 million, and the educational campus with training and accommodation facilities requiring between EUR 2–3 million. In the health innovation field, the transition from laboratory-scale testing to production involves EUR 500,000 for completing clinical trials and at least EUR 1 million in subsequent production investments, totalling around EUR 1.5 million across successive phases. Some other scaling needs are estimated at EUR 150,000–200,000. These figures illustrate that while past projects have generally been more modest, **future plans imply significantly higher investment levels**, particularly where real estate development, production scaling, or infrastructure-intensive services are concerned.

Nevertheless, alongside ambitious development plans, a few interviewees acknowledged that even revenue generating activities can **struggle to reach break-even**, particularly among NGOs whose primary focus is the social mission and who may have limited entrepreneurial capabilities.

(iii) Barriers to investment projects/development prospects of Social Economy

Organisations

- **Regulatory barriers.** Interviewees consistently pointed to unclear or ill-fitting rules. For instance, SEOs delivering fee-generating services must comply with social-services standards that were not designed for for-profit activities (“*you can’t run an economic activity under a social standard*”). In other areas, the legal framework is missing altogether (e.g., “*no legislative framework in Romania for spin-offs*”). Frequent regulatory changes during project implementation were also mentioned as a constraint, introducing delays and rework.
- **High costs tied to specific authorizations and standards.** Compliance with safety/health regimes, notably ISU (fire safety) and DSP (public-health) requirements, imposes very high costs, often beyond available budgets. Some SEOs reported having to undertake costly facility modifications to secure ISU authorizations, while others flagged these costs as a deterrent to future projects.
- **Limited access to finance.** Financing emerged as a recurrent bottleneck. Several interviewees emphasized that funding sources are scarce (“*there are hardly any funding sources*”), and banks are reticent to fund SEOs (“*access to finance was a problem due to banks’ reticence*”). Where funding exists, ticket sizes are rather small, forcing some SEOs to cap project scope to available grants or self-finance (“*we’ll do as much as the European grant allows*”; “*we did what we could develop without other funding*”).
- **Other limitations:** insufficient public support for SEOs (e.g., through subsidies); fiscal barriers; market-side constraints (e.g., limited client understanding of social impact and a negative perception of products made by social enterprises); lack of entrepreneurial expertise; operational burdens (e.g., high operating costs, logistics barriers).

Overall, growth appears to be constrained less by entrepreneurial intent and more by a misaligned regulatory environment and limited availability of finance, with additional drag from high authorization costs, demand-side perceptions, and entrepreneurial expertise.

Theme B. Financing of Social Economy Organisations’ investment/development projects

(i) Overview of financing sources

Most SEOs rely on a **diversified funding mix** that blends earned income from economic activities (product/service sales and beneficiary co-payments), public funds (contracted public services, health-insurance contracts with the health insurance authority, subsidies), European funds, philanthropy (grants from foreign organizations, donations, sponsorships), member contributions (in cooperatives), and financing instruments such as loans from banks and non-bank financial institutions (NBFIs), leasing, and commercial credit. This combination is used to finance both operating needs and investment projects.

Many social enterprises (especially those organized as LLCs) were initially **established with European grants. Follow-on investments were typically fully or largely funded from own revenues and/or donations/sponsorships**, with project scope often scaled to available funding. **Bank and NBF credit was used less frequently**, though some SEOs reported taking small loans (e.g., from AFIN or BCR Social Finance) to finance smaller investments or to provide co-financing for EU-funded projects (including those under the PNRR - National Recovery and Resilience Plan).

While no SEO has experience with investment funds, one organization reported securing **private investment in exchange for equity**. It emphasized the importance of investors’ values alignment, hands-on involvement and know-how, and scaling perspective. The same organization declined an otherwise attractive foreign investment because the capital originated from oil and gas, which conflicted with its

mission, thus underscoring that compatibility between purpose and source of funds can matter as much as financing terms themselves.

(ii) Instrument-specific requirements and limitations

a. EU grants

- **Strategic enabler for entry and, to a lesser extent, later-stage programs.** EU grants provide solid support for SEOs to launch activities. They allow organizations to start with limited upfront capital, while assuming “*lower risks*” and setting their own targets within program parameters. This is especially valuable where other funding sources are absent and has enabled pilots that would not have happened otherwise.
- **Limited availability and fit.** Funding is geared mainly toward newly established SEOs, and grant ticket sizes are too small for large-scale investments. Few NGO-focused calls allow funding capital expenditure, with many programs prioritizing education and awareness campaigns over development projects.
- **Capacity gaps.** Access and implementation require specialized expertise and delivery capacity, and some SEOs lack in-house teams to design competitive proposals and manage project implementation.
- **Bureaucratic load and complex reporting.** Extensive documentation and complex reporting were described as burdensome, sometimes even “*larger than the impact of certain activities.*” Several interviewees noted that the main pain point is not drafting the proposal, but navigating paperwork, indicator frameworks, and weak feedback loops during implementation.
- **Shifting implementation rules.** Mid-stream changes to regulations or guidance create uncertainty (“*things are never clear from point A to point Z*”), forcing rework and delaying delivery.
- **Indicator design and realism.** Some SEOs found the indicators manageable and met them; others found the targets unrealistic, leading to box-ticking with little long-term impact. Rigid quotas for hard-to-reach groups (e.g., Roma individuals) deterred participation in otherwise relevant calls. In social-enterprise schemes, high mandatory employment thresholds were also reported to distort business planning and strain budgets once the grant period ended.
- **Risk of grant dependency.** Despite positive counter-examples, non-reimbursable funding was considered by some interviewees to encourage reliance and reduce exploration of credit and other financing instruments. This points to a need for financial and entrepreneurial education, so that EU funds act as a catalyst, not a crutch.

b. Conventional bank lending

- **Overall, restricted access to bank credit.** SEOs face limited or no access to bank credit, especially NGOs and cooperatives. Most interviewees reported reticence or outright exclusion from standard products (“*there’s no question of taking bank loans*”; “*we tried to obtain a credit line some years ago - we couldn’t*”; “*not all banks are willing to work with non-governmental organizations*”; “*banks in Romania do not facilitate lending to non-profit associations*”; “*NGOs are classified as ‘junk’*”).
- **Limited understanding of the SEO model (especially for nonprofit organizations).** Credit analysis often overlooks non-profit accounting specifics and mission-driven business models (“*the fact that we were a social enterprise did not matter at all*”; “*they thought we were simply making cosmetics*”; “*it was very complicated to find a bank that would take our non-profit balance sheet seriously without equating surplus with profit... it was one of the most complicated experiences... we eventually succeeded*”; “*what was obvious to us was challenging for the analysts to understand... it was different*”).
- **Profit-first lens, little to no emphasis on social impact.** Most banks prioritize short-term profitability and balance-sheet metrics over social mission or impact (“*a very pragmatic approach, in their view only accounting profit matters... the type or potential of the activity doesn’t matter, only what’s written in the balance sheet... we saw this criterion at absolutely all the banks we spoke to*”; “*the specific, social*”).

nature of the business didn't matter, they weren't interested at all"; "most banks require profit"). One respondent noted a single conversation where social impact was flagged as relevant to the final decision; otherwise, "standard" criteria prevailed.

- **Unstable revenues undermine bankability.** Cash flows are perceived by banks as too volatile to support amortization (*"you don't have reliable income sources to commit to such a repayment"*).
- **Insufficient guarantees coupled with narrow collateral policies.** Cooperatives and NGOs are viewed as asset-light and risky, with personal guarantees often demanded (*"cooperatives are seen as entities without guarantees"*). A subset of respondents succeeded in accessing credit where program contracts were recognized as collateral or where external guarantees were available (e.g., PNRR contract accepted; third-party or parent-group guarantees).
- **High costs and cumbersome processes.** Terms and fees are perceived as worse for NGOs, and timelines are protracted (*"as an NGO, the costs of a credit line are double"; "very, very poor conditions and very cumbersome"; "the process never took less than 2–3 months"*).
- **Reputational risk aversion in sensitive sectors.** Some banks avoid lending to care providers due to fear of negative publicity if enforcement were required (*"a bank can't afford to 'dirty its image' by lending to a nursing home"*).
- **Access driven by personal relationships, not banking policy.** Openness often depends on individual champions within banks rather than consistent frameworks (*"it comes mostly from personal relationships"*).

c. Impact-driven NBF lending

- **Better understanding of the SEO model, with mixed results across NBFs.** NBFs showed a stronger grasp of SEO context, particularly NGOs with economic activity, and this understanding sometimes outweighed pure financial results (*"we felt they understood the specific nature of our activity"; "we were received with understanding, patience, and openness"*). Nevertheless, substantial cost differences remain between LLCs and NGOs. Experiences also varied by provider (*"even if it was different from a conventional loan, we still felt treated like a [regular] client; our contribution wasn't recognized"; "they're okay but not aligned to our activities"*).
- **Social impact is generally considered and incorporated in lending decisions.** Most cases required social-impact assessment and reporting. Nevertheless, there were exceptions, especially for loans contracted in the early days of social-economy microfinance (*"social impact didn't necessarily matter; they didn't ask for an activity or impact report"*).
- **Simpler and more flexible procedures.** Procedures were often faster and more tailored (*"things moved very quickly"; "the package was customized and adapted to what we could do"; preparation took 1–2 months*). One outlier reported a three-year process (*"the whole process took 3 years until the loan was granted"*).
- **Flexible guaranteeing.** Collateral and guarantees were adapted to the context (*"we guaranteed with the administrator's salaries"; "loan guaranteed by the EIF"; "the absence of a mortgage was helpful"*).
- **Reporting as capability building.** Financial and impact-indicator reporting is required and, though burdensome, was considered by some respondents to support self-assessment and error detection.
- **Small ticket sizes and shorter tenors.** Loans were typically in the low thousands of euros and shorter term. Some would have preferred higher amounts or longer maturities (*"a longer term would have been an advantage"; "a 10-year term would have been reasonable"*).

(iii) Uncovered needs across current investment financing instruments

- **Capital for growth gap.** EU grants rarely fund more mature SEOs or capital expenditure at meaningful levels. NBF loans are typically small and short-term, while conventional banks are hard to access, especially for NGOs and cooperatives.

- **Availability and affordability gap for NGOs and cooperatives.** Access for these SEOs is more limited, pricing is higher, and terms are stricter than for LLCs, despite comparable risk levels.
- **Longer tenors and patient repayment.** Many SEOs need maturities beyond the short-term common in impact-driven NBFIs lending to allow investments to break even and stabilize.
- **Impact-aware credit assessment.** Conventional bank analysis often discounts nonprofit accounting and mission-driven models. Impact-focused NBFIs show better understanding, but the sector is still maturing, and for some providers, pricing and eligibility still partially mirror mainstream bank credit.
- **Collateral gap.** Asset-light SEOs struggle with guarantees, while existing solutions are uneven (e.g., ad-hoc acceptance of program contracts or third-party guarantees).
- **Predictability and administrative simplicity.** EU grants carry heavy paperwork, shifting rules, and rigid indicators. Nevertheless, banks and NBFIs are administratively lighter, although sometimes still inconsistent.
- **Capability support.** Many SEOs lack in-house capacity for investment planning, proposal design, and compliant delivery, limiting absorption of any kind of funding.

Theme C. Attitudes and expectations towards equity financing through a Social Investment Fund

(i) General attitudes

Interviewees expressed a **broadly positive, pragmatic openness** to equity financing through an SIF. Most would fully embrace this model and are comfortable with capital participation (*“I am not reluctant to create a separate entity in which the association is the main shareholder”; “I would consider financing from an investment fund”*). At the same time, in some areas respondents see mission-led boundaries (e.g., some activities, such as day-center services for disadvantaged children, are seen as unsuitable for an investment fund because integrating children from fee-paying families and vulnerable children in the same group can be challenging; therefore, the respondent *“wouldn’t see that activity as suitable for an investment fund”*).

What attracts SEOs most is **value beyond money**. Interviewees emphasized the appeal of *“a fund that comes with people and know-how,”* citing benefits such as mentoring and strategic guidance, access to networks and partner identification, business opportunities, and community-building across portfolio organizations. Overall, attitudes are highly positive toward equity financing, provided it **aligns with the organization’s mission and brings hands-on expertise, not just capital**.

(ii) Expectations towards equity financing through a Social Investment Fund

a. Value alignment & focus on impact

Interviewees stressed that any partnership must **keep the social mission paramount** (*“it is important to preserve the social dimension”; equity should not “make the social goal... marginal”*). Outside perspectives are generally welcome, but only *“as long as the business’s social impact is preserved.”* Consistently, they argued that strategic and operational decisions must remain mission-aligned (for example, one respondent would not accept replacing employees with disabilities through mechanization merely to increase profit).

Equally, there is a **strong expectation of values compatibility** (*“it matters a lot to have common values”; “all parties should share the same set of values”*). Respondents emphasized the need to put the beneficiary first and expect investors’ track record to signal a genuine fit (*“to be placed in a zone of compatibility”*). Several drew clear red lines, declining funding that felt like greenwashing (*“we don’t want others to wash their image with what we’ve built”*) and rejecting offers from investors whose models contradict their principles (e.g., turning down fast fashion due to a commitment to the circular economy).

In short, SEOs seek *shared values and impact-focused development and will generally forgo capital when those principles are at risk.*

b. Investor profile

Who the investors are generally matters (*“it matters a lot who the investors are”; openness to a new partner “depends on... who the partner is,... the source of funds”*). Nevertheless, divergent views emerged. Some respondents insisted investors’ track record and values must align with the organization’s mission and hold firm red lines, declining funding *“no matter how tempting”* if ethical values diverge, because *“it’s not only a financial partnership; it’s a partnership of values”*. Clear exclusion criteria were brought forward in some cases (e.g., *“I would never collaborate with tobacco companies”*). Other respondents seek a more balanced approach between finance and values, looking for investors *“with values, but also with potential.”* A further view is that alignment *“occurs implicitly,”* since SIF investors accept lower financial returns conditioned on social impact. Finally, some interviewees emphasized that the investor profile is less relevant as long as there is a clear community benefit.

c. Sectoral-specific expertise

SEOs expect an investment vehicle with a ***fine-grained understanding of their sector’s specificities and dynamics*** and, if the case, NGO experience (*“know the business in detail,... the object of activity”; “financing should be done by people who have worked in an NGO and understand the specificities,... which are different”*). They favour a ***specialized fund*** over a more generalist vehicle (a fund that invests in similar SEOs, promotes ecosystem development, designs integrated strategies, and facilitates peer support within the sector). As one interviewee noted, the lack of sector knowledge can erode trust (*“I was only spoken to about numbers and got lost”*).

Several respondents stressed the need for ***domain experts*** who grasp market structure, regulatory nuances, and each activity’s growth rhythm. Confidence increases when the fund’s point person speaks the same language and knows the market they’re entering.

d. Additional support

Beyond capital, SEOs consistently stress that a social investment fund must bring additional benefits, ***bundling money with embedded support***, so ventures can grow (*“there must be something else beyond money”; “expertise... is more important than the monetary part”; “financing should come as a package with support services”*). Several ***areas of support*** were identified:

- ***Legal*** (legal counselling; licensing/re-licensing; authorizations; IP protection; litigations)
- ***Finance*** (financial management and analysis; projections and indicator interpretation; strategic financial planning)
- ***Business & management*** (business plan drafting; market testing/pilots; process optimization; day-to-day mentoring on procedures)
- ***Marketing & sales*** (market segmentation; value proposition; product-market adaptation; go-to-market strategy; marketing campaign; sales capability)
- ***Access to networks & markets*** (access to new customers, suppliers, partners; access to communities of practice; expansion into new markets)
- ***Social impact measurement & reporting*** (social objectives defining; indicators for social impact measuring; social impact reporting)
- ***Other (less frequently cited) areas of support:*** HR & recruiting; accounting; operational support; specialized technical support.

For NGOs with limited for-profit experience, **support is needed to transition from social to economic activities**, including entrepreneurial mindset development, business planning, and access to specific beneficiaries via dedicated networks.

e. Ownership & decision-sharing

Preferences with regard to **ownership and control vary widely** across SEOs. Some interviewees want to preserve control and decision freedom (to cede no more than 50% of shares); others would accept 50–50 or even a majority investor, provided growth follows the desired direction. In all cases, participation should be proportional to financial contribution and business support.

Interviewees welcome **investor involvement in strategic and management decisions**, ideally through shared governance (e.g., a common board) and collaborative goal-setting, provided initial agreements and mission alignment are respected (“it seems normal that they have a say”; “management... and strategic decisions”; “such a structure should have a common board”; “what was agreed at the beginning should be respected”). Constructive, ongoing feedback and collaboration with the executive team are valued more than passive capital, enabling the business to grow. In general, **responsibility is expected to follow expertise** (“responsibility... each within their area of expertise”).

Nevertheless, some red lines emerge. The **final say** is usually expected to remain with the organization **on the social and environmental mission and on quality/identity elements** (“final say... the social dimension”; “to preserve our identity”). Additional boundaries include avoiding micromanagement, safeguarding product vision and organizational culture, protecting employee well-being and safety, and retaining IP (“not to be overly involved... in micromanagement”; “not to share... intellectual property”).

f. Clarity, transparency, and flexibility

SEOs expect **clear, well-defined contracts** with the **ability to negotiate terms** (“clear conditions set by contract, but I want the possibility to negotiate”; “a well-defined contract”). Because the relationship with a SIF is less personal than with individual investors, conditions must be even clearer, backed by a **well-defined impact-measurement tool** and a **clear methodology for communication and decision-making** (“in the case of a fund the relationship is less personal ... conditions must be set more clearly”; “there must be a very well-defined tool for measuring impact”; “a clearer methodology for communication/decision-making”).

Indicators should be tailored to each entity and sector, starting from concrete, measurable metrics on both social and environmental dimensions (“each business is different ... indicators adapted to the firm’s profile and field”; “for each entity/activity, suitable indicators should be designed”; “start from something measurable from the beginning, concrete indicators, including social and environmental”).

A careful, even lengthy, negotiation is appreciated to build trust and surface risks. SEOs want everything very clearly stipulated, along with legal support on their side (“I run away from money that comes too easily... I prefer a lengthy negotiation”; “founders would trust it if everything is stipulated very clearly in the contract”; “everything should be very well stipulated... and have legal support, someone to advise”). They also expect initially agreed **directions of collaboration that do not contravene social or environmental objectives** (“contractual conditions clear... not contrary to social/environmental objectives”).

g. Monitoring and reporting

Most interviewees see **monitoring and reporting as useful when purposeful and predictable**. SEOs want clear requirements from the outset, reasonable bureaucracy, and feedback that helps “check parameters and guide operations”. Performance monitoring is welcome (e.g., quarterly, semi-annual, or annual financial and impact reporting based on pre-agreed KPIs) and appreciated to discipline managerial

decisions. While periodic reporting is accepted as “a necessary evil,” shared resources (e.g., common accounting services, standardized models) are brought forward as solutions to reduce effort.

The **red flags usually are excessive and duplicative demands**. In one instance, tailor-made demands are also seen as burdensome. This responder appreciated that SEOs already report to multiple funders, and adding different reporting structures is wasteful (“we do the same thing differently for every entity”). He asked to avoid heavy, EU-style paperwork, provide practical support in drafting documents (models, procedures, templates), and align or consolidate with existing reports rather than creating yet another layer, where possible.

h. Financial & social performance

Profit is expected to matter, but not alone. Interviewees seek **a balance between social impact and profit**, rejecting a “full-profit” approach and decisions that undermine mission (“it’s possible to reach a balance... satisfactory for both”; “balance between activity, economic efficiency and meeting social indicators”; “would not accept a fund that goes full profit”; “would not accept giving up the workforce with disabilities for higher profit”).

A targeted minimum financial return can be accepted only if realistic in relation to social impact, and pressure on economic targets should be tempered by an understanding of the business structure (“I have reservations only regarding social impact... accept minimum return only if achievable given social impact”; “do not put pressure on the economic side... have patience to understand the business structure”). Safeguards include **clearly agreed social impact indicators** (e.g., a negotiated share of places for disadvantaged people who cannot fully pay) and **non-negotiable quality thresholds** (“clearly assumed impact indicators”; “a quality threshold below which we cannot go”; “no lowering quality just to increase profit margin”).

Overall, **financial and social KPIs must be mixed and harmonized**, even if some appreciate that “often the two do not perfectly fit”. Deviation from the social purpose is not desired, and economic, social, and environmental dimensions interweave rather than exclude each other (“a mix between financial KPIs and social KPIs”; “ideally harmonized”; “do not deviate from the social purpose”; “the economic and the social/environmental areas intertwine, they do not exclude”).

i. Ticket size and exit conditions

Expected **ticket size clusters around EUR 50,000–150,000** for smaller-scale development (e.g., expanding home care services, renewable energy investment). Larger tickets of **EUR 500,000–1,000,000+** are anticipated for projects involving real-estate construction or acquisition (e.g., a residential center). **Staged tranches are acceptable**, except where a lump sum is required for property purchases.

Preference is for **longer holds, generally 5–10 years**, with some calling for at least 10 years due to slower growth and reinvestment (“not a quick exit (>5 years)”; “exit after at least 5-10 years”; “6-8 years needed to withdraw... slow growth”; “redemption term: 10 years”). **Performance/impact-linked exits** with incentives for exceptional managerial efficiency, and terms convenient for the beneficiary when results exceed expectations are also favoured (“grant bonuses when there is exceptional managerial efficiency”; “exit should depend on impact indicators/results”; “if results are above expectations, exit in a way convenient for the beneficiary”).

(iii) Other expectations

- **Enhanced public support and policies.** More public support (e.g., subsidies) is expected to help cover the structural gaps between social and conventional enterprises, underpinned by national policies that enable real development rather than short-lived programs (“such initiatives should be subsidized by the state to cover the differences from a conventional enterprise”; “need for national policies to

encourage real development of social enterprises”; mass funding of social enterprises “that will not exist in 10 years is not viable”).

- **Emphasis on financial education.** Financial education is a key pillar for sector development, alongside broader entrepreneurial education, which is missing “on the impact side” (“financial education is a very important pillar”; “entrepreneurial education is necessary... missing especially in this area, of impact”). A major gap is practical know-how about investment vehicles (“even with economic training, I have no idea how investment funds work or how to access them”).
- **Ecosystem building and advocacy for the sector.** SEOs emphasize advocacy to unlock workable rules and markets, and a support ecosystem, anchored by the fund administrator, as integral to the sector’s growth (“creating mini-communities among potential beneficiaries”; “advocacy for adopting legislation... there is no secondary legislation for energy communities... business is not feasible under current rules”; “creating a support... ecosystem”).

PART C. ASSESSMENT OF SOCIAL INVESTING POTENTIAL

6. NATIONAL FOCUS GROUP WITH INVESTORS

6.1. Design and participant profile

The *analysis of investors' perspectives* was conceived as the second major line of inquiry within the overall research design, complementing the demand-side investigation carried out with SEOs. This component focused on the **supply side of social finance**, namely, the *motivations, expectations, and constraints of actors who could provide capital to a future SIF*. This second direction shifts the perspective from organizations seeking funding to the investors potentially supplying it, ensuring a holistic, ecosystem-level understanding of market dynamics.

The research on the supply side was implemented through two successive steps: a **national focus group with potential investors from Romania** (presented in this section), followed by a **transnational focus group with European investors**, allowing for a *gradual expansion from local insights to broader EU-level perspectives*. Through this structured, bottom-up approach, the investigation captured a nuanced picture of investor behaviour, regulatory contexts, perceived risks, impact measurement practices, and preferred financial instruments, elements essential for shaping a SIF that is aligned with both domestic needs and European market standards.

From a methodological standpoint, the **national focus group** emphasized structured dialogue and diversity of investment backgrounds. The discussion was structured around **four core thematic areas**:

- ✓ **Theme A. Awareness levels in the Romanian investment ecosystem.** This section explored Romanian investors' familiarity with social impact and impact investing and how they perceive differences from traditional investment portfolios. It also looked into the information channels that may be used to learn about and reach potential impact investors.
- ✓ **Theme B. Investor motivations and barriers.** This section examined what drives Romanian investors toward impact investing versus what holds the market back, including concrete experiences with impact-measurement methods and the practical challenges of measuring and reporting impact.
- ✓ **Theme C. Return expectations and risk perceptions.** This section sought to identify acceptable ranges and reference points for financial returns in impact investing and to compare perceived risks with traditional investments.
- ✓ **Theme D. Preferred Social Investment Fund settings.** This section grasped into investor preferences on instruments, target sectors, and diversification, alongside confidence-building features (legal form, governance, transparency and impact reporting, capitalization, participation thresholds) and desired levels of investor involvement.

In total, the national focus group brought together **10 experts representing 10 different organisations**, covering a broad spectrum of the social finance and investment ecosystem in Romania. On one side, some represent commercial finance and investment actors, such as an asset management company serving the general public, a commercial bank with a strong ESG agenda, or a tech-enabled investment and crowdfunding platform. On the other side, several participants come from dedicated impact and social finance organisations, including an international impact investor in social enterprises, a philanthropic foundation active in rural development and microfinance, or AFIN as a specialised social finance institution for the social economy. Completing the picture is an NGO with advanced fundraising capacities.

The participants themselves combine roles as fund managers, corporate executives, social entrepreneurs, ecosystem builders and board members of social finance institutions, some of whom are also individual (impact) investors.

6.2. Thematic analysis and findings

Theme A. Awareness levels in the Romanian investment ecosystem

The focus group with Romanian investors revealed uneven levels of awareness of impact investing, highest among participants with prior exposure in impact-driven NBFIs or NGOs. The **market for impact investing was described as “weakly developed,” with “low levels of awareness”** and an **ecosystem that “has potential... but the infrastructure is underdeveloped,”** though *“things are starting to change.”* Awareness appears stronger on the environmental side, partly due to state-driven initiatives, and weaker on the social side (e.g., education, labour market integration). Participants also noted the absence of a dedicated social investment fund (*“Romania doesn’t have open or closed-end funds with a social impact profile”*).

Blending social impact and financial return remains conceptually difficult for some investors accustomed to traditional investment models (*“philanthropy and NGOs are easy to grasp... it’s harder to mix investment, impact, and a smaller return”*). Winning such investors over on the social investment model’s viability will require **patience, sustained outreach, and strong evidence of results.** Nonetheless, participants were clear that impact investing is not grant making or charity (*“it shouldn’t be confused with grant making; any investment, even social, must be profitable - even if the profit is smaller.”*)

Perceived **benefits span society and the organisation.** At the economy level, impact investments *“solve concrete social problems.”* At the organisational level, they help *“build entrepreneurial capacity”* (especially for NGOs) and enhance sustainability and resilience through both funding and *“expertise, help, and time.”*

Expectations and responsibilities differ from traditional investing. **Financial returns are expected to be lower** (*“won’t be comparable to a traditional investment,”* as *“the investment isn’t made strictly for return”*). Social investors are also perceived to carry **greater responsibility** (*“you can’t do impact investment in the classic way, just give money; the funder must track the investment and ensure, or at least monitor implementation”*). Given that many SEO founders start from a social problem and *“lack entrepreneurial skills,”* investors also *“need to help build institutional and entrepreneurial capacity, otherwise the investment may fail.”*

Given the features of the market, **reaching potential investors** for a social investment fund is recommended to rely primarily on **networks and one-to-one outreach** (*“There are few places to find this type of investor,”* so *“one-on-one communication is key,”* and *“the messenger’s credibility matters”*). Traditional channels (specialised websites, LinkedIn, etc.) can complement this approach by raising awareness.

Theme B. Investor motivations and barriers

Regarding **motivations**, participants reported **a mix of reputational, mission-driven, and pragmatic reasons.** Many private investors are drawn by the desire to solve a social problem and the reputational benefit of associating with a worthy cause (*“to be associated with a good cause, to do good”*) rather than immediate financial gain (*“they do not come primarily for immediate profit, but rather for image”*). **Financial returns still matter** (*“as with any investment, return is important”*), yet investors may also back fields they care about despite lower expected returns. One participant stressed a pragmatic angle, noting that impact investing is gaining ground in the EU, and that *“even if it is patient capital, returns can be substantial in the medium to long term.”*

Because financial return is not the only (or primary) objective, participants emphasized the need for **clear social impact and rigorous measurement** (“social impact is what must be measured and highlighted in any promotion or product,” and it should be embedded in strategy - “we have to commit to achieving this impact at a strategic, institutional level”). Suggested practices included project-level KPIs assessed by independent experts and assessment systems that blend quantitative and qualitative data. One participant cited the use of a *Performance Management Tool* to measure and monitor social, environmental, and economic results for each project and for the portfolio as a whole, alongside a *Dignified Employment Survey* to track job quality (stability, income, satisfaction, dignity, and safety).

Several **barriers** to developing social impact investing in Romania emerged:

- **Low awareness and few promoters.** The segment remains weakly developed, with low levels of awareness. There are not “enough promoters,” and, therefore, “every forum with relevant stakeholders should be used to spread coherent messages.”
- **Lower financial returns.** Some (more traditional) investors may find the trade-off vs. conventional returns difficult to accept.
- **Capability gaps on both SEOs’ and investors’ sides.** Many SEO teams lack the financial sophistication to “speak investors’ language,” while many investors are not familiar with social impact (“don’t know how to measure it, don’t know what matters”). It is also harder for traditional investors to assess the sustainability of a social business, not just its immediate benefits.
- **Need for clear impact measurement frameworks and metrics.** Investors want transparent, well-understood indicators and a framework that shows “what you measure and how” at both fund and investee levels.
- **Limited entrepreneurial education within SEOs.** The insufficient entrepreneurial education of SEO founders was frequently cited, pointing to the need for targeted entrepreneurial capacity-building.
- **Regulatory gaps.** Insufficient legislation can stall innovation in specific areas (e.g., social impact bonds).

Theme C. Return expectations and risk perceptions

Focusing on return expectations, participants agreed that **financial returns are generally lower than in traditional sectors**. This is largely because “the main objective is not profit,” “investors also seek reputational gains”, and return is viewed across “three dimensions—financial, environmental, and social”. A minority view pointed the other way, that higher required returns could be justified by higher perceived risks (“the risk is higher in a social impact investment... I have no guarantee I’ll get my money back”).

When asked to **set explicit return expectations**, investors proposed **reference points rather than hard targets**. Several suggested anchoring to familiar benchmarks (such as inflation indices over a longer horizon or government bonds) and, given the limited local experience, looking to returns in comparable social impact vehicles in nearby markets with more track record (e.g., Poland, the Czech Republic). One investor noted that financial return should sit below what is expected in traditional bank/NBFI lending, because there is also a social return. Another emphasized building a track record first (“launch at a smaller scale, then go to investors with what you’ve achieved”). In one particular case, drawing on grant experience, it was deemed rational to fund slightly negative-return projects (e.g., “-10% compared with -100% for a grant”), as this “multiplies capital in play” and scales impact.

Despite the lack of hard targets, it was stressed that “the fund has a duty to build a financial model, with assumptions,” so that when approaching potential investors it can present concrete figures (“a number should be put on the table so we can then discuss more deeply what social impact means”; “something must be said to investors”). Drawing on AFIN’s experience and the observed returns on its financed portfolio was suggested as a useful reference point.

Regarding the perceived risk, most participants see **a higher risk in social impact investing** due to execution uncertainty and longer time horizons. At the same time, they emphasized that **the fund manager should present a clear risk mitigation strategy** (“show how you plan to mitigate the fund’s specific risks”) and estimate risk with peer histories (e.g., outcomes from nearby CEE markets).

Given the sector’s specificities, investors defined a **potential good investment** as one that delivers financial returns slightly above bank interest alongside a clear, evidenced social impact. Others emphasized durability, i.e., becoming “*self-sustaining after a number of years*”. In all cases, it was considered essential that results (combining financial KPIs and impact KPIs) are “*delivered as promised*”.

Theme D. Preferred Social Investment Fund settings

Drawing on their experience, participants offered practical guidance on designing and managing an SIF. Several priority areas and related recommendations emerged:

- **Legal and structural clarity.** Investors stressed the need to **define the vehicle’s legal architecture** upfront and to **consult a capital markets lawyer** to map the EU and Romanian requirements. Finalizing the fund structure before contacting potential investors was seen as critical. Participants also noted that the legal form determines how the SIF may be promoted, as some vehicles can be marketed publicly, and others only privately.
- **Scope and strategy.** The **social problems** to be addressed should be **defined concretely** (“*the more concrete the problem, the higher the chances of attracting investors*”), and sector coverage should prioritize representative areas that draw investor interest. Views diverged on positioning: some favoured a **broad, opportunity-driven sectoral approach** (potentially more sustainable), while others preferred a **thematic fund** built around one or more investment theses. **Clarity on the investment stage** (pre-seed, seed, scale) was also expected.
- **Capital deployment model.** The fund was described by some participants as a primary investment vehicle that **enables co-investment**, accommodating those uneasy with a blind pool but keen to back specific companies. One investor emphasized that ticket sizes should address **gaps not easily financed otherwise** (typically **€100–200k up to ~€500k**) to help enterprises **bridge to existing funding sources**, with the mission “*to take the business to a point where it becomes commercially viable so a traditional investment fund can come in later,*” i.e., “*to help it transition through the growth stage.*” Participants also urged complementing existing offers (e.g., where AFIN finances up to €50,000) rather than duplicating them, **avoiding sub-scale tickets** (“*below a certain level, it isn’t worth investing for logistical/cost reasons*”), and, where possible, **releasing capital in tranches tied to milestones**.
- **Governance, reporting, and transparency.** One investor emphasized that, if organized as an investment fund, the vehicle should “**behave like a traditional investment fund**” on **governance and reporting**, in line with the law. Given the social impact mandate, many favoured **more transparency than is typical**, balanced against potential competitive exposure. Investors also valued **regular communication** and suggested quarterly/annual updates on pipeline screened, amounts invested, portfolio status, and follow-on rounds. One participant presented the benefits of an annual in-person meeting where beneficiaries can share success stories to “*bring to life what happened with the money*” and boost investor confidence.
- **Impact measuring, monitoring, and reporting.** Participants called for a clear impact measuring, monitoring, and reporting framework (“*there must be a framework to show what you measure and how*”). For legitimacy, they suggested partnering with a recognized European/international entity for impact monitoring and evaluation.
- **Expert validation.** Investors highlighted the value of **expert input in pre-decision phases**, with sector specialists contributing with know-how. They also advocated an **independent advisory council** of experienced experts to review deals and issue opinions (“*investors should know that a group of experts studies and opines on the fund’s investments*”). Tapping European networks (e.g., Impact Europe,

formerly European Venture Philanthropy Association) for expertise was recommended by one participant.

- **Investor participation. Optional involvement of investors** in diligence or decision touchpoints was viewed positively, as “each investor has their own way of managing risk,” and “some feel more comfortable if they know what’s happening, how companies are scrutinized, and by whom.” **Anchor investors with credibility** were seen as catalytic for crowding in others.
- **Ecosystem building and public policy.** Beyond the fund’s own capital, participants encouraged **co-funding with other stakeholders** working with the investee to deepen accountability. At the system level, they pointed to the **need for supportive policy tools**, including tax incentives for those investing in social impact funds (“tax benefits... can be a stimulus”).

7. TRANSNATIONAL FOCUS GROUP WITH INVESTORS

7.1. Design and participant profile

Whereas the national focus group brought forward specific challenges, financing barriers, and expectations expressed directly by Romanian actual or potential investors, the **transnational session** enabled a *deeper exploration of how experienced and emerging European impact investors approach fund structuring, portfolio management, risk assessment, impact measurement, or perceive the attractiveness of the Romanian impact investing market*. This comparative lens strengthens the evidence base needed to calibrate the design of the Romanian SIF to European standards, market expectations, and successful investment models.

From a methodological standpoint, the session emphasized structured dialogue, diversity of investment backgrounds, and a strong transnational dimension. The discussion was built on the *analytical* framework used in earlier research stages and was structured around **three core thematic areas**:

- ✓ **Theme A. Investor experiences with Social Investment Funds.** This theme explored investors’ past involvement with SIFs, focusing on their motivations for engaging in impact investing, the operational and strategic challenges encountered, the role and effectiveness of impact measurement frameworks, and how social objectives shaped their expectations regarding financial performance and risk.
- ✓ **Theme B. Best practices in structuring and managing Social Investment Funds.** This section examined the fund structures, management strategies, and partnership models that have proven effective in balancing financial sustainability with measurable impact. Discussions also highlighted common pitfalls to avoid when designing or operating SIFs.
- ✓ **Theme C. Assessment of social impact investment attractiveness in CEE countries/Romania.** This theme assessed the perceived potential of the impact investment market in Central and Eastern Europe, particularly Romania, by identifying key opportunities, barriers, and enabling conditions, as well as innovative mechanisms that could accelerate fund development and market growth.

This structure ensured a coherent flow from individual investment experiences to broader reflections on European market dynamics, supporting a comprehensive understanding of how the Romanian SIF can align with and leverage established EU-level practices in impact investing.

In total, the focus group brought together **12 external experts** representing **11 organisations** (8 Impact Investors & Fund Managers and 3 Social Finance Institutions/Ethical Financial Actors). The group was selected to ensure a balanced mix of organizational types, geographic representation, and levels of investment maturity. The institutions originate from 9 countries (Belgium, Croatia, France, Germany,

Greece, Italy, Romania, Slovakia, and Spain), several of which also operate across wider European and international markets.

In addition, the institutions participating in the study **operate across a diverse yet complementary range of sectors within the European social finance ecosystem**. Several organizations primarily support local SMEs, farmers, households, and micro-entrepreneurs, with a strong emphasis on financial inclusion, cooperative finance, and sustainable local development. Others focus on social enterprises and impact-driven SMEs active in areas such as social inclusion, education, employment, health, environmental innovation, and sustainability. In particular, one organisation brings a venture-capital-style approach to impact financing by investing in early- and growth-stage companies that generate measurable social or environmental outcomes aligned with the UN Sustainable Development Goals. Another adds a distinct dimension by targeting Roma-owned micro and small enterprises, addressing structural inequalities, and supporting entrepreneurship in underserved communities. Taken together, these institutions span the full spectrum of social finance, from micro-level financial inclusion to large-scale impact investment, offering a comprehensive perspective on the needs, opportunities, and market dynamics that should inform the design of an SIF aligned with European best practices.

7.2. Thematic analysis and findings

Theme A. Investor experiences with Social Investment Funds

In opening the discussion, participants (comprising experienced impact investors and fund managers) were invited to reflect on their **overall experience** in managing or investing in social investment funds or impact portfolios, and on the factors that initially drew them toward impact investing. Similar to trends observed in the demand-side analysis, the motivations described reveal **a combination of opportunity-driven and need-driven dynamics within the ecosystem**.

Several investors/SIFs traced their entry into impact investing to the emergence of a promising “*business opportunity*” in the social economy field. They noted that, in the earlier stages of market development, there was a strong appetite from the investor community, not necessarily oriented toward any single sector. One participant emphasised that, at the beginning, their fund maintained “*a very broad sectoral approach*”, engaging with “*everything related to SDGs*” rather than focusing on a specific sector, as concentrating too narrowly was considered “*too risky*”. Over time, and with accumulated experience, their portfolio evolved toward four priority areas: *two on the social side* (education and health) and *two on the ecological/environmental side* (energy transition and circular economy).

Another investor highlighted the particular context of Central and Eastern Europe, describing impact investing at that time as a “*lightly regulated sector*”, characterised by a mobilization from Western European investors who were increasingly interested in placing capital in funds operating in the region. This created a favourable environment in which early impact funds could grow. As one fund manager put it, there was clearly “*a driver on the side of the investors*”, who were willing and able to invest in social businesses, often in what they described as an “*opportunistic social venture*”.

Beyond the supply-side interest, several participants stressed the growing and visible demand for capital originating from social economy organisations themselves. They described the sector as “*a growing sector that needs liquidity*”, noting that unmet financing needs have become increasingly apparent over time. Although investor interest remains present, one participant noted that it has become more difficult nowadays to attract new investors into social investment funds compared with the early years, when investors were “*more keen to impact investing*”. Today, the relationship between supply and demand is perceived as evolving into “*a question of alignment*” between *the liquidity needs expressed by the market and the degree of interest or willingness of investors to engage in impact investing*.

Across all contributions, participants emphasised that their overall experience has been positive, consistently tied to the opportunity to generate meaningful impact across sectors, including health, education, nature protection, climate, and circular economy. As several investors concluded, impact investing provides a rare space where financial capital can “*produce impact*” while supporting models that advance both social and environmental outcomes

When examining the **major operational and strategic challenges** encountered in structuring or managing impact investments at the fund or portfolio level, participants highlighted several recurring difficulties. These challenges relate primarily to sourcing suitable deals, attracting sufficient liquidity, maintaining uncompromising impact standards, and securing a strong anchor investor. Although due diligence processes were generally described as manageable, investors emphasized that creating a viable fund structure requires careful balancing between financial expectations, impact integrity, and market realities. Key challenges identified by participants included:

- **difficulty sourcing investable opportunities** that are both profitable and capable of generating meaningful societal impact. One manager noted how hard it is “*to identify deals that are at the same time profitable and generate some positive societal impact*”, especially when balancing the need for a sufficient deal flow with the need to narrow the sectoral and geographic scope of the fund.
- even when funds describe themselves as “*sector agnostic*”, in practice, most opportunities tend to arise in fields where managers already have expertise (e.g., health, agritech, education, culture).
- **limited availability of investors willing to accept lower financial returns**, particularly in some CEE markets. As one participant explained, in Croatia and Slovenia, “*you cannot find investors that are willing to have a lower financial return because this is the impact fund*”, meaning managers must look beyond their region to mobilise liquidity.
- **tension between delivering VC-like returns and maintaining impact integrity**. Participants agreed on the importance of “*not to compromise with the impact*”, even though this can make capital raising harder. Investments that are more ESG-aligned than truly impact-driven may create discomfort among investors whose “*system of beliefs and values*” requires a strong impact focus.
- **due diligence is not perceived as problematic**, as impact assessment is already embedded in the process (e.g., theory of change, KPIs, expected values).
- **securing an anchor investor** was described as a major challenge. Participants stressed that anchoring must be planned from the very beginning and that international investors are unlikely to join unless there is a strong group of Romanian investors, a requirement that may also be reinforced by EIF.

When discussing **how impact measurement and reporting are embedded in their fund management processes**, participants expressed near-unanimous agreement that “*the European Investment Fund is the best guideline for impact funds and measurement of impact in Europe*”, at least until more detailed guidance may emerge from international bodies such as the United Nations. In practice, impact funds supported by the EIF follow a structured approach that includes theory of change methodologies and KPIs, which participants described as standard recommendations integrated into due diligence and ongoing monitoring.

Regarding the number and selection of KPIs, fund managers emphasized a pragmatic approach. One investor noted that KPIs per investee are intentionally limited, typically “*around 2–4*”, or “*2–5 KPIs for each company over a 3–5 year timeframe*”, to ensure clarity and feasibility. Another participant highlighted a recurring challenge: KPIs need to be meaningful at the level of each enterprise but also harmonised once aggregated at the fund level. As one investor pointed out, determining KPIs “*at the firm level*” and then grouping them across the portfolio in a way that does not create “*too many indicators*” remains a delicate balance. Participants explained that KPIs can be either product-based (e.g., number of patients, number of healthy individuals in health-related investments) or company-based (e.g., targets for employing individuals from specific social categories). Importantly, KPIs “*are not necessarily linked to the product itself*,” but are chosen based on where impact is most relevant.

In terms of impact reporting, several mechanisms were described. In one fund, investors participate directly in the investment selection process through an advisory board defined in the limited partnership agreement. This board includes large investors or those particularly interested in the selection process. Additionally, some funds rely on an Impact Panel, composed of university professors specialising in impact, who support enterprises in defining KPIs and refining their impact model.

Another approach shared by a participant focuses on “*planning impact generation*” from the outset. This includes context analysis, stakeholder mapping, and defining a broader set of “*20 KPIs for each company*”, from which a smaller set is prioritised. The aim is to ensure that companies intentionally pursue both environmental and social objectives. To enhance comparability, the fund establishes similar KPIs across beneficiaries. Beyond tracking outputs, this fund works on strengthening processes, governance, competencies, and internal policies, ensuring that the company’s ability to generate impact is backed by a “*sound structure*” capable of sustaining results over time.

Participants also mentioned sector-specific frameworks. One fund manager referred to the European Code of Good Conduct for Microcredit Provision, which includes a dedicated chapter on mandatory financial and social impact indicators. In addition, the European Banking Council is developing a toolkit of social impact indicators, originally for microfinance institutions but considered adaptable for broader investment and social finance contexts.

After examining how impact is defined, monitored, and reported within fund management processes, the discussion naturally progressed toward understanding ***how these impact-related objectives influence investors’ expectations regarding financial performance and risk-adjusted returns***. Participants reflected on the extent to which social and environmental goals reshape the return logic compared with traditional investment strategies. Several fund managers emphasized that return expectations vary considerably across investor types. As one participant noted, “*an institutional investor will not join the discussion for less than 10% return*”, whereas “*an impact-focused investor will accept 5–6–8% return if the investment is in line with their system of beliefs*”. Another manager reinforced this view, indicating that, in their experience, financial returns in the range of 8–10% remain common reference points for impact funds operating in Europe.

Importantly, participants stressed that impact investing should not be viewed as a trade-off between financial returns and social/environmental outcomes. One manager emphasised that impact can in fact become “*an element of differentiation in the market*”, a source of competitive advantage that may generate higher long-term returns, particularly where social or environmental value creation directly strengthens the market positioning of the investee company.

At the same time, discussions revealed the need to attract investors who are prepared to accept moderate financial returns in exchange for *meaningful impact*. As one fund manager explained, it is essential to articulate clearly “*what kind of impact is created, how value is distributed in the company, and where the impact is happening*”, while also ensuring that impact is expressed through measurement units and metrics that investors can easily understand and align with. In this context, participants pointed out that the ideal investor profile for certain SIFs, especially those operating in emerging or less mature markets, may be institutional investors, “*as they do not often change their mind like individual investors do*”, offering greater predictability and long-term alignment.

Overall, the discussions indicated that *while financial performance remains a critical dimension, European impact investors increasingly integrate impact considerations into their perception of risk and return*, evaluating not only the monetary yield but also the sustainability, purpose alignment, and long-term value creation potential of each investment.

Theme B. Best practices in structuring and managing Social Investment Funds

When exploring **which fund structures or investment vehicles are most effective in achieving both financial sustainability and measurable impact**, and what best practices should guide the design of an SIF, participants converged on the view that no single structure or instrument is universally optimal. Instead, effectiveness depends on the level of influence the fund seeks to have within portfolio companies and on its ability to act as a “committed” and patient investor. As several participants noted, impact investing often requires longer investment horizons than traditional venture capital: in some cases, “more than 10 years”, with one investor highlighting an ongoing 18-year investment that combined capital with sustained capacity-building support.

Equity emerged as an instrument associated not only with capital provision but also with responsibility and active engagement, typically through a seat on the board and involvement in strategic development. By contrast, *quasi-equity instruments*, especially convertible or subordinated loans, were widely perceived as highly effective tools, offering a flexible mechanism that balances social impact goals with investors’ financial expectations. Such instruments were described as “*balanced vehicles*,” capable of aligning incentives, allowing performance-based adjustments (e.g., interest rate reductions linked to KPI achievement), and preserving a degree of financial discipline that some SEOs might lose if they perceive pure equity as “*non-refundable*” or grant-like.

Views diverged regarding the significance of the fund’s legal structure. While one investor emphasised that the fund structure can be a key strategic element, another argued that it is “*just a technicality*,” secondary to understanding the market the fund intends to serve. From this perspective, instrument design should flow from the specific needs of the Romanian market, the number of SEOs likely to seek investment, and the expected distribution between equity and debt demand. A third participant suggested that a SIF could be structured similarly to a traditional VC fund, complemented by a robust limited partnership agreement.

Finally, participants agreed that attracting investors requires using instruments they are already familiar with and offering returns that are not drastically below those of traditional VC funds. Several investors noted a broader shift away from purely debt-based instruments toward more equity-like models, reflecting evolving expectations in the impact investment space.

With respect to **portfolio management and performance strategies capable of balancing financial returns with measurable social or environmental objectives**, participants offered a limited but convergent set of insights. Fund managers largely emphasised the importance of a **sector-focused approach**, combined with **rigorous performance monitoring** and **systematic impact reporting** as core elements of an effective portfolio strategy. Several participants additionally highlighted the critical role of a well-planned exit strategy, noting that the timing and manner of exit are particularly relevant when investing in SEOs, whose growth trajectories tend to be longer and more sensitive to mission alignment. Across responses, managers underlined that the primary focus remains on solving a clearly defined social or environmental problem, rather than maximising investor satisfaction in the short term. Ultimately, the goal is to achieve impact in an economically sustainable way, ensuring that social value creation and financial viability reinforce rather than contradict one another.

When examining **the forms of collaboration and partnership frameworks** that have proven effective in creating sustainable and scalable impact investment solutions across Europe, participants highlighted several recurring practices. A first perspective emphasized **the strategic role of co-investment arrangements**. One fund manager noted that effective models often involve partnerships between impact investors and mainstream financial actors (such as commercial banks or private investors) who co-invest in the same social opportunity. Another participant stressed that co-investors are typically identified within a “*closed network, a closed circle of potential investors*”, where institutional investors are especially valued because “*they do not change their mind over time*”, offering greater predictability and long-term alignment. In addition, participants pointed to the value of structured engagement platforms that connect

investors around shared impact agendas. One example referenced was the National Advisory Board linked to the GSG (Global Steering Group for Impact Investing) in Italy, which helps keep fund managers aligned with broader national priorities and fosters ongoing interaction with other impact investors.

A second line of discussion underscored **the importance of scalability** when selecting investment opportunities and potential partners. One fund manager explained that their fund focuses on opportunities that are “scalable from the very beginning” rather than on isolated, highly localized ventures. Investments that demonstrate the potential for nationwide replication are seen as more attractive to co-investors, as they generate impact at scale and improve the likelihood of financial sustainability.

Participants also highlighted **collaboration within the governance structures of SIFs**. One manager described how adopting a multistakeholder governance approach (including both nonprofit actors and social finance experts) helps ensure that the fund remains closely connected to the needs and realities of the social economy. This approach facilitates continuous dialogue with the ecosystem and strengthens the fund’s ability to identify social economy organizations that require financing, particularly as “most of the time SEOs are not aware of funding opportunities”.

When invited to reflect on **ineffective practices or common pitfalls that should be avoided in the structuring and management of an SIF**, participants highlighted several risks that can undermine both financial performance and social impact. Their insights point to recurrent patterns observed in the field and to specific challenges encountered, particularly in Central and Eastern Europe. Key considerations include:

- **Avoid treating equity as a grant.** Some NGOs and early-stage founders, especially in Eastern Europe, may perceive equity investment as non-refundable support. This creates misalignment of expectations and weakens financial discipline.
- **Be cautious with single-founder ventures** (“one-man shows”). Investments should prioritise organizations with solid, committed teams. A weak or one-person structure significantly raises operational and continuity risks.
- **Ensure investor-fund alignment.** The fund’s mission and objectives must correspond to those of its investors. For example, some investors prioritise job creation while younger entrepreneurs may focus on environmental innovation; the fund’s design should reflect a clear strategic direction.
- **Secure strong domestic investor participation.** International investors are unlikely to engage unless a robust group of Romanian investors is already committed, potentially including requirements from institutional players such as the EIF.
- **Assess financial literacy within investee teams.** Each organization in the portfolio should include at least one person who understands cash-flow dynamics and basic financial management, ensuring responsible use of capital.
- **Prioritise competent management teams.** If managers demonstrate excessive dependence on the fund for operational decisions, this signals a lack of professionalism. The fund should support but not replace management.

These insights emphasise the importance of alignment, professionalism, and financial discipline as foundational principles for designing a credible, investable, and mission-aligned SIF.

Theme C. Assessment of social impact investment attractiveness in CEE countries/Romania

In addressing the **overall attractiveness and growth potential of the impact investment market in Central and Eastern Europe (CEE), with a particular focus on Romania**, participants converged around a set of structural constraints, emerging opportunities, and strategic recommendations for accelerating the development of social investment funds (SIFs) in the region.

A first major point of convergence concerned **the minimum economic viability of a future SIF**. Multiple participants stressed that funds that are too small struggle to cover management and administrative costs, noting that a fund must reach at least EUR 10–20 million to break even. Anything significantly smaller becomes financially unsustainable given typical management fee structures (e.g., 2%). While some countries in the region operate smaller funds (e.g., approximately EUR 5 million in Slovakia), participants generally agreed that Romania would require a larger fund size to ensure operational sustainability and market credibility (of at least EUR 5 million, to start with).

Discussions also highlighted **the critical importance of investor composition**. Participants emphasized that a future Romanian SIF must attract a strong initial group of domestic investors, as international players, such as the European Investment Fund (EIF), are unlikely to commit capital without solid national backing. The market reality is that private investors in CEE remain cautious, often due to limited understanding of impact investing and uncertainty regarding risk-adjusted returns. As one participant noted, private investors are currently “*not too keen*,” making fund-raising particularly challenging in Eastern Europe, and even more so in Romania. When EIF or other institutional investors come in, they typically still expect a balanced structure that includes private capital, which further raises the bar for initial fund setup.

From a demand-side perspective, participants observed that **ticket sizes in Romania** should remain relatively small, **often between 50,000 and 100,000 EUR**, especially for early-stage or small SEOs. This mismatch between modest demand size and the need for a large enough fund structure to be economically viable represents a fundamental tension, highlighting the need for complementary mechanisms.

In this context, several **enablers and strategic mechanisms** were proposed to strengthen the Romanian and CEE impact investment ecosystem. One recurring theme was the necessity of technical assistance (TA), both pre-setup TA to support fund creation and ongoing TA to prepare SEOs for investment. Participants argued that TA is crucial in a market where SEOs are still maturing and financial literacy remains uneven. Some pointed to *AFIN and ADV as positive examples already contributing to visibility-building and education efforts in the sector*.

Another recommendation concerned the adoption of **blended finance structures**, which can help de-risk investments and make participation more attractive for conventional investors who may otherwise be hesitant. Guarantee mechanisms, such as those available for SMEs, were also mentioned as tools that could be adapted or expanded to support SEOs. Participants further discussed opportunities to collaborate with development finance institutions (such as the Inter-American Development Bank) and to consider long-term arrangements with national or European guarantee funds, particularly for debt-based components of the SIF.

Finally, participants emphasized **the importance of building visibility**, showcasing concrete examples of successful social investments, and demonstrating that SEOs can be credible, investment-ready organizations. Such visibility efforts, combined with ecosystem education and strategic partnerships, were seen as essential for unlocking investor trust and accelerating the development of a robust impact investment market in Romania and the wider CEE region.

OVERVIEW OF KEY FINDINGS

A. Demand-side perspective (Romanian social economy sector)

On the demand side, the Social Economy emerges as a *structurally important, yet still under-capitalised and only partially recognised component of the wider economy*. In Romania, the sector is formally recognised and expanding in terms of the number of organisations and jobs, but remains fragmented, predominantly small-scale, and highly constrained by limited access to appropriate financing. Together, these trends point to **a growing demand for tailored financial resources**, including equity-like instruments, that is not yet adequately met by existing funding mechanisms. The most relevant takeaways from the contextual analysis (using secondary data), with regard to Romania, are:

- **A large number of social economy entities, but a young and unevenly developed ecosystem.** With over 120,000 social economy entities and around 9,000 social enterprises (broad definition), Romania belongs to the group of countries with a sizeable sector in numerical terms, yet many entities are very small, fragile, and only partially entrepreneurial.
- **Service-oriented and socially-focused sector with limited diversification.** Social economy entities are heavily concentrated in education, human health and social care, culture, arts and entertainment, and community-oriented “other sectors”, with relatively low presence in production, energy, transport, and green economy services.
- **Moderate but growing employment and economic weight – with clear room for expansion.** The social economy employs around 100,000 people, placing the country mid-range in the EU. However, turnover per employee is far below the EU average, and overall turnover is modest, suggesting small-scale operations, lower productivity, and considerable growth potential if adequate support and capital are made available.
- **Steady growth in the number of organisations signalling a dynamic, expanding demand base.** Statistics show a more than 7% increase in the number of social economy entities between 2021 and 2023, driven especially by cultural, sports, and professional associations. This expansion reinforces the idea of a developing market with rising needs for external financing and capacity-building.
- **Access to finance is a structural bottleneck, not just a temporary constraint.** Social economy faces persistent barriers in accessing suitable finance: limited tailored instruments, high co-financing requirements, administrative complexity, and weak alignment between investor expectations and hybrid business models.
- **Heavy reliance on grants and underdeveloped investment instruments.** Across Europe and in Romania, public grants, project-based funding, and philanthropic support remain the main external sources of finance. Access to loans is constrained by collateral requirements and conservative risk assessment, while equity and impact investment instruments are rare or absent, especially in CEE.
- **A pronounced “valley of death” in financing growth and consolidation.** Existing instruments tend to support start-up and early phases but fail to provide patient, flexible capital for scaling and consolidation. This translates into a *persistent financing gap*, especially for ticket sizes in the *EUR 50,000–500,000 range*, where traditional investors are reluctant, and grant funding is no longer available.
- **Equity and quasi-equity are conceptually recognised as relevant, but practically underused.** Although equity, quasi-equity, subordinated loans, and blended finance are seen as promising tools for social economy entities, particularly where collateral is limited and long-term impact is prioritized, in Romania these instruments are barely present, and no operational fund currently addresses social economy organisations’ needs, reinforcing both the demand for and the opportunity of creating such a vehicle.

Across the survey, focus group, and interview components, the primary data collected provides a coherent and mutually reinforcing view of the Romanian social economy ecosystem. Taken together, these sources

offer a well-grounded demand-side perspective, revealing an environment characterised by **ambitious development plans, significant and often unmet investment needs, and persistent structural gaps in access to finance**. At the same time, the findings highlight a strong and consistent demand from SEOs for a Social Investment Fund (SIF) specifically calibrated to their operational realities, financing constraints, and mission-driven growth trajectories.

- **Strong appetite for growth but limited internal capacity.** SEOs demonstrate a consistent ambition to expand, most of them planning investments in infrastructure, equipment, or digitalisation. However, only a minority can cover more than a small fraction of these investments from their own resources, revealing a systemic funding gap that restricts growth.
- **Heavy reliance on grants, with minimal use of debt or investment instruments.** Grants, especially EU-funded programmes, remain the dominant financing source, but are increasingly perceived as rigid, bureaucratic, and poorly aligned with long-term sustainability. Bank loans remain largely inaccessible due to collateral demands and profit-focused assessments. Investment instruments, including equity, are almost entirely unfamiliar to most SEOs.
- **Persistent barriers to scaling and investment readiness.** SEOs face recurrent obstacles, such as high administrative burdens, a lack of scale-up-oriented financing, limited entrepreneurial and financial skills, and market-side challenges such as low client awareness and lower productivity linked to social missions. These constraints significantly reduce their ability to scale up and attract investment.
- **Need for patient, mission-aligned, and supportive capital.** SEOs consistently highlight the need for capital that allows long-term horizons, acknowledges the cost structures of impact-driven activities, combines financing with hands-on advisory support, and evaluates performance using blended social and financial KPIs. A “capital + tailored support” model is widely seen as essential.
- **Clear and widespread demand for an SIF.** There is strong support for establishing an SIF, driven by the inability of most SEOs to access mainstream credit and the clear mismatch between existing financing tools and medium- to long-term development needs. SEOs seek an investor that aligns with their values and can support both business growth and social impact.
- **High expectations for non-financial support.** SEOs consistently emphasise capacity-building needs, viewing it as equally or even more important than the capital itself. They expect a SIF to provide legal and financial consultancy, mentoring, technical assistance, impact measurement support, and access to networks and new markets. These expectations reveal substantial gaps in investment readiness.
- **Critical importance of values alignment and mission protection.** SEOs are open to equity financing only if the investor demonstrates respect for their social purpose. They require transparent, negotiated contractual terms, flexible and impact-linked exit timelines (often 5–10 years), and financial expectations compatible with reinvestment obligations and social objectives.
- **Need for an ecosystem approach, not just a financial instrument.** Beyond financing, SEOs call for broader ecosystem support: policy reforms, reduced administrative burdens, mechanisms tailored to scale-up, sector advocacy, and communities of practice. A future SIF is expected to act not only as an investor but as a catalyst for strengthening the entire social economy ecosystem.

B. Supply-side perspective (Romanian social investment ecosystem)

The supply side of the Romanian social investment ecosystem reflects **a nascent, fragmented, but increasingly relevant landscape**. While European markets such as France, Italy, and Spain exhibit mature models of SIFs with clear organizational structures, diversified vehicles, and sophisticated impact management practices, the Romanian context remains early-stage, characterised by limited fund availability, narrow use of investment instruments, and strong reliance on public or EU-driven mechanisms. The report provides an overview of the types of fund models, organizational forms,

investment approaches, and impact-management practices that shape the European landscape and serve as reference points for designing an appropriate SIF for Romania. The main takeaways are:

- **Diverse fund models used across Europe.** Impact capital is channelled through a wide range of vehicles (mutual funds, private equity/VC impact funds, social housing funds, and fund-of-funds), each offering different liquidity profiles, investor bases, and impact potential.
- **Dominance of private equity/venture capital structures for direct impact.** Most SIFs with strong, measurable impact adopt closed-end PE/VC vehicles, managed by regulated fund managers and backed by institutional investors.
- **Four main organizational models coexist,** including independent private fund managers, ecosystem-based groups (with a foundation + investment arm), philanthropic foundations acting as investors, and public-private investment platforms. All integrate social/environmental goals into governance and strategy.
- **Multi-sector vs. sector-focused investment strategies.** European funds alternate between broad portfolios (welfare, education, climate, inclusion, circular economy) and narrowly targeted thematic specialisation designed to achieve deeper systemic impact.
- **Strong attention to business maturity and ticket size.** Ticket sizes vary widely (from **EUR 50–200k** for early-stage ventures to EUR 1–5 million for growth-stage companies), reflecting diversified fund strategies and market maturity.
- **Impact management is deeply embedded in fund processes.** Across markets, impact is integrated into due diligence, social KPIs are clearly defined and monitoring is regular, and impact reporting is systematic and public.
- **Non-financial support is a defining feature.** Funds combine capital with strategic support, capacity-building, acceleration programmes, and ecosystem-building initiatives to strengthen investees and the broader market.

Based on the two focus groups conducted with Romanian and European investors, a coherent set of supply-side insights emerges. Despite differences in market maturity and investment experience, participants described **similar motivations, constraints, and expectations**. Together, their perspectives outline the conditions under which an SIF in Romania could become credible, investable, and aligned with European standards, while also revealing structural gaps that currently limit fund formation, capital mobilisation, and investor participation. The main takeaways are as follows:

- **Low awareness and weak market maturity.** Investors consistently described the Romanian impact investing ecosystem as underdeveloped, with limited understanding of impact finance, few promoters, and no existing social impact funds. Awareness is higher for environmental topics than for social ones.
- **Interest framed by reputational and mission-driven motivations.** Investors are attracted by the possibility of solving social problems and by reputational benefits, not by high financial returns. Profit still matters, but expectations are lower than in traditional investments.
- **Clear need for rigorous, credible impact measurement.** Investors require transparent KPIs, clear methodologies, and credible external validation. EIF guidelines were viewed as the strongest reference point, with the Theory of Change and a small set of KPIs (2–5 per company) as standard practice.
- **Return expectations are moderate and vary by investor type.** Institutional investors expect $\geq 10\%$ return, whereas impact-focused investors accept 5–8%. Impact is not seen as a financial trade-off; it can differentiate companies competitively in the market. However, perceived risks remain higher than in mainstream investments.
- **Significant capability gaps on both sides of the market.** SEO founders often lack entrepreneurial and financial skills, while investors themselves lack familiarity with social impact concepts. Capacity-building is thus seen as essential for both investees and funders.

- **Minimum viable fund size required for credibility and sustainability.** Impact funds smaller than EUR 5–10 million may struggle to cover management costs. Romania is seen as requiring a fund of at least EUR 5 million (with small ticket sizes, approx. EUR 50–100k).
- **Domestic investor participation is crucial.** International investors (including EIF) will not commit capital unless a strong group of Romanian investors anchors the fund. Private investor reluctance remains a major bottleneck.
- **Preferred fund features include patient capital and balanced instruments.** Investors favour equity and quasi-equity instruments (e.g., subordinated/convertible loans), structured to maintain financial discipline while enabling impact. Long investment horizons (>10 years) are often needed.
- **Effective portfolio strategies rely on focus, monitoring, and planned exits.** Sector focus, systematic performance monitoring, and careful exit planning are viewed as essential for balancing financial returns with measurable impact.
- **Co-investment and multistakeholder governance are seen as critical success factors.** Investors value co-investment with banks and other impact funds, structured advisory boards, and governance models that ensure alignment with social economy needs.
- **Key pitfalls to avoid include weak teams and misaligned expectations.** Avoid investing in “one-man-shows”, NGOs that treat equity as a grant, or teams lacking financial literacy. Fund managers should support (but not replace) organizational leadership.
- **Market development requires visibility, examples, and ecosystem support.** Investors emphasised the need for case studies, education, technical assistance, guarantee mechanisms, blended finance, and policy incentives (e.g., tax benefits).

RECOMMENDATIONS FOR SETTING AND MANAGING THE SOCIAL INVESTMENT FUND

- ✓ **SEEK LEGAL COUNSEL.** Engage specialised legal advisory services to define and validate the SIF’s legal structure before approaching any investors. A clear legal setup from the outset will facilitate fundraising, ensure compliance, and reduce later transaction costs or delays.
- ✓ **START SMALL, BUILD BIG.** Given the low maturity of the Romanian impact investment market and the limited experience of investors with social finance, consider a smaller initial fund size (e.g., EUR 3–5 million). While covering management costs may be more challenging at first, this approach allows you to build the market gradually, demonstrate proof of concept, and then scale the fund once investor confidence has been established.
- ✓ **DEFINE CLEAR TICKET SIZE & POSITIONING.** The recommended ticket size is EUR 50,000–250,000, with the possibility to go up to EUR 500,000 for highly innovative and capital-intensive businesses. Design the SIF to complement existing social-impact funding sources rather than compete with them and focus on filling the growth-funding gap faced by SEOs.
- ✓ **EXPLORE ALTERNATIVE INVESTMENT VEHICLES.** Diversify the SIF’s financing toolkit beyond traditional debt and equity by integrating flexible, impact-aligned instruments such as subordinated loans, convertible loans, revenue-based financing, or blended-finance structures. These tools can better accommodate the peculiar nature of SEOs’ business models, support organisations with limited collateral, and balance financial discipline with mission protection. At the same time, such financing instruments can provide SEOs repayment terms that reflect their real cash-flow, growth trajectories, and impact objectives.
- ✓ **BE PATIENT.** Social impact projects typically generate lower and slower financial returns, which are compensated for by their strong social and environmental value. Promote patient capital and plan for

exit strategies no earlier than 7–10 years, aligning expectations with the realities of social business models.

- ✓ **BE TARGETED.** Select up to 3–4 priority areas of intervention, aligned with investors’ preferences and the in-house expertise of the ADV + AFIN + SFA ecosystem. Although this may reduce portfolio diversification, it will allow the SIF to provide specialised support to investees, improve outcomes, and reduce transaction and advisory costs.
- ✓ **BUILD TRUST.** Recognise that SOEs are not just conventional businesses. Social entrepreneurs value partners who understand both business management and the specificities of their sector and mission. Bring specialised expertise to the table. Where it is not available internally, engage independent external experts/advisors. Ensure that the values of the SIF and its investors are well aligned with those of the supported organisations - for some entrepreneurs, the origin and “ethics” of the money are critical. On the investors’ side, look for anchor investors willing to signal confidence in the vehicle and stay for the long term.
- ✓ **BE FLEXIBLE.** Allow for financing solutions that reflect the specific characteristics of each sector and business (e.g., ticket size, KPIs, exit horizon, instruments). Negotiate rather than impose conditions. For instance, use sectoral benchmark KPIs, but allow them to be adapted to each investee’s context and capacity.
- ✓ **BE TRANSPARENT.** Ensure that all conditions are clearly discussed, agreed, and reflected in contractual documentation. Confirm that all parties fully understand and accept each clause; where needed, make legal assistance available to investees. Although this may lengthen negotiations, many social entrepreneurs will perceive this as a signal of respect, care, and genuine understanding of their mission.
- ✓ **VALUE IMPACT.** Put social impact at the core of the SIF’s identity and investment strategy. Develop a methodology and KPIs that capture different dimensions of impact and apply them (flexibly) throughout the investment cycle – from investment decision to exit. Use a balanced mix of social, environmental, and economic indicators. Make achieved impact indicators publicly available (e.g., annual reports, website). Consider creating an independent Equity or Impact Committee composed of recognised experts in social and environmental fields (from civil society, business and financial sector, or academia) to ensure strong value alignment between investors, the fund, and the beneficiary organisations. Design exit strategies that preserve and, where possible, strengthen the business’s social impact.
- ✓ **PROVIDE NON-FINANCIAL SUPPORT.** Combine finance with tailored non-financial support such as training, mentoring, advisory services, and access to networks (clients, suppliers, peers). Priority areas might include business planning, investment management, marketing, and financial and legal advisory. Organisations with less experience in for-profit activities may require intensive support to develop an entrepreneurial mindset.
- ✓ **BE THE “GENTLE SUPERVISOR”.** Social entrepreneurs expect monitoring and periodic reporting on their projects and are generally open to constructive guidance. Set clear supervision mechanisms ex ante (e.g., report content and frequency, decision thresholds, escalation rules). Respect the investees’ social mission and define clear limits to your involvement in operational decisions. While their “social vision” should be treated as less negotiable, positive guidance to improve business plans and strengthen the alignment between financial sustainability and social goals is usually welcomed.
- ✓ **INCENTIVISE PERFORMANCE.** Design mechanisms that reward strong performance rather than primarily penalise underperformance. For example, consider partially transforming financial support into a grant or applying a lower exit price where agreed impact and performance targets are exceeded. This approach reinforces a culture of partnership and shared value creation.

- ✓ **SPREAD THE WORD.** Proactively communicate about the fund – its vision, mission, investment approach, evaluation strategy, portfolio, and the social impact achieved. Use the stories of social entrepreneurs and the people behind the businesses as credible messengers and ambassadors of the SIF. Peer storytelling is a powerful channel for building trust in the vehicle and attracting both investors and high-quality projects.
- ✓ **CONSOLIDATE THE ECOSYSTEM.** Contribute actively to strengthening the broader social economy and impact the finance ecosystem in Romania. Support financial education and awareness-raising on sustainable finance alternatives, engage in public advocacy to improve policies and legislation for the sector, and promote collaboration among key actors. This may include developing a platform for sustainable financing alternatives and financial education for sustainability, as well as organising dedicated events and communities of practice around social investment.

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LIST OF ACRONYMS

AIFs – Alternative Investment Funds
 AIFMD – Alternative Investment Fund Managers Directive
 CEE – Central and Eastern Europe
 EIF – European Investment Fund
 ESG criteria – Environmental, Social, and Governance criteria
 FoF – Fund of Funds
 LLC – Limited Liability Company
 MBS – Mutual Benefit Society
 NAV – Net Asset Value
 NBFi – Non-bank Financial Institution
 NGO – Non-governmental Organization
 PE – Private Equity
 SE – Social Economy
 SEO – Social Economy Organization
 SIF – Social Investment Fund
 SRI – Socially Responsible Investing
 SSE – Social and Solidarity Economy

UCITS – Undertakings for Collective Investment in Transferable Securities

VC – Venture Capital

WISE – Work Integration Social Enterprise

GLOSSARY

Alternative Investment Funds (AIFs) – Collective investment funds regulated under the EU’s Alternative Investment Fund Managers Directive (AIFMD, Directive 2011/61/EU) that are not UCITS funds. They include hedge funds, private equity, venture capital, real estate, and infrastructure funds. AIFs are generally aimed at professional or institutional investors, often use less liquid or more complex strategies, and operate with more flexibility but fewer retail protections than UCITS funds.

Blended finance – The strategic use of public and/or philanthropic investment to mobilize private capital. It involves combining concessional and commercial finance in ways that reduce risk, leverage private capital, and scale impact.

Bootstrapping – A financial instrument which refers to the practice of launching and expanding a venture using the founders’ own financial resources, creativity, and cost-efficient operational strategies.

Business Angels – A form of financing where private individuals provide early-stage equity investment along with mentoring, technical expertise, and access to professional networks (e.g., suppliers, customers, or co-investors). In the social economy, angel investors remain relatively rare, yet their engagement can offer crucial early validation and capacity-building support to impact-oriented ventures.

Catalytic Capital – Investments designed explicitly to unlock additional financing and mitigate market failures by accepting higher risk or lower returns than conventional investors. Examples include guarantees, social impact bonds, blended finance structures, and mission-aligned investments from philanthropic or public institutions.

Convertible Loans/Convertible Debt – A hybrid financing instrument that begins as debt but can be converted (either fully or partially) into equity at predefined conditions (e.g., valuation thresholds, milestones). Frequently used by impact investors because it allows initial risk mitigation while preserving the possibility of long-term alignment through equity conversion.

Equity Financing – A method of raising capital by selling shares of ownership in a company, allowing businesses to obtain funds from various investors without incurring debt. In other words, it is medium- to long-term finance provided in return for a share in the ownership of a firm, and where the equity investor may assume some management control of the firm and may share the firm’s profits (dividends).

ESG Funds - Investment vehicles that integrate Environmental, Social, and Governance (ESG) criteria into their selection and management process, alongside traditional financial analysis. These criteria typically include: environmental factors such as carbon footprint, renewable energy use, and waste management; social factors such as labour practices, human rights, or community impact; governance factors such as board diversity, executive compensation, or anti-corruption policies.

Exit Strategy – A pre-defined mechanism by which investors withdraw capital (e.g., buyback, sale, secondary market). For social investment funds, exit strategies should protect mission continuity (e.g., through mission-aligned buyers or impact-linked exit pricing).

Impact Due Diligence – The systematic assessment of an investee’s expected social or environmental impact, usually including a theory of change, baseline, KPIs, risks, and alignment with investor values. Conducted in parallel with financial and operational due diligence.

Impact Fund of Funds (Impact FoFs) – Investment funds that invest in a portfolio of other impact-focused funds, providing diversification and scaling capital for social and environmental goals.

Open-ended Investment Funds - Investment funds that can continuously issue new shares or units to investors and redeem them on demand at the fund's current net asset value (NAV).

Patient Capital – Long-term investment capital characterised by extended repayment horizons, flexible return expectations, and tolerance for delayed profitability. Particularly suitable for social enterprises that prioritise impact creation over short-term financial gains.

Private Equity/Growth Equity – A form of investment in which capital is provided to financially viable, established enterprises seeking to expand, professionalise, or scale their operations. Growth equity investors typically take minority or majority ownership stakes and pursue value creation over a medium- to long-term horizon, with returns realised at exit (e.g., trade sale or IPO). While private equity can support the expansion of mature social enterprises, its emphasis on significant financial returns and defined exit strategies may create tensions with mission preservation and long-term social objectives.

Private Equity Investment Funds – Closed-end Alternative Investment Funds (AIFs) that pool capital from institutional or accredited investors to invest in private companies (or take public companies private), aiming to create value over the long term through active ownership and later exit via sale or Initial Public Offering (IPO).

Quasi-equity (Equity-like Instruments/Mezzanine Capital) – A financial instrument that bridges the gap between debt and equity by offering flexible repayment terms and by not requiring transfer of ownership. Among others, we may include subordinated loans, participatory loans, or convertible bonds. These are particularly well-suited to social enterprises that cannot or do not wish to dilute control yet require patient capital that mirrors equity in terms of risk tolerance. They are increasingly recognized as an effective tool for aligning financing with the mission-driven nature of social economy entities.

Real Estate Investment Funds – Investment funds, often structured as AIFs, that pool capital to acquire, manage, and develop real estate assets such as housing, offices, or infrastructure. These funds can focus on income generation (rent) or long-term capital appreciation and may also target social goals such as affordable housing or healthcare facilities.

Social Impact Bonds (SIBs) – Outcome-based financing mechanisms where investors provide upfront capital for social programmes and receive returns only if predefined impact results are achieved. While more common in public service innovation, SIBs demonstrate approaches to aligning financial returns with measurable impact.

SRI Funds – Investment vehicles that aim to generate financial returns while explicitly incorporating ethical, social, and environmental considerations into their investment process. They typically do this by: excluding companies or sectors considered harmful (e.g., weapons, gambling, tobacco, pesticides); favouring companies with stronger social and environmental practices relative to peers; and targeting specific positive impact areas such as renewable energy, social inclusion, or healthcare.

UCITS Funds – Investment funds regulated under an EU framework that ensures investor protection, diversification, and cross-border market access. The framework was first established by Directive 85/611/EEC (UCITS I) and has since been modernized through subsequent directives (known as UCITS II–V), now consolidated into Directive 2009/65/EC (UCITS IV) and Directive 2014/91/EU (UCITS V). These rules mean UCITS funds can be authorized in one EU country and freely marketed to retail investors across the EU. They are typically open-ended mutual funds or ETFs, and are considered the EU standard for safety, transparency, and cross-border distribution.

Venture Capital Funds – A type of private equity funds that invest in early-stage or high-growth startups. Venture capital funds provide capital, expertise, and networks to innovative companies with strong growth potential, accepting higher risk in exchange for potentially high returns.

Project Partners & Associated Organisations – Profiles and Expertise

ADV Romania

ADV Romania is a central driver of the social economy in the region, operating as a resource hub that connects Eastern and Western Europe through innovation, policy and practice. With over 23 years of experience, ADV has helped shape a favourable ecosystem for social enterprises through economic activities, impact projects and active engagement in the National Commission for Social Economy. They develop sector blueprints, advocate for supportive legislation, and accelerate the establishment and growth of social enterprises by connecting them to knowledge, funding and European networks — ensuring that the social economy in Romania grows stronger, more visible and more sustainable.

Social Finance Association (SFA)

Social Finance Association (SFA) is an independent, non-profit organisation established to promote social finance in Romania. Its mission is to support social entrepreneurs and social economy actors to overcome financial barriers by providing financial education, consultancy, and facilitating access to tailored financing solutions. SFA acts as the specialized advisory and support pillar for social financing, complementing the financial operations of AFIN IFN S.A.

MicroEurope

MicroEurope S.C.R. PYME (Spain) is one of the international partners in the project, bringing European-level expertise in social finance and microfinance. Through the collaboration within the fund initiative, MicroEurope contributes to the design and development of financing instruments targeted at social enterprises.

Phitrust

Phitrust, based in France, is an experienced actor in the field of social impact investment. As part of the consortium, Phitrust provides technical expertise and knowledge transfer to support the establishment and future management of the Social Investment Fund, aligned with European best practices.

FEBEA (European Federation of Ethical and Alternative Banks and Financiers)

FEBEA is a European non-profit federation founded in Brussels in 2001 that brings together ethical and alternative banks and financiers from across Europe. Its mission is to promote Ethical Finance, the Social and Solidarity Economy and a fair, sustainable and inclusive society. As a partner in the project, FEBEA contributes with its members' experience and values to support the development of a Social Investment Fund for social enterprises in Romania.

AFIN IFN S.A. (Alternative Financing Non-Bank Institution)

AFIN IFN S.A. is the first Romanian non-bank microfinance institution dedicated exclusively to social enterprises and social-impact organisations. It offers tailored loan products (working capital, investment, bridge financing) to facilitate access to capital for social economy actors. In the present project, AFIN acts as associated partner, aiming to scale up and complement its financing offerings through the forthcoming Social Investment Fund.

RISE Romania (The Romanian Network of Social Economy)

RISE Romania is the principal national network of social economy actors, bringing together organisations that promote social and professional inclusion. As a collective voice for the sector, RISE plays an active role in advocacy, shaping of social economy policies, and strengthening institutional capacity of its members — thereby contributing to the broader ecosystem that the new Social Investment Fund seeks to support.

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