

Investing Where It Matters: A Strategic Role for the European Investment Bank in Central and Eastern Europe

Discussion paper

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Executive Summary

The European Investment Bank (EIB) is the first public international financial institution to stop funding fossil fuels in both developed EU Member States and developing countries. Furthermore, by adopting the 2021–2025 Climate Bank Roadmap the EIB committed to increase the share of its total lending for climate action and environmental sustainability to at least 50 per cent by 2025, with the aim of leveraging EUR 1 trillion in investment over the following decade. As the EU Climate Bank, the EIB has positioned itself not only as a financier, but as a long-term strategic partner in Europe’s structural transformation, which is being further reinforced in the Phase 2 Climate Bank Roadmap.

Against this institutional repositioning, Central and Eastern Europe (CEE) represents a critical test case. The region faces the simultaneous need to decarbonise energy-intensive industries and national energy systems; modernise legacy industrial assets; strengthen energy independence through accelerated energy efficiency, renewables deployment and electrification; advance circular economy models to secure resilient supply chains; scale digital capacity; build climate-resilient infrastructure; protect natural capital; and maintain economic convergence and competitiveness. These objectives must be delivered within tighter fiscal constraints and under elevated geopolitical risk. It is the cumulative and concurrent nature of these pressures that differentiates CEE from more mature EU economies.

Within this context, the EIB as a long-term policy financier, has a unique capacity to influence CEE’s trajectory. “Investing where it matters” in CEE cannot be interpreted as incremental optimisation; it requires prioritising projects that catalyse system-level transformation and aligning financial instruments with the structural realities of the region. This is particularly relevant given that, out of a total EIB investment portfolio of EUR 664.75 billion in the period from 2015-2025, only approximately 16.7% has been allocated to CEE.

Moreover, the structural characteristics of CEE suggest that the marginal impact of each euro deployed can be significantly higher than in Western Europe. Realising this potential, however, depends on a tailor made approach to risk assessment, additionality, and market development. In practical terms, the EIB must operate not solely as a lender, but as a market enabler and institutional stabiliser capable of crowding in capital, de-risking early-stage sectors, and strengthening the region’s long-term investment ecosystem.

Why CEE Matters for EU Climate and Competitiveness Goals

The EU member states part of Central and Eastern Europe (Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania) represent 22,2% of the EU population.

Key facts:

- **Higher climate leverage per euro invested.** Electricity carbon intensity in several CEE countries like Poland, Bulgaria, Estonia, and Cyprus remains significantly above Western European levels, often exceeding 500–660 gCO₂/kWh compared to the EU average of around 200-350 gCO₂/kWh (e.g., Germany at ~345 gCO₂/kWh, France much lower). Energy intensity of GDP is also 30-70% higher in these regions due to industrial structures and fossil fuel reliance. Each euro invested in efficiency, electrification, or grid modernization can therefore generate proportionally larger emissions reductions and productivity gains.
- **Untapped SME and productivity convergence potential.** SMEs represent 99% of enterprises and around 60–70% of employment, yet capital market depth in CEE (20-40% of GDP) is structurally lower than in Western Europe (70-100%). Targeted risk-sharing and guarantees can reduce borrowing costs, unlock investment and accelerate supply chain upgrading and convergence.
- **Strategic energy and industrial modernisation opportunity.** Higher fossil dependency and older infrastructure create space for transformative upgrades. Investments in interconnection, electrification and domestic clean-tech deployment can strengthen energy security, reduce import dependency and bolster EU-wide resilience.
- **High marginal gains in circular economy and natural capital.** Circular material use in several CEE economies remains in the 5-12% range compared to 20-34% in leading Western countries. Combined with significant biodiversity and restoration potential, this creates substantial scope for productivity, resource security and environmental returns.
- **Dynamic start-up and digital growth base.** The broader CEE start-up ecosystem has grown faster than the European average over the past decade and is now valued at approximately €250 billion.¹ The region also demonstrates strong digital capability² and higher digital potential than many other emerging markets, providing

¹ Central and Eastern European startups 2025 Spotlight on scaleups, Dealroom.co, 2025, <[link](#)>

² How CEE can become a hub for Tech Talent, pwc, <[link](#)>

a foundation for scalable clean-tech, deep-tech and digital innovation if supported with adequate scale-up finance.

The Structural Investment Gap in CEE Remains

Despite two decades of convergence, structural asymmetries between CEE and Western Europe as well as among CEE countries remain substantial and measurable. Many CEE economies entered the European Union with coal-based power systems, carbon-intensive industrial clusters and infrastructure networks designed for different economic conditions. While progress has been significant, the decarbonisation burden relative to GDP remains higher than in most Western Member States.

These structural differences are, among other things, visible in the composition of energy systems. In several CEE countries, coal still accounts for 25-60% of electricity generation, compared to an EU average of approximately 15%. Carbon intensity of power production frequently exceeds 400-800 gCO₂/kWh, whereas Western European systems typically operate in the 250-300 gCO₂/kWh range, and even lower in some Nordic countries. Energy systems in parts of CEE remain more fossil-intensive, with outdated district heating networks and grid infrastructure insufficiently prepared for large-scale renewable integration. Cross-border interconnection capacity remains comparatively limited, reducing system flexibility and constraining regional balancing. These weaknesses increase transition costs and slow deployment.

Industrial structure further amplifies the challenge. Production in sectors such as steel, cement and chemicals remains more carbon-intensive, and many firms are smaller than their Western counterparts, limiting balance-sheet capacity to finance breakthrough technologies. As a result, CEE faces a dual challenge: to decarbonise at scale while preserving industrial competitiveness.

Financial asymmetries compound these structural gaps. Capital market depth in CEE typically ranges between 20-40% of GDP, compared to 70-100% in mature Western European economies. Pension fund assets are often below 30% of GDP, versus more than 60% in Western Member States. Sovereign yield spreads commonly range between 150-400 basis points above German benchmarks, raising the effective cost of capital for both public and private sponsors. These financing constraints directly affect access to funding for industrial modernisation, grid upgrades and clean technology deployment.

The geopolitical context intensifies these structural gaps. The war in Ukraine has redefined energy security, supply chain resilience and infrastructure protection as strategic priorities. As EU's eastern frontier CEE occupies a structurally exposed position within its security

order. Therefore, investment decisions in the region are consequently embedded in the Europe's broader security architecture.

The Strategic Role of the European Investment Bank

The EIB's mandate and financial strength position it as a central actor in addressing CEE's structural challenges. Its role extends beyond financing individual projects. It sets standards, signals policy credibility and absorbs risk where markets hesitate.

In more mature markets, the EIB's presence may be incremental. In CEE, it can be transformative. Beyond the provision of capital, the Bank plays a critical de-risking role by absorbing policy, regulatory and technology risks that private investors are unwilling or unable to price independently. Its capacity to offer long tenors, structure blended finance and combine loans with advisory support directly addresses the region's structural bottlenecks, from immature capital markets to infrastructure gaps and limited balance-sheet capacity among industrial players. By anchoring transactions and improving risk-return profiles, the EIB crowds in private capital that would otherwise remain on the sidelines. **Impact depends not only on how much is invested but even more on where and how it is invested.**

The EIB's recent track record reinforces this strategic role. Under Phase 1 of the Climate Bank Roadmap (2021–2025), the Bank more than doubled green financing, phased out unabated fossil-fuel lending, and embedded Paris alignment tools such as PATH and the Climate Adaptation Plan across its operations. These reforms enabled a significant expansion of climate-related investment in CEE, including renewable energy, electricity networks and SME-focused intermediated finance. **However, according to the EIB Funded project database, out of the total EIB investment in the years from 2015-2025 of 664.75 billion, only about 16.7% was allocated to CEE (see table below).**

Country	EIB investment from 2015-2025 [in EUR]
Bulgaria	€3,329,252,846
Croatia	€4,452,005,000
Czechia	€13,524,366,961
Estonia	€2,552,560,713
Hungary	€8,053,729,766
Latvia	€1,408,628,573
Lithuania	€3,671,203,372
Poland	€55,706,674,353
Romania	€11,409,894,899
Slovakia	€4,808,688,031
Slovenia	€2,242,905,000

Total CEE	111.159.909,513
Total EIB	664.749.810,523

Phase 2 (2026–2030) of the Climate Bank Roadmap builds on this foundation with a commitment to maintain over 50% green financing, introduce a €30 billion adaptation target, expand SME-focused energy-efficiency programmes and scale intermediated channels, advisory support and “radical simplification” to lower barriers for smaller borrowers in CEE.

“Investing where it matters” means prioritising operations that reshape energy systems, accelerate industrial transformation, scale innovation and SMEs and strengthen regional integration and resilience. Achieving this in CEE requires recognising that investment conditions in CEE differ fundamentally from those in Western Europe. Capital markets are shallower, sponsors are often less experienced, transaction pipelines thinner, public administration capacity is uneven, demand can be more volatile and execution risks are structurally higher.

These quantifiable structural differences should not justify lower investment levels.

They should instead directly inform risk calibration and performance evaluation. Localised discount rates, adjusted leverage expectations (for example, private capital mobilisation ratios initially in the 2-4x range), and calibrated credit risk thresholds are justified by structurally higher risk premiums and shallower capital markets.

Additionality in CEE should be interpreted broadly. It is not only about filling a financing gap. It includes reducing regulatory uncertainty through due diligence standards, creating bankable project templates for replication, strengthening institutional capacity and crowding in private capital that would otherwise remain on the sidelines.

Grounding calibrated financial architecture in transparent quantitative benchmarks ensures that flexibility in approach reflects objective structural conditions. Without such calibration, nominal investment volumes may appear adequate while systemic transformation remains insufficient and convergence slows rather than accelerates.

The underlining logic of the Phase 2 Climate Bank Roadmap should now be to accelerate implementation of proposed measures and ensure transparent deployment. Instruments should reflect objective regional conditions and be tied to relevant KPIs as well as outcome-based results.

Strategic Investment Priorities Need to be Adapted to CEE Realities

1. Systemic Decarbonisation and Energy System Transformation

The first priority is systemic decarbonisation in support of security and strategic autonomy. Projects should be assessed not merely on asset-level emissions reductions, but on their contribution to system transformation. Energy interconnectors, grid redundancy, diversified supply routes and domestic clean technology development and manufacturing capacity enhance both climate performance and strategic stability. In CEE, the climate transition is inseparable from EU energy and infrastructure security.

In energy-intensive economies, investments in electrification, grid modernisation and efficiency generate strong macroeconomic effects. Lower energy consumption reduces exposure to price volatility, improves productivity and enhances industrial resilience. Because energy intensity remains structurally higher in CEE, the macroeconomic and competitiveness effects of decarbonisation investments are particularly significant. The EIB can accelerate transformation by offering long-term loans aligned with the payback periods of efficiency investments, simplifying procedures for standardised projects and combining loans with grants where appropriate.

2. Climate Adaptation and Resilience

Climate change is already affecting businesses in CEE through heatwaves, floods, droughts and supply chain disruptions.³ These physical risks increase costs, damage assets and undermine economic stability, particularly where infrastructure is less developed than in Western Europe.

A systemic approach to climate adaptation and resilience is therefore not only an environmental priority but also a core component of financial risk management. While the EIB already screens large projects for climate risks, it can strengthen its role by offering clearer financing options for circular economy, energy efficiency and clean technologies manufacturing and uptake, particularly for SMEs.⁴ By supporting scale-up and investments that enhance resilience and technology commercialisation, the EIB helps protect jobs, supply chains, security and long-term economic growth, while reducing future fiscal pressures on Member States.

Projects that enhance system resilience - such as network redundancy, diversification of supply sources, cybersecurity and resilience to extreme climate events - may demonstrate

³ In 2024, the highest losses per area (in km²) was found in Slovenia. Source: Economic losses from weather- and climate-related extremes in Europe, EEA, <[link](#)>

⁴ In CEE, SMEs contribute more to GDP than large companies, alongside higher shares of turnover and employment compared to the EU average. Source: Central and Eastern Europe: A Business-Smart Region, CTP, <[link](#)>

lower traditional ERR or leverage ratios. However, their strategic value for the EU is significantly higher.

3. Digital Infrastructure and Technological Upgrading

Digital networks and digital upgrading should be recognised as part of the core transition infrastructure in CEE. High-capacity broadband, secure data infrastructure, smart grids, digital public services and industrial digitalisation platforms are essential for energy efficiency, system optimisation and clean technology deployment. Cybersecurity and data resilience should be integrated into infrastructure lending.

Digital upgrading reduces transaction costs, improves capital allocation efficiency and enhances market integration across the EU. It also increases the bankability of projects by improving data transparency and performance monitoring.

4. Market Catalysis

Projects should demonstrate strong crowd-in potential. The EIB's presence must catalyse private capital and enable replication.

This requires complementary advisory support with regional coordination to pool pipelines, harmonise frameworks and create investment platforms large enough to attract institutional investors. CEE energy systems and transport corridors are interconnected. Cross-border financing structures can multiply benefits and reduce duplication.

5. Convergence and Just Transition

Convergence and just transition considerations remain central. Investment strategies must include reskilling, district heating conversion and SME transition financing.

The EIB can play a decisive role by designing dedicated SME financing programmes, expanding intermediated lending through local banks, reducing risk for private investors and providing advisory support. By making smaller projects easier to finance and more attractive to investors, the EIB ensures that climate action becomes feasible across the entire economy, not only for large corporates.

Climate policy without EU-wide convergence would erode social cohesion and undermine political sustainability.

6. Institutional Leverage and Implementation Capacity

Institutional leverage is critical. Many CEE municipalities and regional authorities lack project preparation capacity. Where institutional risk is elevated, robust procurement standards, ESG compliance monitoring and anti-corruption safeguards must accompany

financing to ensure credibility. However, without flexible and practical technical assistance and structured advisory support from planning till execution, high-quality projects fail to reach financial close. The EIB's advisory function should therefore be complementary to financial investment.

To operationalise these priorities, project selection and instrument design should reflect a clear set of criteria and delivery conditions:

CRITERIA	DELIVERY CONDITION
Strict conditionality with EU climate and policy objectives	Simplified reporting, support to public administration from Western European member states. ⁵
Strong additionality and mobilisation potential	The EIB should align its future financing objectives with the revised national energy and climate plans.
Targeted support for cohesion and climate-vulnerable regions	EIB should require evidence-based public consultations on territorial Just transition plans and individual project selection, particularly under the Invest EU guarantee and Public Sector Loan Facility.
Accessibility for SMEs and local sponsors	De-bureaucratization and ensure that the EIB's offer of financial instruments reflects that of commercial banks; Guarantees and risk-sharing instruments should include clear pricing and tenor pass-through requirements.
Innovation de-risking	A great example of such indirect measure is the EIF pledge to the Vesna Deep Tech Venture Fund to build up technology transfer in Slovenia as well as Croatia (contributing to ecosystem building); Patient equity and blended instruments (rather than debt) should be scaled to support deep-tech and early-stage innovation.

⁵ Bankwatch's analysis shows that, through the Modernisation Fund, between EUR 4.2 billion and EUR 6.8 billion was allocated to unsustainable energy infrastructure, including biomass heating systems, waste incinerators, and gas-fired power plants. This sizeable allocation included 36 fossil-fuel-related investments amounting to around EUR 2 billion, many of which were categorised as energy efficiency projects. This misallocation of funds directly contradicts the EU's long-term decarbonisation commitments and the provisions outlined in the 2021–2025 Climate Bank Roadmap. While these projects would not be eligible for financing from the EIB's own resources, the EIB has nonetheless played a part in facilitating their approval under the Fund. Source: Recommendations for the EIB Group: Shaping the 2026–2030 Climate Bank Roadmap, CEE Bankwatch Network, [link](#)

Readiness supported by advisory	Shouldn't stop at advising but should support also the execution (e. g. application to a call).
Measurable outcomes	Transparency and KPI tracking - including data on SME size, sector, region and use of funds (such as Just Transition Fund, InvestEU) - are necessary to ensure accountability and to demonstrate that public finance is mobilising additional private investment where it is most needed.

Strategic success should be anchored in measurable medium-term indicators. These could include reducing coal's share in CEE electricity generation below 15% by 2035; achieving a 30–40% reduction in industrial emissions intensity; increasing cross-border electricity interconnection capacity by 40–60%; expanding capital market depth by at least 15 percentage points of GDP; mobilising private investment toward a 4–5x leverage ratio; and narrowing the GDP per capita (PPS) gap with the EU-15 by 10–15%.

Applying a Western European financing model without adjustment will systematically underdeliver

The ultimate objective is not higher subsidy intensity. It is structural risk alignment. When instruments reflect market conditions, the EIB acts as a catalyst for scalable transformation. When it does not, the transition remains fragmented and slow despite headline investment figures. Calibration is the determining factor.

Guarantees can lower SME financing costs and extend tenors, but only if pricing and risk-sharing benefits are passed through by partner banks. Securitisation can unlock lending capacity, though complexity and weak secondary markets may limit uptake. Intermediated credit lines scale local lending but require strong monitoring to ensure green use-of-proceeds. Equity and venture instruments provide patient capital for innovation but must be sized and structured to attract private follow-on investors. Blended finance and first-loss structures can de-risk demonstrations, while demand-side tools such as PPA guarantees reduce revenue uncertainty. Advisory and simplification remain essential to improve bankability and reduce transaction costs for smaller projects. In CEE, the effectiveness of these tools hinges on design, conditionality and local delivery capacity.

A Call to Strategic Action

The European Investment Bank can serve as a strategic partner in shaping the future architecture of the European Union, particularly in regions where structural transformation and convergence pressures are most acute. Phase II of the Climate Bank Roadmap (2026–2030) must not simply scale volumes. It must recalibrate allocation and instruments to reflect structural asymmetries inside the Union. CEE will determine whether the European climate transition strengthens cohesion or deepens divergence. The region carries higher decarbonisation costs, greater security exposure and tight fiscal constraints, but it also offers higher marginal impact for strategic capital deployment.

The European Investment Bank is uniquely positioned to shape this outcome. We therefore call on the EIB to:

1. Establish a Strategic Allocation Target for CEE

Align investment shares with structural transition needs and development levels to better reflect the region's systemic role in EU decarbonisation and convergence. To inform this tailored approach, a comprehensive and evidence-based assessment of current investment flows, structural gaps and transition financing needs would provide a robust analytical foundation for future allocation decisions.

2. Institutionalise Calibrated Financial Architecture

Formally embed localised discount rates, adjusted leverage benchmarks, and calibrated credit risk parameters into CEE operations. Given that capital markets in the region amount to only 20-40% of GDP, compared to 70-100% in Western Europe, targeted gap assessments and properly designed risk-sharing tools should be used consistently to overcome structural financing barriers.

3. Strengthen Innovation Ecosystems for System Transformation

Move beyond project-by-project financing and deploy patient equity, venture debt and blended instruments that strengthen entire innovation ecosystems across CEE. With a €250 billion and rapidly growing start-up base but structurally higher capital costs and shallower markets (20-40% of GDP vs. 70-100% in Western Europe), the EIB should reduce systemic financing asymmetries and crowd in private capital to enable clean-tech scale-up, digital and infrastructure upgrading and industrial transformation.

4. Anchor Adaptation and Resilience as Core Investment Pillars

In Central and Eastern Europe, climate adaptation must be recognised not merely as environmental policy, but as strategic economic and financial stability infrastructure -

across regions, cities, sectors, supply chains, businesses and society as a whole. Climate adaptation and resilience in CEE is a core pillar of competitiveness, cohesion and European economic security.

5. Link Allocation to Measurable Convergence Indicators

Climate policy without cohesion will erode political sustainability. Investment allocation must reflect not only carbon efficiency, but structural convergence impact with tracked progress against concrete targets.

The EIB possesses the balance sheet, mandate and institutional credibility for strategic investment in CEE as a necessary condition for a cohesive European transformation.

Contributions by WCLN members:

- Nina Meglič
- Alenka Recelj Mercina
- Ana Struna Bregar
- Martyna Zastawna
- Linda Zeilina
- Sasha Bezuhanova

Appendix I – Proposal of potential KPIs

Financial & Credit KPIs

- **Creditworthiness scoring:** Incorporate country/sovereign risk premiums and local market benchmarks.
- **Debt-service coverage ratios:** Allow for more flexible thresholds for SMEs or green infrastructure projects, but retain stress-testing for downside scenarios.
- **Project scale KPIs:** Accept smaller ticket sizes than Western Europe benchmarks while ensuring impact per euro is high.
- **Pricing and tenor pass-through:** track whether guarantees and securitisations reduce SME cost of capital and extend maturities.

Risk KPIs

- **Operational risk:** Factor in local regulatory uncertainty, supply chain limitations, or skill gaps.
- **Counterparty risk:** Introduce a “capacity-building KPI” for project sponsors that rates their ability to upgrade governance, technical, or ESG practices over time, without substantially increasing the burden for the recipient of the funds.
- **Environmental/Social Risk:** Local standards may be weaker, but EIB alignment with EU ESG standards remains; KPI should track **progressive compliance**.

Governance & Strategic Alignment KPIs

CEE has specific strategic needs:

- **Infrastructure and connectivity:** Focus on projects that strengthen transport, energy, digital networks.
- **Climate transition:** Measure emissions reduction and renewable energy adoption, but calibrate against regional baseline (CEE starts lower than Western Europe).
- **SME development and innovation:** KPI for productivity / higher added value can favor high-potential SMEs, but ensure that the EIB's offer of financial instruments reflects that of commercial banks.
- **EU cohesion impact:** Include metrics for regional balance (less-developed regions get more weight).

- Monitor **time to approval and implementation**, as administrative bottlenecks and varying levels of governance quality across CEE countries can affect project timelines.
- Track **local stakeholder engagement** to ensure social acceptance and avoid project delays.
- **TA-linked uptake**: share of SME and municipal projects that combine financing with funded technical assistance.
- **Transparency**: availability of project-level data on SME size, region and use of funds to ensure accountability and avoid concentration risks.
- **Security and Resilience**: reduction of import dependency, system recovery time after disruption, compliance with EU critical infrastructure standards, the level of cyber-resilience of supported projects.

Quantitative KPIs – Localized Benchmarks

- **Economic Rate of Return (ERR)**: Use local cost of capital and discount rates rather than Western Europe norms.
- **Private investment leverage**: Recognise that co-financing may be harder to attract; set realistic thresholds but incentivise incremental mobilisation.
- **ESG metrics**: Include measurable improvements in energy efficiency, emissions reduction, water/waste management, but relative to **local standards** (pay special attention to the market capacities of smaller member states).
- **Mobilisation and pass-through metrics** should complement ERR and leverage to ensure that public finance delivers measurable benefits to SMEs and cohesion regions.