

## CROSS COUNTRY LAB

**FROM TOOLS TO TRANSACTIONS  
HOW SMART FINANCING ACTUALLY REACHES THE MARKET  
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## ABOUT THE 3rd SMAFIN Expanded CROSS COUNTRY LAB

The third Cross-Country Lab of the SMAFIN Expanded project, organised online on April 30th, 2026, focused on a central implementation challenge in energy efficiency financing: **the gap between the availability of financing instruments and the actual materialisation of investments.**

Across Europe, numerous policy tools and financial schemes have been introduced to support energy efficiency. However, **translating these frameworks into bankable projects and measurable investment flows remains a persistent challenge.**

Bringing together policymakers, financial institutions, market actors, and technical experts from Bulgaria, Croatia, Greece, Romania, and Slovenia, the Lab explored how financing tools move from design to real transactions and what conditions are required to scale investments in the Balkan and Southern European markets.

## WHY TRANSACTIONS STILL FAIL DESPITE AVAILABLE FINANCING TOOLS

Financing instruments alone do not guarantee investment flows or successful project implementation. Despite the growing availability of public and private financing schemes across Europe, significant barriers continue to prevent their translation into real, bankable and scalable projects.

Bottlenecks emerge throughout the entire investment pipeline, including policy design, project preparation, technical validation, underwriting procedures, implementation capacity and demand generation. In many cases, projects fail before reaching financial institutions due to weak technical support, fragmented governance structures and insufficient project maturity.

The challenge is not purely financial. Energy-efficiency investments are shaped by regulatory frameworks, institutional coordination, market confidence, technical capacity and behavioural factors. Scaling investment requires stronger alignment between financing mechanisms, governance structures and implementation realities.

### Recurring barriers include the following:

- fragmented project pipelines,
- weak aggregation mechanisms,
- administrative and procedural complexity,
- limited intermediary capacity,
- and unstable market expectations linked to changing funding schemes.

**Implementation gaps persist between European policy ambition and operational delivery at the national and local levels, particularly in the residential and SME sectors.**

## THE STRUCTURAL IMPACT OF GRANT DEPENDENCY

Extensive reliance on 100% grant-based financing schemes can distort markets and reduce incentives for private-sector participation. At the same time, grants remain essential for supporting vulnerable groups and initiating market activity.

The repeated introduction of new grant programmes weakens demand for financial instruments and encourages beneficiaries to postpone investment decisions in anticipation of future subsidies. This creates unstable investment pipelines and undermines long-term market confidence.

Grant dependency also affects investment behaviour. In many cases, renovation is no longer assessed as a long-term investment that generates savings and value but rather as a matter of public support.

Grants continue to play an important role when strategically combined with loans, guarantees and risk-sharing mechanisms. Blended finance approaches are more effective in supporting sustainable market development and leveraging private capital.

### Key observations include the following:

- grants should increasingly function as market-enabling rather than market-replacing instruments,
- long-term market predictability is critical for scaling investment,
- and financing frameworks require greater consistency between European and national policy instruments.

## SIMPLICITY AND STANDARDISATION AS PRECONDITIONS FOR SCALE

Financial instruments scale only when their implementation is simple, operationally manageable and understandable to all actors involved. Administrative complexity, fragmented technical requirements and extensive documentation generate high transaction costs and slow implementation.

Simplification is particularly important for households and SMEs, where project sizes are relatively small and administrative burdens can quickly become disproportionate.

Standardised methodologies, harmonised technical criteria, and simplified validation procedures reduce risk perception and improve market uptake. For financial institutions, operational simplicity is essential for integrating energy-efficiency financing into mainstream banking products and digital lending systems.

Standardisation extends beyond technical requirements to include governance structures, implementation procedures, and communication practices.

### Key enabling factors include the following:

- standardised technical methodologies,
- simplified underwriting procedures,
- harmonised documentation requirements,
- digital accessibility of financing products,
- operational clarity for banks and beneficiaries,
- One-stop shops can play an important role when embedded within a broader renovation ecosystem that includes technical experts, financial institutions, contractors, and awareness-raising initiatives.

## KEY TAKEAWAYS FROM THE CROSS-COUNTRY LAB

- Financing availability alone does not guarantee successful market uptake or scalable investment flows.
- Bottlenecks emerge across the entire investment pipeline, including project preparation, technical capacity, underwriting, governance and implementation.
- Over-reliance on grant-based schemes can undermine private-sector participation and weaken long-term market development.
- Blended finance models combining grants, loans, guarantees and capital rebates were identified as more sustainable approaches for scaling investment.
- Simplification and standardisation are essential for reducing transaction costs and enabling market uptake, particularly for households and SMEs.
- Technical assistance was repeatedly identified as a core enabling mechanism, including one-stop shops operating within a broader renovation ecosystem of technical, financial and market actors, supported by education and awareness-raising activities.
- Stable and predictable regulatory frameworks are necessary for building long-term market confidence.
- Behavioural barriers and investment culture significantly influence renovation demand and financing uptake.
- Demand generation remains as important as financing availability itself.
- Stronger coordination between public authorities, financial institutions and intermediaries is necessary for creating mature project pipelines.
- Replication across countries requires adaptation to local governance structures, institutional realities and market conditions.
- Energy-efficiency financing should increasingly be approached as both a financial and governance challenge.

## RELEVANCE FOR POLICY-MAKERS AND STAKEHOLDERS

Energy-efficiency financing faces recurring challenges across Southern, Central and Eastern European markets. Despite differences between national contexts, similar structural barriers continue to affect the implementation and scaling of investment.

Effective financing frameworks depend not only on funding availability but also on coherent policy design, institutional capacity, technical assistance and market confidence.

### **Key implications for policymakers and stakeholders include the following:**

- the need for more stable and predictable long-term financing frameworks,
- stronger alignment between European and national funding instruments,
- greater integration of technical assistance within financing mechanisms,
- improved coordination between public authorities and financial institutions,
- and more operationally simple financing products for households and SMEs.

Future financing frameworks will need to combine climate objectives with social inclusion and practical implementation capacity, balancing investment scale, market sustainability and accessibility for vulnerable groups.

The outcomes of the 3rd SMAFIN Expanded Cross-Country Lab contribute to ongoing discussions on scalable and inclusive financing approaches for energy efficiency at the European level.

### 3rd SMAFIN Expanded Cross Country Lab Contributors

- **Kiki Papadopoulou**, CRES – SMAFIN Expanded Coordinator
- **Adrien Bullier**, Policy Officer, CINEA
- **Alice Corovessi**, Managing Director, INZEB
- **Kamelia Georgieva**, Senior Expert in International and Pilot Programs and Projects, National Trust EcoFund
- **Dijana Bezjak**, Head of Service for Financial Instruments, Ministry of Regional Development and EU Funds, Republic of Croatia
- **Ioana Voinescu**, Head of Sustainability Department, Banca Comercială Română S.A.
- **Nicholas Stancioff**, Member of the Management Board, Latvian Building Energy Efficiency Facility
- **Eleni Gioti**, Civil and Transport Engineer, M.Sc., former European Investment Bank (EIB) Executive
- **Iva Petkova**, Director, Department “Development, Green Financing and Communications”, Fund FLAG
- **Despoina Kouzioka**, Head of Climate & Environmental Strategy Division, National Bank of Greece