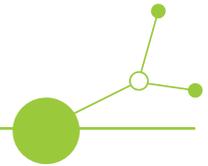


D.3.4.2 Joint Strategy for enhancement of innovative green standards, financing models and schemes



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A. Introduction

Achieving climate-neutral buildings in Central Europe requires a transformative approach to financing and managing building renovations. The MESTRI-CE project addresses this challenge by standardizing technical and financial approaches and accelerating the flow of capital into sustainable building retrofits across Central Europe.

By fostering transnational cooperation, building capacity among stakeholders, and leveraging best practices from pilot regions, the MESTRI-CE provides a replicable roadmap for scaling up the innovative financing of sustainable buildings. It recommends concrete policy improvements, such as decentralizing fiscal authority, standardizing tools and contracts, promoting blended finance, and establishing robust monitoring frameworks. These actions will help unlock the investments needed for a climate-neutral building stock and position Central Europe as a leader in sustainable building practices.

In summary, the Joint Strategy offers a clear vision and practical solutions to embed innovative financing into policy frameworks, ensuring that sustainable building renovation becomes the norm across Central Europe.

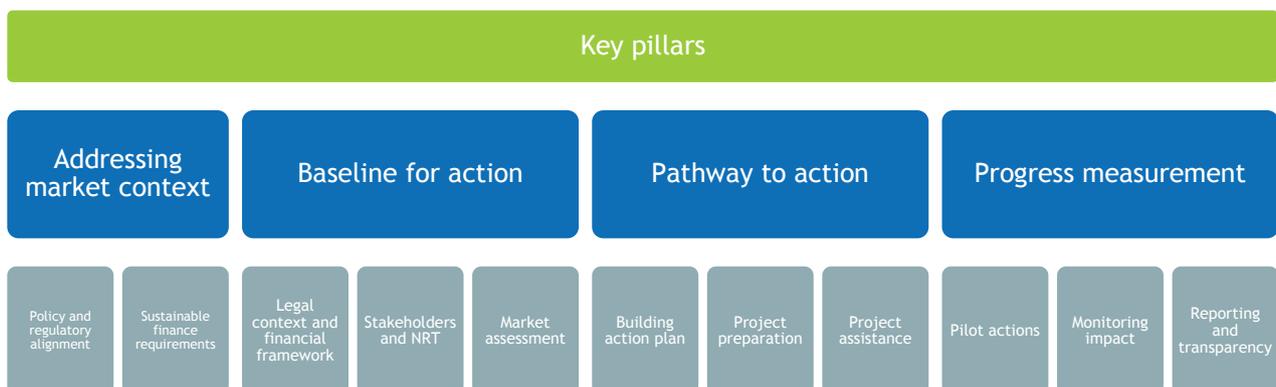


B. Strategic framework

1. Vision and objectives

The **Joint Strategy for the Enhancement of Innovative Green Standards, Financing Models and Schemes** defines the “**what**” and the “**why**” of Central Europe’s approach to sustainable building renovation. It lays out the **vision, objectives, and strategic priorities** that guide regional efforts to scale up innovative financing. It sets the **long-term direction** to increase the uptake of sustainable finance models—such as green loans, sustainability-linked bonds, energy performance contracting, and blended finance—ensuring they are systematically integrated from strategic planning to practical implementation.

The strategy also identifies key **challenges, stakeholders, and financial mechanisms**, and outlines the desired **impact**: a coordinated and scalable transition toward a **climate-neutral building stock** by 2050. It is structured around four (4) thematic pillars:



This document serves as a **high-level, transnational framework**, developed collaboratively by the MESTRI-CE project partners and stakeholders. It provides a shared roadmap for embedding green finance into public investment planning, regulatory systems, and market practices across Central Europe.

The strategy is designed to **bridge the gap** between EU and national climate targets and the practical, bankable investments required to meet them. It aims to **set the long-term direction** for increasing the uptake of innovative financing and building renovation, while addressing **objectives and policy priorities** essential for cross-border action.

At its core, the Joint Strategy is a **response to key barriers and bottlenecks** identified at both the EU and national levels. It is grounded in a robust **gap analysis**, validated through **national round-table consultations** with financial institutions, municipalities, and project developers, and refined through **pilot actions** that applied innovative financing standards in practice.

One of its primary goals is to **equip project partners and all stakeholders** with the **knowledge, technical capacity, and practical steps** needed to prepare and implement investment-ready projects aligned with sustainable finance mechanisms. By offering standardised documentation, compliance tools, and practical methodologies, the strategy supports **replication, scalability, and long-term market transformation**.



2. Policy Context

This Joint Strategy provides a comprehensive and actionable roadmap for integrating innovative green financing into policy frameworks to accelerate sustainable building renovation in Central Europe. Grounded in EU and national policy drivers, the MESTRI-CE project's methodology bridges the gap between high-level ambitions and practical, bankable investments, ensuring that innovative financing is systematically integrated from strategy to local implementation.

The European Green Deal - Fit for 55 package, including the Energy Efficiency Directive (EED) and the revised Energy Performance of Buildings Directive (EPBD), collectively set ambitious targets for reducing greenhouse gas emissions and improving the energy performance of buildings. These directives require Member States to develop and implement long-term renovation strategies, establish minimum energy performance standards, and create enabling environments for innovative financing.

National Energy and Climate Plans (NECPs) translate these EU-level ambitions into country-specific policies, investment needs, and renovation roadmaps, while Sustainable Energy and Climate Action Plans (SECAPs) operationalize these objectives at the municipal level, structuring project pipelines and facilitating access to funding. The integration of green financing criteria—such as those defined by the EU Taxonomy and Green Bond Standards—into public funding instruments and procurement practices further ensures that investments are aligned with climate and environmental goals.

This policy context underscores the urgent need for coordinated action, innovative financing solutions, and robust implementation mechanisms to achieve a climate-neutral building stock by 2050. The Joint Strategy responds to these challenges by providing a unified approach that connects policy, finance, and practice, empowering stakeholders to mobilize the investments necessary for a sustainable built environment.

3. Elements for consideration

This section outlines the core thematic elements and policy layers necessary to effectively implement the Joint Strategy for Innovative Green Financing in Central Europe:

- **EU Legislative Framework:** Revised directives such as the Energy Efficiency Directive (EED), Renewable Energy Directive (RED III), and Energy Performance of Buildings Directive (EPBD) define clear obligations and targets for Member States in energy use, renovation rates, and renewable deployment. These directives serve as the backbone of policy alignment and financing needs.
- **National Plans (NECPs):** National Energy and Climate Plans operationalize EU directives by outlining investment priorities, renovation goals, and funding mechanisms at the country level. NECPs are critical for aligning financing instruments with climate targets and accessing EU-level support.
- **Local Plans (SECAPs):** Sustainable Energy and Climate Action Plans, developed under the Covenant of Mayors, identify actionable projects and investments at the municipal level. SECAPs provide a direct link between national strategy and local implementation, serving as a project pipeline and facilitating access to finance.
- **EU Taxonomy and Sustainable Finance:** The EU Taxonomy provides a common classification system to determine which economic activities are environmentally sustainable. Alignment with the Taxonomy enhances transparency, improves investor confidence, and is becoming an increasingly required standard for public and private green finance.



- **Financing Frameworks:** A combination of EU programmes (e.g., RRF, Cohesion Policy), loan market tools (e.g., green loans, guarantees), and capital market instruments (e.g., EU Green Bonds) supports scalable investment. Blended finance models, technical assistance, and regional advisory hubs complement these frameworks to address both public and private financing needs.



C. Addressing market context

4. Policy and regulatory alignment

4.1. EU legislative

Europe is entering a new phase in the building sector—one where sustainability is no longer optional, but a legal and strategic imperative. With buildings responsible for about 40% of the EU's total energy consumption and 27% of its greenhouse gas emissions, three revised EU directives now set a firm path toward more efficient, decarbonised, and renewable-powered buildings. These are not just regulations—they are a signal that the future of construction and renovation in Europe must be sustainable, smart, and fast-moving.

The revised **Energy Efficiency Directive (EED)** introduces, for the first time, a legally binding EU target to cut final energy consumption by 11.7% by 2030. That translates into roughly the entire annual energy use of Spain. For project developers and public authorities, this means a shift from incremental improvements to large-scale transformation. The public sector is expected to lead by example, required to reduce energy consumption by 1.9% annually and renovate 3% of its building stock every year. These are ambitious numbers that demand clear planning, targeted financing, and high-performing delivery teams.

The revised **Renewable Energy Directive (RED III)** raises the stakes further, setting a **binding target of 42.5% renewable energy** by 2030, with an aspirational goal of reaching 45%. For buildings, the spotlight is on heating and cooling systems— replacing fossil-based boilers with heat pumps, solar thermal systems, district heating, and other clean technologies. The directive requires the share of renewables in heating and cooling to grow by **at least 1.1 percentage points annually from 2026 to 2030**.

Importantly, RED III also opens the door for **Renewable Energy Communities**, providing citizens, businesses, and municipalities with the opportunity to jointly produce, consume, and share renewable energy. For developers, this presents new business models centred on local energy sharing, Power Purchase Agreements (PPAs), and community-scale renewable energy systems.

The revised **Energy Performance of Buildings Directive (EPBD)** lays down a clear roadmap to **fully decarbonised buildings by 2050**. The directive focuses on four pillars: **renovation, decarbonisation, an enabling framework, and modernisation & system integration**.

Under the **renovation** pillar, Member States must reduce primary energy use in residential buildings by **16% by 2030 and 20-22% by 2035**, with **over half of these savings coming from the worst-performing buildings**. For non-residential buildings, the 16% least efficient must be renovated by 2030, and 26% by 2033. Minimum Energy Performance Standards (MEPS) will enforce this across both segments.

The **decarbonisation** pillar bans fossil-fuel heating in new public buildings from 2028 and in all new buildings from 2030. This essentially means all new constructions must be **zero-emission buildings** within the next five years. To facilitate this shift, the EPBD introduces an enabling framework, comprising tools such as **Renovation Passports, Energy Performance Certificates (EPCs), One-Stop Shops (OSS)**, and national building databases. These are designed to simplify project planning, boost investor confidence, and help developers and owners navigate renovation strategies more efficiently.

4.2. National plans

National Energy and Climate Plans (NECPs) are the strategic master plans through which EU Member States outline how they will achieve their 2030 energy and climate targets. Mandated under the EU Governance



Regulation (EU 2018/1999), these ten-year plans must combine national targets, policies, and measures to meet EU-wide objectives in energy efficiency, renewable energy, and greenhouse gas reduction.

For building renovations, NECPs are key reference documents, demonstrating how each government intends to implement the goals of the **Energy Performance of Buildings Directive (EPBD)**, the **Energy Efficiency Directive (EED)**, and the **Renewable Energy Directive (RED II)**. They must include detailed pathways on energy savings, decarbonisation, interconnections, and research and innovation.

NECPs also serve as an essential monitoring and reporting tool, and the European Commission uses them to assess Member States' progress and alignment with EU goals. Countries are required to submit updates regularly, ensuring transparency and accountability in the implementation of their climate and energy strategies.

In terms of investments, NECPs outline national targets for decarbonization, energy efficiency, and renewable energy, translating these into concrete policy measures and investment priorities. NECPs are used to align national budgets, EU programmes (such as the Recovery and Resilience Facility, Cohesion Policy, and other structural funds), and private capital, ensuring that investments support agreed climate and energy objectives, specifying which sectors (buildings, transport, industry, energy supply) require investment, and what types of projects (e.g., building renovation, grid upgrades, renewables deployment) are prioritized.

4.3. Local plans

The Sustainable Energy and Climate Action Plans (SECAPs) assessment framework was developed within the Covenant of Mayors initiative as a strategic document used by local governments to outline measures for reducing greenhouse gas emissions, increasing energy efficiency, and promoting renewable energy sources. These comprehensive strategies enable cities and regions to address both climate change mitigation and adaptation by setting ambitious targets (e.g., a 40% reduction in CO₂ emissions by 2030), outlining concrete actions across the energy, transportation, and urban planning sectors.

SECAPs play a crucial role in guiding and structuring local investments in climate and energy actions by setting clear targets, identifying priority actions, and establishing implementation timelines across sectors such as buildings, transport, and energy production. Having a SECAP is often a basis for accessing national and EU funds, including the Recovery and Resilience Facility (RRF), Cohesion Policy funds, and specialized climate finance mechanisms. In addition, SECAPs encourage innovative financing mechanisms such as green bonds, energy performance contracts, and public-private partnerships by mapping investment needs and potential funding sources.

The process of developing a SECAP builds local capacity in financial planning and project management, equipping municipalities with the skills necessary to leverage external resources effectively. Therefore, a well-developed SECAP demonstrates a strong political commitment and a pipeline of bankable projects, thereby increasing investor confidence and facilitating access to private and blended finance.

The main policy instruments - Fit for 55 - Energy Performance of Buildings Directive (EPBD), the Energy Efficiency Directive (EED), and the Renewable Energy Directive (RED II), National Energy and Climate Plans (NECPs), and Sustainable Energy and Climate Action Plans (SECAPs)—are interconnected to guide both policy and investment from the EU level down to local authorities.

4.4. EU Taxonomy and sustainable finance

The EU Taxonomy serves as a foundational element of the EU's sustainable finance framework and plays a crucial role in enhancing market transparency. By establishing clear eligibility criteria, it enables investors,



companies, and policymakers to identify which economic activities contribute to a net zero goal by 2050 and support broader environmental objectives—such as protecting biodiversity, advancing the circular economy, and reducing pollution—beyond just climate change mitigation.

Although governments and public authorities are not subject to compliance, the Taxonomy helps channel investments toward the sectors and projects most essential for achieving the ambitious goals of the European Green Deal. Primary EU financial instruments, such as the EU Green Bond Standard (GBS) and European Structural and Investment Funds (ESIF), including the Recovery and Resilience Facility and Cohesion Funds, are increasingly designed to align with EU Taxonomy criteria, supporting climate and environmental goals.

Consequently, public projects seeking EU funding for initiatives like climate adaptation, energy efficiency, or infrastructure upgrades are often required to demonstrate adherence to Taxonomy-aligned standards to qualify for financial support. Furthermore, when public projects seek private sector financing through banks or capital markets, alignment with the EU Taxonomy becomes essential, as financial institutions are required to legally disclose how their investment products comply with these sustainability criteria.

Compliance with EU Taxonomy and sustainable finance requirements is not mandatory for public projects; however, it prepares them for innovative sources of finance. Additional efforts to align public projects with these standards enhance their credibility, transparency, and attractiveness to both public and private investors.

5. Sustainable finance requirements

5.1. EU initiatives supporting investments

Smart and energy-efficient buildings are central to achieving the EU's climate and energy goals while unlocking access to sustainable financing. By reducing emissions, lowering energy demand, and enhancing resilience, these buildings directly support the objectives of the European Green Deal and national climate strategies. At the same time, EU financial markets are shifting increasingly toward sustainable assets, with a growing emphasis on green loans, bonds, and investment-grade renovation projects. This creates a unique opportunity: buildings that meet high energy performance and climate standards are not only environmentally beneficial but also more attractive to both public and private investors.

Recognising this potential, the European Commission has launched targeted initiatives to mobilise investments and foster market confidence in energy renovation. A key initiative is the **European Energy Efficiency Financing Coalition**, which brings together Member States, financial institutions, and key stakeholders to scale up private investment in energy efficiency across the EU. Its core activities include:

- Supporting EU-blended finance schemes that combine public and private funding for building renovations.
- Promoting financial instruments that attract private capital and de-risk energy efficiency investments.
- Facilitating knowledge exchange and sharing best practices to improve access to tailored financial products for citizens, businesses, and public actors.

This initiative is designed to overcome financial and administrative barriers to large-scale energy renovations by aligning policy instruments, financing tools, and stakeholder collaboration. **National authorities** play a crucial role by transposing EU directives, establishing enabling regulatory frameworks, and coordinating public support mechanisms. At the same time, **financial industry stakeholders**—including commercial banks, development banks, and green investors—are instrumental in designing and deploying innovative financing models that channel capital into sustainable buildings.



A joint national effort is essential to ensure that smart renovation becomes a mainstream investment pathway, advancing the EU's climate neutrality objectives and strengthening energy resilience across Member States.

5.2. EU programmes

The Recovery and Resilience Facility (RRF) is the EU's primary financial instrument for post-pandemic recovery, offering grants and loans to Member States for reforms and investments, with a strong emphasis on green and digital transitions. Each Member State submits a national Recovery and Resilience Plan (RRP), which must allocate at least 37% of funds to climate-related investments, including building renovation.

RRF funding accelerates the implementation of renovation measures outlined in NECPs, supporting deep and staged renovations and targeting worst-performing buildings.

Operational Programme Competitiveness and Cohesion (OPCC) is a key programming document for implementing EU Cohesion Policy, supporting investments in infrastructure (including energy and environment) and fostering growth and employment. OPCC funds are often used for building renovation projects, supporting both public and private sector renovations through the European Regional Development Fund (ERDF) and the Cohesion Fund. OPCC complements NECP and RRF objectives by providing additional structural funding for energy efficiency.

Within the Cohesion Policy, new rules were introduced to project developers and public authorities. Climate proofing ensures that infrastructure investments are resilient to climate risks and aligned with the EU's climate neutrality goals. It is now mandatory for all projects with a lifespan over five years, supporting effective implementation of the Energy Efficiency Directive and the EU Climate Law.

Importantly, climate proofing strengthens the project development process by introducing structured risk assessments and adaptation planning. This enhances the **bankability and credibility** of projects, preparing them for the subsequent stages of financing. Projects that undergo climate proofing are better positioned to access **blended finance, loans from national and European development banks, or issue green and sustainability-linked bonds**. This is because they are already aligned with key sustainable finance criteria, including the **EU Taxonomy** and the **Do No Significant Harm principle**. In this sense, climate proofing serves as a foundation for attracting private capital and ensuring long-term investment security, making it essential not only for regulatory compliance but also for unlocking diversified and scalable financing solutions.

New requirements introduced in the OPCC 2021-2027 programming period, such as climate proofing, are not only compliance tools—they serve as a strategic bridge to higher-level financing.

5.3. Loan market

Green loans have emerged as a result of the EU's sustainable finance initiative and a joint effort by development and commercial banks to support environmentally sustainable projects, climate action, and the Sustainable Development Goals. These loans are specifically structured to finance projects that deliver clear environmental benefits, such as renewable energy, energy efficiency, pollution prevention, sustainable water management, and green building initiatives. The rapid growth of the green loan market reflects a broader shift in the financial sector toward aligning lending portfolios with global sustainability targets and the objectives of the European Green Deal.

To ensure the integrity and transparency of green lending, the financial industry agreed to comply with the loan procedures of the Green Loan Principles (GLP), a set of voluntary guidelines developed by leading financial institutions and industry associations. These principles provide a consistent framework for



structuring, evaluating, and reporting on green loans, and are widely adopted by both development and commercial banks.

5.4. Capital markets

The EU Green Bond Standard (EU GBS) is a voluntary regulatory framework established to define what constitutes a legitimate “green bond” within the European Union. Its primary purpose is to channel investments toward projects that are environmentally sustainable and aligned with the EU’s climate and environmental objectives, in line with the European Green Deal and the EU Taxonomy.

To ensure compliance with capital markets standards, public projects are required to reach high-level standards. All proceeds from bonds labelled as “European Green Bonds Standard (EUGBS)” must be fully allocated to projects that meet the EU Taxonomy criteria for environmental sustainability. For sectors not yet covered by the taxonomy, a flexibility pocket of up to 15% is allowed. Issuers are required to provide detailed pre- and post-issuance disclosures, including how proceeds are used, their contribution to environmental objectives, and their alignment with the issuer’s broader sustainability strategy.

All EU green bonds must undergo independent review by external reviewers registered with and supervised by the European Securities and Markets Authority (ESMA), ensuring compliance and market integrity. The standard promotes consistency and comparability in the green bond market, thereby reducing the risk of greenwashing and enhancing investor confidence.



D. Baseline for action

6. Legal context and financial framework

The legislative context plays a critical role in shaping the landscape for financing sustainable buildings. Clear, coherent, and harmonized legislation ensures that public and private stakeholders operate under a common set of rules, enhancing investor confidence and market predictability. EU regulations—such as the EU Taxonomy, Energy Performance of Buildings Directive (EPBD), and the Corporate Sustainability Reporting Directive (CSRD)—set transparent sustainability criteria that guide financial institutions in evaluating eligible green projects and mitigating greenwashing risks.

Legislation also determines access to public incentives and funding. The national transposition of EU directives unlocks grant schemes, subsidies, and financial guarantees that make energy efficiency and renewable energy investments more attractive and viable. For financial intermediaries, compliance with regulatory frameworks like the Green Bond Standard (EU GBS) or the Sustainable Finance Disclosure Regulation (SFDR) enables the issuance of green financial products that align with investor demand and sustainability goals.

Ultimately, a supportive legal framework enables the development of innovative financing models, including energy performance contracting, public-private partnerships, and citizen-led mechanisms such as crowdfunding. Without a clear legal basis, these models face legal uncertainty, limited uptake, and reduced scalability. Therefore, legislative alignment is essential for creating a transparent, reliable, and investable environment for sustainable building renovation across Central Europe.

7. Gap analysis and market assessment

A robust understanding of existing market conditions is essential for designing effective plans to scale up sustainable building renovation. The **gap analysis** serves as a foundational step to assess the market maturity of innovative financing models across Central European countries. The gap analysis should incorporate multilevel evaluation criteria in the form of a structured scoring method, providing a comprehensive assessment of each financing model across key dimensions:

- **Legislative and Institutional Framework**
 - Assesses the stability, clarity, and alignment of national legal frameworks with EU directives and market needs.
 - Evaluates whether regulations enable or restrict the use of each financing instrument.
- **Supply Side Conditions**
 - Examines the availability and competitiveness of the financial product or service.
 - Looks at market actors (e.g. banks, platforms, ESCOs) offering the instrument and their capacity to deliver.
- **Track Record / Market Uptake**
 - Reviews how often the instrument has been used in practice.
 - Evaluates real examples, market maturity, and whether the model has gained traction.
- **Awareness and Capacity**



- Measures the understanding and ability of project developers, local authorities, and citizens to apply the financing instrument.
- Considers availability of information, know-how, and institutional support.
- **Risk Perception**
 - Evaluates how risky the instrument is perceived by key actors (municipalities, investors, financial institutions).
 - Includes both financial risk and reputational or administrative concerns.
- **Technical Assistance and Standardised Documentation / Tools**
 - Assesses whether guidance, templates, methodologies, or advisory services are available to help implement the financing model.
 - Includes availability of EU/national support mechanisms or facilitation tools.

The main goal was to identify critical barriers and bottlenecks—ranging from legal and institutional limitations to low awareness, poor risk perception, and limited technical assistance—which hinder the uptake of market-based financing mechanisms such as green bonds, green loans, ESCO/EPC models, PPPs, and citizen-led initiatives like crowdfunding and energy communities.

8. Stakeholder consultation and National Round-Table sessions

To ensure that the Joint Strategy for Innovative Financing is firmly grounded in market realities and policy implementation stages, a series of relevant stakeholder consultations should be conducted in each pilot country. These national round-table sessions aim to bring together private investors, financial institutions, project developers, and policymakers to validate the results of the gap analysis and discuss practical barriers, financing bottlenecks, and opportunities for scaling up sustainable building investments.

The consultations served as a platform for gathering expert insights, aligning financing solutions with investor expectations, and collecting policy recommendations to improve the legislative and institutional framework. The outcomes from these sessions will directly inform the development of actionable measures and tools within the Joint Strategy, ensuring its relevance, feasibility, and uptake across the Central European region.



E. Pathway to action

9. Building an Action plan

The next phase following strategy development is **building the foundation for the Action Plan**, which will translate strategic topics into **concrete activities, timelines, responsibilities, and resource allocation**. This transition ensures that the Joint Strategy moves from high-level vision to practical implementation. The Action Plan will draw directly on the findings of the gap analysis, stakeholder round-table discussions, and policy reviews conducted across pilot countries. These inputs identify priority areas for intervention—such as improving regulatory clarity, enhancing financing tools, and strengthening institutional capacity. By structuring these priorities into actionable steps, the Action Plan will lay the groundwork for the operational implementation of **innovative financing models**, supported by technical assistance, advisory hubs, and structured monitoring mechanisms. Ultimately, this foundation enables regions to move confidently toward testing, scaling, and replicating financing solutions that accelerate sustainable building renovation across Central Europe.

10. Building market-ready projects

10.1. Project preparation

Effective project preparation is essential for ensuring that renovation projects meet the requirements of sustainable finance instruments, whether through green loans, energy performance contracting (EnPC), or green and sustainability-linked bonds. A well-prepared project increases investor confidence, reduces transaction costs, and enables faster financial closure.

The MESTRI-CE strategy recommends a **standardised project preparation process**, including the following key steps:

- **Technical and energy assessments:** Conduct detailed energy audits and feasibility studies to identify the most effective renovation measures, ensuring alignment with EU Taxonomy criteria and national energy performance standards.
- **Financial and economic evaluation:** Apply the **MESTRI-CE Financial and Economic Toolbox** to assess cost-effectiveness, payback periods, and life-cycle benefits. Projects must demonstrate long-term value creation, particularly for public building owners and the general public.
- **Risk analysis and structuring:** Evaluate legal, regulatory, and financial risks, including procurement complexity, price volatility, and contracting models. Adapt project structure to reduce risks through performance guarantees, insurance, or blending with grants.
- **Legal and institutional readiness:** Ensure that public authorities or building owners have the necessary legal authority, internal capacity, and procurement flexibility to carry out complex financing structures such as PPP or EnPC.
- **Investor readiness:** Develop a standardised “green project file” including technical documentation, business model, financial indicators, and alignment with EU and national green financing frameworks (e.g., Green Bond Standards, CSRD disclosures).



10.2. Project assistance

While many municipalities and public entities recognise the benefits of innovative financing, they often lack the internal capacity to prepare, structure, and manage such projects. For this reason, **project assistance mechanisms** are essential to support public authorities and building owners throughout the investment cycle.

The MESTRI-CE Joint Strategy proposes the development of **Regional Advisory Hubs**, serving as technical and financial facilitation points in pilot countries. These hubs will offer tailored services such as:

- **Technical Assistance (TA):** Hands-on support for feasibility studies, renovation designs, and procurement procedures. TA may also cover life-cycle analysis, cost-benefit assessments, and the structuring of blended finance packages.
- **Legal and contracting support:** Guidance on choosing and designing appropriate contracting models (e.g., EnPC, PPP, PPA), including model contracts, tender templates, and compliance with national procurement law and EU rules.
- **Capacity-building for local stakeholders:** Trainings, workshops, and mentoring for local governments, housing associations, and SMEs on sustainable finance tools, EU Taxonomy criteria, and project aggregation methods.
- **Investor matchmaking:** Advisory hubs will facilitate dialogues between project developers and financial institutions, including commercial banks, impact investors, and national promotional banks. Matchmaking events and pipelines of pre-screened projects will reduce market friction and accelerate capital mobilisation.
- **Standardised tools and templates:** The Joint Strategy encourages the use of unified documentation (e.g., renovation passports, financial models, KPI dashboards) that are compatible with EU funding programmes and private sector expectations.

To ensure long-term viability, these assistance measures must be embedded into national renovation programmes, regional development agencies, or municipal networks. Their operational models can be co-financed through EU technical assistance facilities (e.g., ELENA, LIFE-CET, TA under Cohesion Policy) and national green transition funds.



F. Progress measurement

To ensure that the MESTRI-CE Joint Strategy yields tangible outcomes and long-term impact, a robust system for measuring progress is essential. This final pillar of the strategy combines three interconnected components: pilot actions, impact monitoring, and reporting and transparency. Together, they create a feedback loop that enables adaptive implementation, stakeholder accountability, and evidence-based policy refinement across Central Europe.

11. Pilot Actions

Pilot actions are a cornerstone of the MESTRI-CE approach. They provide a real-world testbed for innovative financing models, serving as a practical demonstration of their feasibility, effectiveness, and replicability.

The pilot projects implemented within MESTRI-CE countries serve multiple purposes:

- Validation of financing models: Testing energy performance contracting, green loans, and sustainability-linked bonds under real administrative and market conditions.
- Capacity development: Strengthening the skills of municipalities, aggregators, and stakeholders by engaging them directly in project delivery.
- Feedback generation: Identifying practical obstacles-regulatory, technical, financial-that inform strategy refinement and action planning.
- Replication blueprint: Providing replicable examples with documented methodologies, costs, performance, and investor feedback.

Each pilot will be assessed using technical, financial, and environmental indicators, aligned with the criteria used in the financial and economic evaluation toolbox (e.g., energy savings, FNPV, ENPV, EU Taxonomy alignment). Lessons learned will feed directly into the broader Joint Strategy and future policy recommendations.

12. Impact monitoring

To track the success of the strategy and its implementation, MESTRI-CE introduces a structured monitoring framework linked to key performance indicators (KPIs). These indicators reflect both strategic goals and operational outcomes, including:

- Total investment mobilised for building renovation
- Share of private capital involved
- Number of projects using innovative financing models
- Energy savings (kWh/year) and GHG reductions (CO₂/year)
- Number of stakeholders trained or supported

The monitoring system is designed for use by both project partners and national/regional authorities, promoting a shared performance culture and fostering comparability across borders. Where possible, indicators will be aligned with existing national energy and climate monitoring tools (e.g., NECP reporting, EPBD compliance).



The MESTRI-CE strategy also supports the development of a Central European Smart Data Hub to consolidate project data, enable benchmarking, and facilitate analysis. This digital hub will help track progress over time, support transparent reporting, and enhance investment decision-making for both public and private stakeholders.

13. Reporting and transparency

Transparent reporting is crucial for building stakeholder trust, attracting institutional investors, and demonstrating compliance with EU and national regulations. Within MESTRI-CE, the strategy placed a strong emphasis on **capacity building for green finance disclosures** and **pre-investment assessment support**. While formal reporting mechanisms are part of financial industry requirements, MESTRI-CE stakeholders were equipped with the knowledge and tools necessary to understand and comply with sustainable finance reporting requirements.

As part of this support, the **economic and financial evaluation toolbox** was developed to assist project promoters in generating the **financial indicators** critical for feasibility studies and investment decision-making. These indicators are a common part of pre-financing criteria from investors and financial institutions, and serve as a material indicator of sustainable project progress. Combined with measurable sustainable building targets, if the initial economic and financial indicators are set correctly, they can be used for the following purpose:

- **Use of proceeds** (for green bonds and loans):
 - Evaluation of project selection criteria and expected performance outcomes
 - Estimation of OPEX and CAPEX allocation in sustainable activities
- **Financial industry disclosure expectations:**
 - Understanding alignment with the EU Taxonomy, Green Bond Standards, and Green Loan Principles
 - Familiarity with ESG reporting frameworks and sustainable finance disclosures under CSRD/SFDR
 - Basic capacity for preparing stock exchange-compliant reporting for listed public entities
- **Public-sector transparency and social impact:**
 - Identifying and reporting social and environmental co-benefits such as improved health, climate resilience, and job creation

By improving stakeholder understanding of these elements, the strategy supports the development of **bankable, transparent, and investor-ready project pipelines**, even in municipalities and institutions with no prior financial markets and/or capital market experience.



G. Outcomes of strategy measures

Expected outcomes and impact should be visible in 4 main categories: increased investment flows, policy alignment, capacity enhancement and scalable solutions.

14. Increased private capital flows and scalable green financing solutions

Greater mobilization of private and public capital for sustainable building and renovation projects should result in scalable green financing solutions are financing mechanisms that can be **replicated, aggregated, and expanded across multiple projects, regions, or sectors** without requiring major customization. They are essential to reach the scale of investment needed for widespread building renovation and climate goals in Central Europe. They are essential to reach the scale of investment needed for widespread building renovation and climate goals in Central Europe. To enable this scalability, financing models must be designed with replicability, simplicity, and low transaction costs in mind. This includes standard contracts, eligibility criteria aligned with the EU Taxonomy, and modular tools that can be deployed across different jurisdictions. Aggregation platforms, such as green loan frameworks or municipal bond pools, can further enhance scalability by bundling small-scale projects into large, investment-ready portfolios. Digital tools and standard reporting protocols will play a crucial role in ensuring transparency, tracking environmental outcomes, and enabling blended finance models. Ultimately, scalable financing approaches not only improve capital efficiency but also build investor confidence and accelerate the mainstreaming of green renovations throughout the Central European region.

15. Policy alignment and harmonisation with EU directives

Improved coherence between EU and national policies reducing regulatory barriers and market uncertainty. Strategic alignment of national frameworks with EU legislation—such as the Energy Performance of Buildings Directive (EPBD), Energy Efficiency Directive (EED), and EU Taxonomy—is essential to reduce administrative complexity and enhance investor confidence. Harmonizing eligibility criteria, reporting obligations, and green standards enables smoother access to EU funds and private capital across Member States. This alignment also facilitates the replication of financing models across borders, reducing legal uncertainty for municipalities and project developers. Coordinated policy frameworks create a more predictable investment environment, allow bundling of renovation projects into transnational portfolios, and support Member States in achieving their NECP goals more efficiently. As national reforms progress, regular policy dialogues and joint technical platforms can sustain this alignment and adapt to emerging market needs.

16. Capacity building and skills enhancement

Strengthened skills and knowledge among stakeholders, enabling effective implementation of innovative financing models. To operationalize green financing models, local authorities, project developers, financial intermediaries, and citizen groups require targeted training and practical tools. Capacity enhancement entails not only formal education, but also peer learning, technical assistance, and access to standardized templates and methodologies. Regional advisory hubs will serve as central support points, offering guidance on financial structuring, compliance with EU standards (e.g., EU Taxonomy, GBS), and project aggregation. These efforts will help reduce knowledge asymmetries, empower stakeholders to structure bankable



projects, and enable the wider adoption of complex models such as green bonds, blended finance, and citizen-led energy initiatives. Building this foundational capacity ensures long-term scalability and sustainability of investment in the built environment across Central Europe.

17. Scalable solutions and replicable models

Scalable solutions and replicable models are essential for transforming isolated pilot projects into a broader market shift toward sustainable investment. These solutions rely on modular design, standardization, and legal adaptability across different national contexts. By creating toolkits, financing templates, and standard project evaluation criteria, stakeholders can more easily replicate successful models—such as green bonds, EPCs, or blended finance—across municipalities, sectors, and borders. Regional advisory hubs and cross-border knowledge-sharing mechanisms will ensure that best practices and innovations are effectively transferred. Moreover, scalable models enable the efficient aggregation of small and medium-sized projects into investment-ready portfolios, enabling access to institutional capital and accelerating the pace of renovation in alignment with NECP targets.

18. Monitoring and reporting mechanisms in relation to NECP

To ensure consistency and accountability, monitoring and reporting mechanisms should be directly aligned with the targets and milestones outlined in National Energy and Climate Plans (NECPs). Each financing model or pilot action implemented under this strategy should include key performance indicators (KPIs) that reflect NECP-relevant goals such as annual energy savings, CO₂ emissions reductions, and renovation rates. A Central European Smart Data Hub will be developed to facilitate standardized tracking of financial flows, environmental impact, and implementation progress. This hub will serve as the backbone for evidence-based reporting to national authorities and the European Commission. Moreover, regional advisory hubs will assist municipalities and project developers in preparing periodic progress reports that feed into national NECP monitoring cycles. These actions will enhance transparency, enable corrective measures, and support long-term strategic alignment with EU climate objectives.