Early Warning System

EBRD-24304

Addressing fragmentation and enhancing the interconnectedness of CSEE capital markets

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Quick Facts

Countries	Bulgaria, Croatia, Hungary, Poland, Romania, Slovakia, Slovenia
Specific Location	Central and South-Eastern Europe
Financial Institutions	European Bank for Reconstruction and Development (EBRD)
Status	Approved
Bank Risk Rating	U
Borrower	Regional
Sectors	Finance, Industry and Trade, Technical Cooperation
Investment Type(s)	Grant

Project Description

According to the Bank’s website, capital markets in Central and South-Eastern Europe (CSEE) remain significantly underdeveloped, facing a range of structural challenges that hinder their growth and interconnectedness into the broader European financial ecosystem. Several factors contribute to this stagnation: a limited number of IPOs, low market liquidity, a narrow selection of financial instruments, and underdeveloped digital infrastructure. These issues collectively reduce the attractiveness of CSEE markets to both domestic and international investors. The absence of a coherent, integrated regional capital market framework further limits the ability to pool liquidity and attract large-scale institutional investment. Consequently, businesses--especially SMEs and start-ups--struggle to access non-bank financing, while domestic savings remain underutilised, further limiting the pool of capital available for productive investment.

A key challenge facing the Participating Countries is their limited scale, compounded by fragmentation across jurisdictions. The small size of local ecosystems--each with distinct market structures and practices--reduces accessibility for both regional and international investors. Despite the application of the common EU regulatory framework the different regulatory and supervisory approaches and practises and disconnected capital market infrastructures limit cross-border activities and present significant barriers to developing deeper, more integrated markets in CSEE. These countries, characterized by relatively small and open economies with limited domestic capital formation, rely heavily on external investment flows. However, divergent legal interpretations, divergent supervisory approaches, and misaligned operational systems hinder efficient cross-border transactions and prevent the formation of a unified regional liquidity pool. Operating isolated capital market value chains--often based on incompatible rules and technologies--raises costs, restricts investor access, and diminishes the region's appeal as an investment destination. Such incompatibilities also prevent market infrastructure institutions from achieving operational interoperability, a prerequisite for regional interconnectedness. Addressing these gaps through a harmonised regulatory and supervisory framework is therefore critical to unlocking regional interconnectedness, improving market depth, and mobilising greater cross-border capital flows.

This Project is a continuation and further development of efforts already underway at the stock exchange level where stock exchanges and CSDs are working on providing easier access to the trading and post-trading services via interlinking the existing infrastructures. By facilitating cross-border investment and liquidity pooling, this project will contribute to a more resilient regional ecosystem aligned with the Savings and Investments Union and the EU's competitiveness agenda. The project is fully aligned with the objectives of the Savings and Investments Union and will follow the existing and ongoing work done at EU level in this area to ensure alignment with EU wide objectives and policies, including the Market Infrastructure and Supervision Package.

As a result, the EBRD wishes to engage a company or consortium of companies (the Consultant) to support Bulgaria, Croatia, Hungary, Poland, Romania, Slovakia and Slovenia with conducting a thorough analysis to identify and address differences and discrepancies in the application and enforcement of the common EU regulatory framework, the effectiveness of supervisory and market practices and procedural barriers that inhibit market development and cross-border activity.

Investment Description

- European Bank for Reconstruction and Development (EBRD)

Investment amount not available at the time of disclosure.

Contact Information

No contacts available at the time of disclosure.

ACCESS TO INFORMATION

You can request information by emailing: accessinfo@ebrd.com or by using this electronic form: https://www.ebrd.com/eform/information-request

ACCOUNTABILITY MECHANISM OF EBRD

The Project Complaint Mechanism (PCM) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an European Bank for Reconstruction and Development (EBRD)-financed project. If you submit a complaint to the PCM, it may assess compliance with EBRD's own policies and procedures to prevent harm to the environment or communities or it may assist you in resolving the problem that led to the complaint through a dialogue with those implementing the project. Additionally, the PCM has the authority to recommend a project be suspended in the event that harm is imminent.

You can contact the PCM at: pcm@ebrd.com or you can submit a complaint online using an online form at: http://www.ebrd.com/eform/pcm/complaint_form?language=en

You can learn more about the PCM and how to file a complaint at: http://www.ebrd.com/work-with-us/project-finance/project-complaint-mechanism.html