

PUBLIC



COUNTRY EVALUATION

Advanced markets in New Realities. Annexes

Regional-level Evaluation of EBRD's Operations in Baltic Countries

IEvD ID: SS25-200



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Annex 1. Evaluation Matrix

EVALUATION QUESTION <i>CRITERIA</i>	JUDGMENT CRITERIA AND INDICATORS	METHODS AND SOURCES
<ul style="list-style-type: none"> To what extent did the EBRD's activities address the needs of three Baltic countries in the last decade, and how additional were they vis-à-vis actions of other international stakeholders and private sector investors? <p>RELEVANCE, COHERENCE</p>	<ul style="list-style-type: none"> Relevance of EBRD's priorities in three Baltic countries to the countries' own strategic needs and key challenges they are facing in the very dynamic context: <ul style="list-style-type: none"> Extent of alignment of EBRD priorities with countries' structural challenges, their strategic priorities, especially in the areas of green economy, energy security, competitiveness of private sector, financial and capital markets development Extent of alignment with the EU regulations and reform priorities, as well as relevant pan-Baltic regional agendas Relevance and agility of Bank's response to Covid-19 crisis and implications of war on Ukraine for 3 Baltic states, particularly in the domains of capital availability, energy security, and human capital adjustment 	<ul style="list-style-type: none"> Document review <ul style="list-style-type: none"> EBRD country strategies for Estonia, Latvia, Lithuania for two strategic periods and underlying diagnostics Countries' policy priority objectives (PPOs) and Policy Compacts CSDRs for the period 2016-2024 Countries' national development strategies and strategies in the priority areas of EBRD investments, countries international and domestic commitments (i.e. NDCs and GHG emission reduction targets) EU strategic frameworks and commitments in the relevant sectors Bank's strategies in the areas of green economy, sustainable infrastructure and energy security, financial and capital markets, private sector competitiveness Internal interviews <ul style="list-style-type: none"> Country banking Sector banking Regional economist and governance experts Key policy teams – CSD, CFMD, PSD, Policy and Partnerships, LTT External interviews <ul style="list-style-type: none"> government stakeholders EU representatives in EC Delegations or respective DGs representatives of business community and private financiers relevant CSOs
	<ul style="list-style-type: none"> Relative significance of EBRD's operations in Baltic countries Portfolio size relative to countries' GDP, investment flows Policy dialogue and technical assistance intensity relative to the reform needs of the priority sectors Selection process for policy priorities is aligned with countries' needs 	<ul style="list-style-type: none"> Document review <ul style="list-style-type: none"> Portfolio analysis Policy portfolio information EU and national statistics data Internal interviews <ul style="list-style-type: none"> Country banking Banking Portfolio Regional economist and governance experts Key policy teams – CSD, CFMD, PSD, Policy and Partnerships, LTT
	<ul style="list-style-type: none"> Complementarity and synergies of the EBRD's actions with relevant EU institutions, key IFIs, private sector financiers and CSOs working in the same fields 	<ul style="list-style-type: none"> Document review <ul style="list-style-type: none"> CSDRs, country briefs and BTORs from relevant missions Project documents for joint investment and policy initiatives

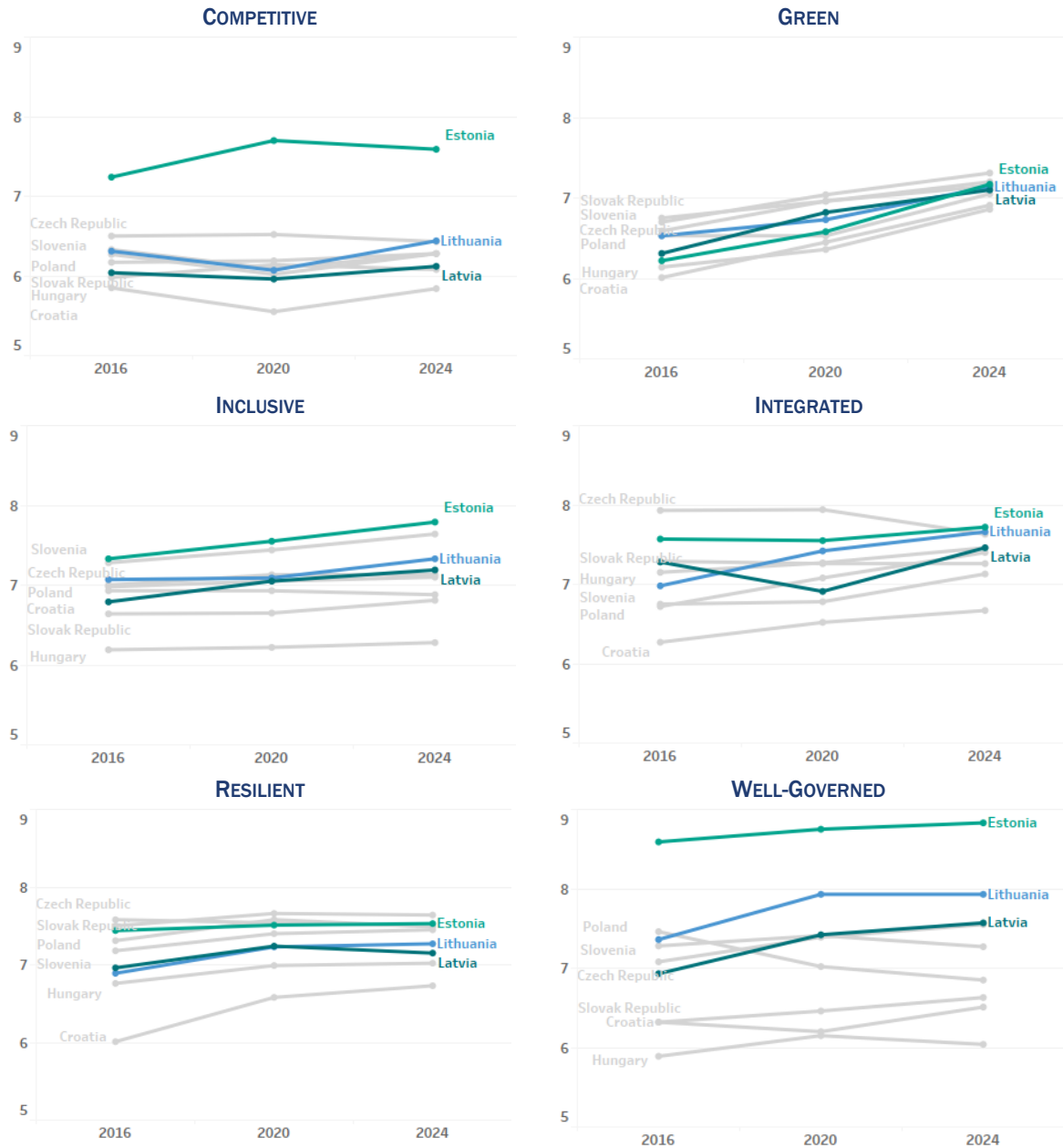
EVALUATION QUESTION <i>CRITERIA</i>	JUDGMENT CRITERIA AND INDICATORS	METHODS AND SOURCES
	<ul style="list-style-type: none"> Financial and non-financial additionality EBRD's projects' structures offer value that is unavailable on the market (interest rate, tenor, repayment structure, share of concessionality, etc) Private sector mobilisation achieved TC and non-TC finance used to achieve country's strategic priorities 	<ul style="list-style-type: none"> External documents, reports and rankings, including by other IFIs when available External interviews <ul style="list-style-type: none"> Representatives of IFIs working in Estonia, Latvia and Lithuania (EIB, NIB) EU representations in EC Delegations or respective DGs Document review <ul style="list-style-type: none"> CSDRs and country-level reports on mobilisation Project approval documents and regular reports TC and non-TC supporting documents Client reports and information available in public domain External documents on national/municipal/ sectoral regulatory, legal and strategic frameworks in priority areas Internal and External interviews
<ul style="list-style-type: none"> To what extent did the EBRD implement activities and projects on time, within budget and in line with its sound banking mandate? <p>EFFICIENCY</p>	<ul style="list-style-type: none"> Adequate operational approach (bank execution performance) Efficiency of internal operational model, including balance between HQ and RO-based expertise plus role of the Warsaw Regional Hub Governance and decision-making process for regional projects and programmes Timeliness of implementation and disbursements Procurement issues in public sector projects Adequacy of monitoring and reporting arrangements Evolution of operational model to ensure relevance in the changing strategic and geopolitical context TC and non-TC mobilisation and utilisation Clients' and governments' perceptions of the EBRD's operational approach and its efficiency 	<ul style="list-style-type: none"> Document review <ul style="list-style-type: none"> Project operational and financial reports (investment and TCs) Country briefings and BTORs Project screenings in part of efficiency Interviews with clients and stakeholders in 3 countries Internal interviews <ul style="list-style-type: none"> Banking teams in HQ and ROs Other specialist teams (CSD, ESD experts, etc) Interviews with clients and stakeholders in 3 countries Government and third-party documents that might contain assessment of EBRD's contribution Content analysis of key media outlets/ social media (tbc)

EVALUATION QUESTION <i>CRITERIA</i>	JUDGMENT CRITERIA AND INDICATORS	METHODS AND SOURCES
<p>To what extent has the EBRD achieved, or is expected to achieve, its strategic priorities in Estonia, Latvia, and Lithuania and is there evidence of its contribution towards systemic change on these markets?</p> <p>EFFECTIVENESS IMPACT</p>	<ul style="list-style-type: none"> • Evidence of Bank's achieving/ expecting to achieve its strategic priorities <ul style="list-style-type: none"> Degree of achievement of operational outputs and outcomes of investment and policy projects (for selected projects) Degree of achievement of transition outputs and outcomes (for selected projects) Financial results achieved (for selected projects) Notable changes in results due to changes in strategic priorities and operational model in the wake of the crisis Notable differences in results delivery between country and regional projects 	<ul style="list-style-type: none"> • Document review <ul style="list-style-type: none"> - Project screenings in part of effectiveness - TIMS, credit, financial, environmental reports, other internal results reporting - Third party data for validating claimed results when available - Physical walk through of the project with field verification where feasible • Interview with clients on site (and remotely if needed) • Interviews with Operational Leaders and other members of the project teams
	<ul style="list-style-type: none"> • Evidence of progress made in achieving intended impact <ul style="list-style-type: none"> - Changes in Estonia, Latvia and Lithuania transition gaps in 2016-2024 - Contribution to systemic change at the sector and country/ municipal level - Notable differences in contribution to systemic change between regional and country specific operations - Evidence of demonstration effect on Baltic markets and beyond - Perception of Bank's contribution to country/ region development 	<ul style="list-style-type: none"> • Document review <ul style="list-style-type: none"> - EBRD's Transition Reports and other annual reports - Country's annual reports/ reviews of progress in achieving strategic priorities, as well as the EU and IMF reports on progress in EBRD's priority areas - Third party data for validating claimed results (i.e. credit rating agencies) - Project and client reports - Project screenings by IEvD • Interviews with clients • Focus groups with the wider groups of stakeholders in three countries

EVALUATION QUESTION <i>CRITERIA</i>	JUDGMENT CRITERIA AND INDICATORS	METHODS AND SOURCES
<ul style="list-style-type: none"> How lasting are the results of EBRD's investments, policy dialogue and technical assistance in the focus sectors after the Bank's operations have concluded? <p>SUSTAINABILITY</p>	<ul style="list-style-type: none"> Sustained change at the client level after EBRD's interventions completion <ul style="list-style-type: none"> Indications of the lasting changes in clients' financial performance triggered by changes in corporate policies and governance model because of Bank activities (investments, TC, non-TC and policy dialogue) Project results sustained after active EBRD interventions are completed, through clients' internal policies, mechanisms and investment decisions Sustained systemic change at market level after completion of EBRD's interventions <ul style="list-style-type: none"> Evidence of change in institutions, regulations and behaviours persisting after Bank's exit from certain segment or sector 	<ul style="list-style-type: none"> Document review <ul style="list-style-type: none"> Project level data and information, especially for repeat clients where results of previous engagements are presented Past evaluations of EBRD's operations by IEvD and donors/ Bank management when available Evaluations by the EU institutions of initiatives/ investments where EBRD was one of the partners Relevant industry data, reports, rankings, including surveys of the perception of change when available Third-party data for validating claimed results in reducing GHG emissions, energy efficiency, structural changes in the financial and capital markets Internal interviews <ul style="list-style-type: none"> Banking and policy teams ESD (also for ex-post green data) Board directors / governors External interviews <ul style="list-style-type: none"> government stakeholders EU representations in EC Delegations or respective DGs Key IFIs active in Baltic countries - EIB, NIB representatives of business community and private financiers in three countries analytical centres/ think tanks, relevant CSOs

Annex 2. Assessment Transition Quality Scores (ATQs) in three Baltic countries

Figure 1: Assessment of Transition Qualities 2016-2024 trend, Baltic states within the Central Europe and Baltics region



Source: Impact ATQ data, IEvD analysis

Annex 3. Portfolio analysis

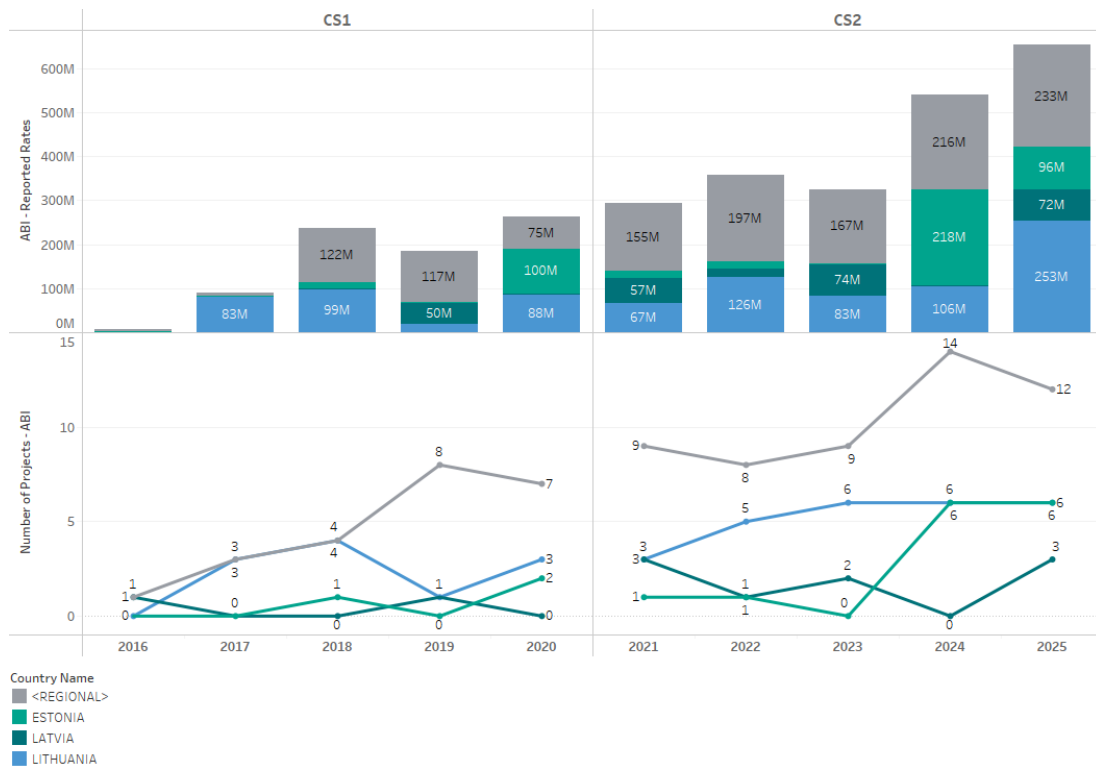
All data from *dw_banking_operational* unless otherwise noted. All data at month-end December 2025 unless otherwise noted. Analysis by IEvD.

ABI delivery in the Baltics was highly uneven: strongly back-loaded into the second strategic period and geographically concentrated in Lithuania

ABI volumes in the Baltics expanded sharply in the second strategic period, driven by a late-period surge, with 2024-25 alone contributing 40% of total 10-year ABI volume. Total ABI across the three countries reached €2.95bn in 2016–2025, of which €2.2bn was signed in the second strategic period – almost three times the €783m in the first. The most recent two years alone (2024-2025) delivered 40% of the ABI of the whole 10-year period, €1.2bn. (Figure 2) A substantial share was channelled through regional projects (€1.3bn, 44% of total ABI). (Figure 3)

Lithuania represented half of Baltics ABI. In geographic distribution, Lithuania (€1.5bn) accounted for the majority of ABI, far exceeding Estonia (€789m) and Latvia (€700m); and the country split shows Lithuania's country-specific ABI alone outweighing the combined (country-specific + regional) totals of the smaller markets. (Figure 4) The three countries together represented 16% of the Central and Eastern Europe (CEE) ABI. (Figure 5)

Figure 2: Baltics ABI and number of operations, 2016-2025



Note: For regional projects with scope beyond the Baltics, only ABI assigned to the Baltics is shown

Figure 3: Baltics ABI by country and strategic period, 2016-2025

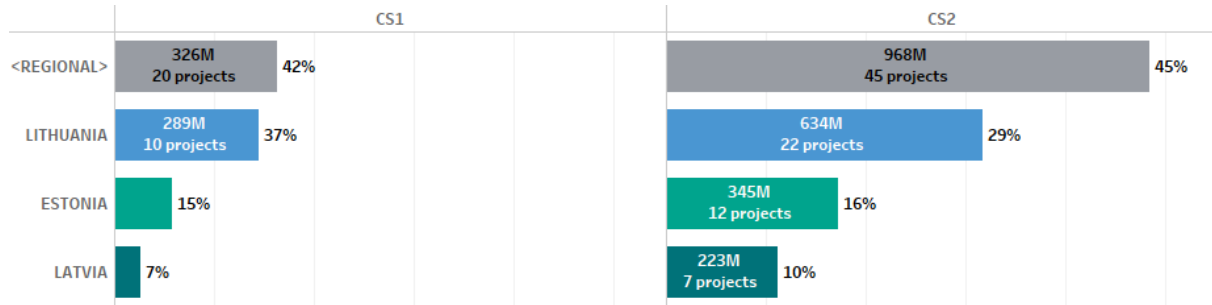
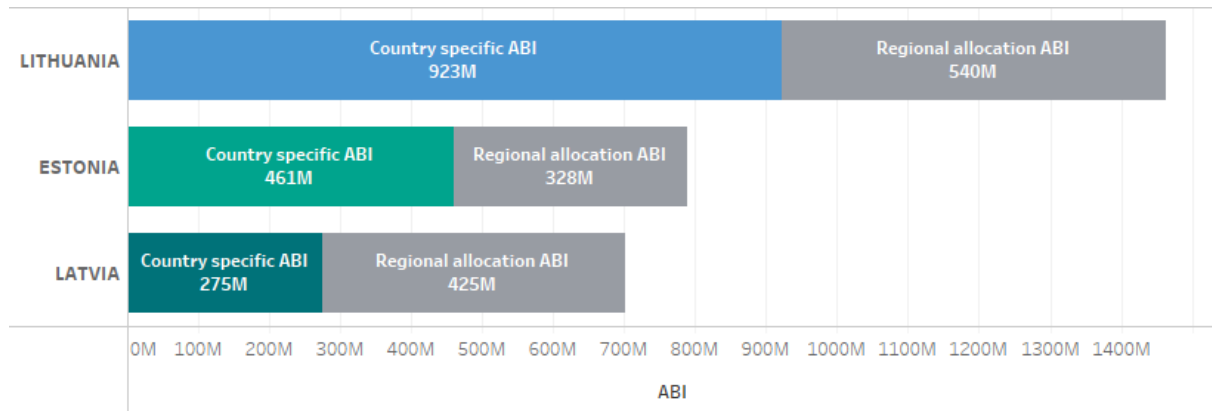
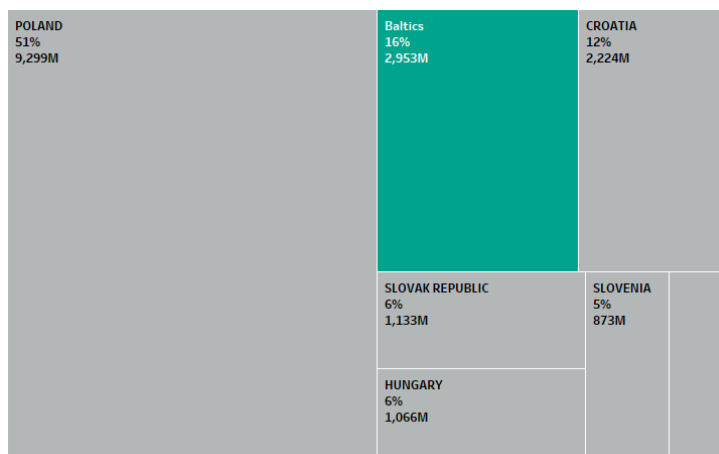


Figure 4: Baltics ABI by country, 2016-2025



Note: Country specific ABI is ABI from projects whose ABI is only allocated to one country. Regional allocation ABI is ABI from regional projects allocated to the specific country at signing.

Figure 5: Baltics ABI within Central and Eastern Europe region, 2016-2025



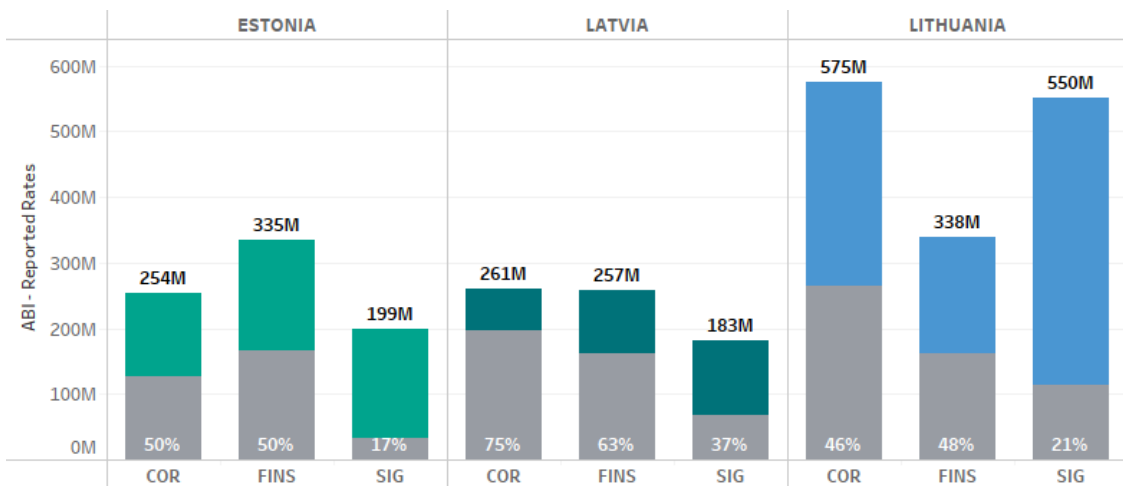
Despite shared strategic priorities, EBRD engagement differed markedly across the three Baltic countries

Lithuania accounted for around half of total Baltic ABI and exhibited the broadest and most balanced engagement profile. Lithuania recorded the largest volumes across all three sectors, with Sustainable Infrastructure playing a particularly prominent role compared to Estonia and Latvia, driven by large-scale energy investments and moderate volumes of municipal and energy-efficiency operations. Lithuania was also less reliant on regional allocations than the other two countries, reflecting a stronger pipeline of country-specific projects and deeper engagement across sectors.

Estonia's portfolio was more narrowly concentrated and with dominant Financial Institutions activity. Estonia's ABI was dominated by FI sector, comprising largely MREL-related FI operations. The second strategic period saw a sharp increase in Estonia ABI, driven largely a late-period expansion of energy investments. Estonia's engagement was therefore characterised by regulatory-driven FI support and a limited but growing Sustainable Infrastructure footprint.

Latvia recorded the smallest ABI volumes and the highest reliance on regional delivery channels. In the Corporate sector, the large share of regional allocations was driven primarily by regional equity fund investments, while in the Financial Institutions sector it reflected regional FI bond issuances, including MREL instruments. Sustainable Infrastructure accounted for the smallest ABI volume among the three Baltic countries and exhibited the highest dependence on regional allocations, underscoring Latvia's comparatively limited pipeline of large stand-alone investments and its stronger reliance on cross-border platforms and regional frameworks.

Figure 6: Sectoral ABI per country, and share of ABI from regional allocations, 2016-2025



While ABI was evenly distributed across sectors overall, Sustainable Infrastructure was more prominent in Lithuania, and was the only sector operating both State and Private portfolio class

At the aggregate level, ABI was relatively evenly distributed across sectors, but sectoral composition varied meaningfully across countries with SIG strongest in Lithuania. Across the evaluation period, Corporate (COR), Financial Institutions (FINS) and Sustainable Infrastructure (SIG) each accounted for roughly one-third of total ABI. While overall volumes expanded sharply in the second strategic period, the sector mix remained broadly balanced, with most significant strengthening of SIG relative to the first period: in CS1, COR accounted for the largest share (42%), whereas in CS2 the distribution converged further, with Corporate (35%), SIG (34%) and FINS (31%) contributing near-equal shares of the €2.2bn ABI (Figure 7). Country-level differences underlie this aggregate balance. While SIG accounted for a substantial share of ABI in Lithuania (38%), it represented only about a quarter of ABI in Estonia and Latvia, where activity was more heavily concentrated in the FI sector (43% and 37%, respectively). (Figure 8)

Figure 7: Baltics sector ABI distribution by strategic period, 2016-2025

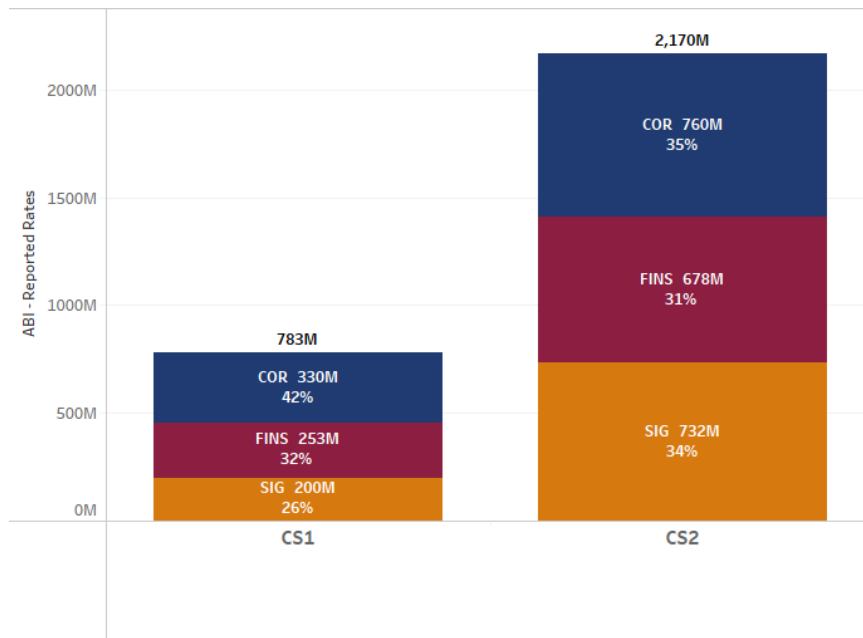
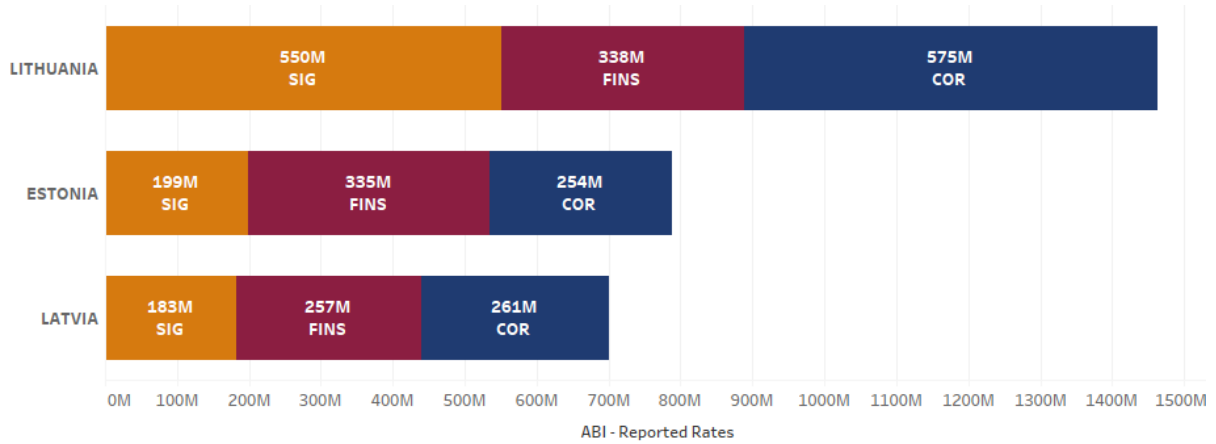
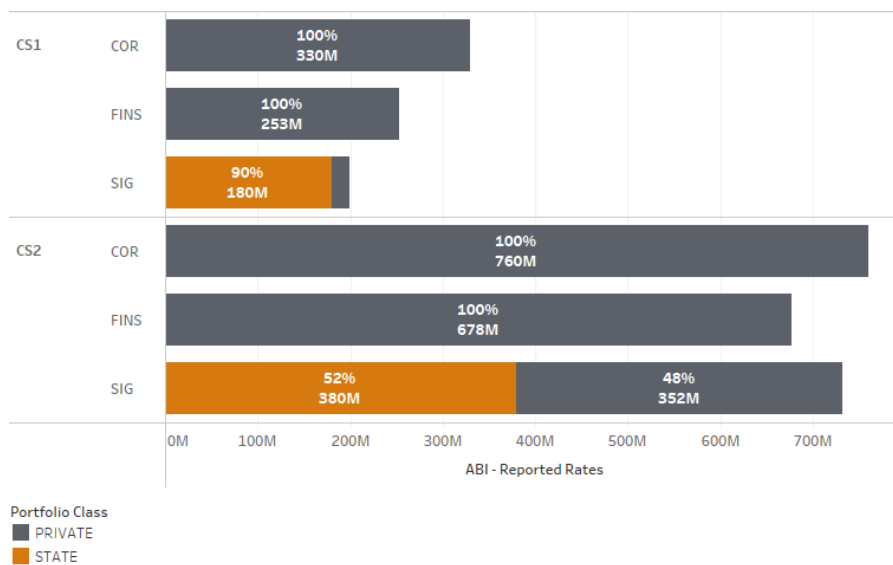


Figure 8: Baltics ABI by sector and country, 2016-2025



Corporate and Financial Institutions operations were implemented exclusively in Private portfolio class, while Sustainable Infrastructure combined State and Private delivery. COR and FI operations were implemented entirely in Private portfolio class in both strategic periods. In contrast, SIG was predominantly delivered in State portfolio class overall, although this reliance declined markedly between periods. In the first strategic period, around 90% (€180m) of SIG ABI was State-classified, whereas in the second strategic period the State share fell to just over half (52%, €380m), with the remainder implemented through private operations (Figure 9). This shift reflects the growing role of large, privately sponsored energy investments in the second strategic period, which materially altered the portfolio-class mix within the infrastructure sector.

Figure 9: Baltics portfolio class by sector and strategic period, 2016-2025

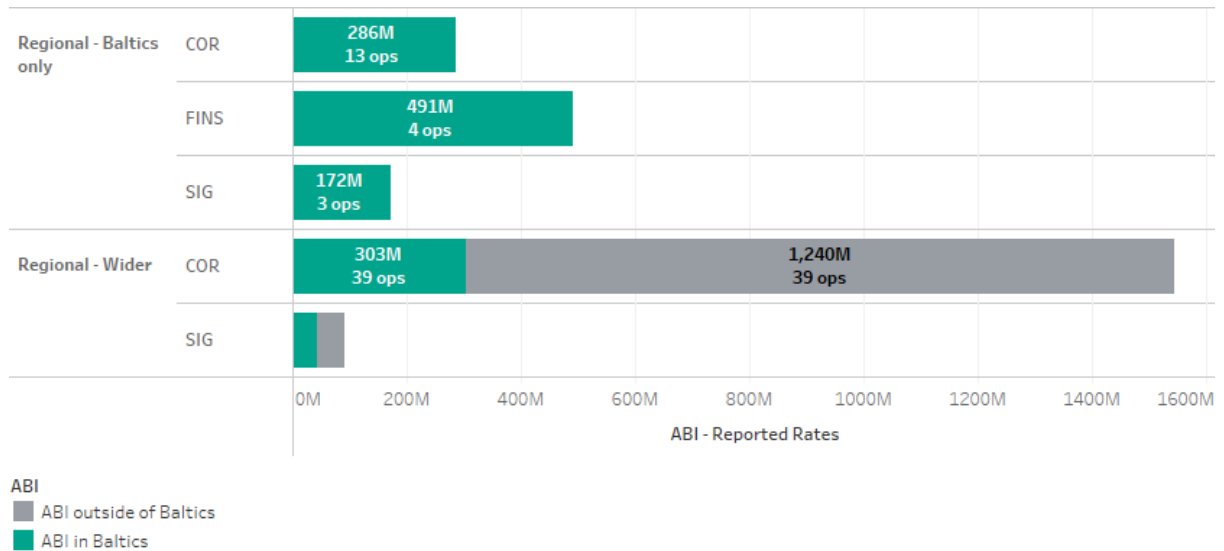


Regional delivery was driven primarily by Baltics-only FI bond issuances and wider-scope Equity Funds

Regional projects accounted for a substantial share of Baltic ABI and differed in scope between Baltics-only operations and allocations from regional projects with wider geographical scope. Of the €1.3bn Baltics ABI delivered through regional projects (44% of total Baltics ABI), €949m originated from regional projects implemented exclusively within the Baltic states, while a further €330m reflected allocations from projects with a broader regional scope extending beyond the Baltics. Regional delivery was particularly significant in the COR and FI sectors, which together accounted for the bulk of ABI allocated through regional operations.

Sectoral drivers of regional delivery varied, with Baltics-only projects concentrated in FI bond issuances and wider-scope allocations dominated by Equity Funds. In the COR sector, regional ABI was driven primarily by Equity Fund investments, implemented solely through regional platforms, including five Baltics-only funds (€97m ABI) and 29 funds with wider geographic scope (€255m ABI allocated to the Baltics). In contrast, regional FI activity was implemented exclusively through Baltics-only projects, comprising four projects with regional FI bond issuances totalling €491m ABI. Within Sustainable Infrastructure, regional delivery was more limited in scale but included two large Baltics-only projects: Green Genius (€100m) in Energy and the Ignitis EV Charging (€60m) in Transport. (Figure 10)

Figure 10: ABI of Regional projects by geographic scope and sector, 2016-2025

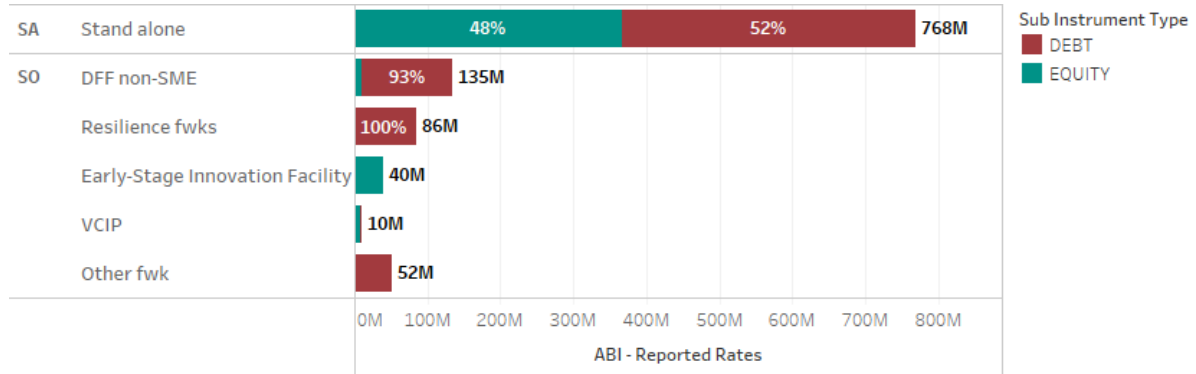


Corporate sector ABI was driven by stand-alone, equity-heavy operations and concentrated in regional equity funds and a small number of large transactions

Corporate sector volumes were delivered predominantly through stand-alone operations, with a notable equity component. Total COR ABI over the evaluation period amounted to €1.1bn, delivered through 73 unique operations, comprising 33 framework sub-operations (€323m) and 40 stand-alone projects (€768m). The largest framework contributions came from the DFF

non-SME framework (€135m) and Resilience frameworks (€86m). Equity instrument accounted for a substantial share of COR ABI (39%, €422m), rising to 52% within stand-alone operations, reflecting the prominence of Equity Funds alongside traditional debt instruments. (Figure 11)

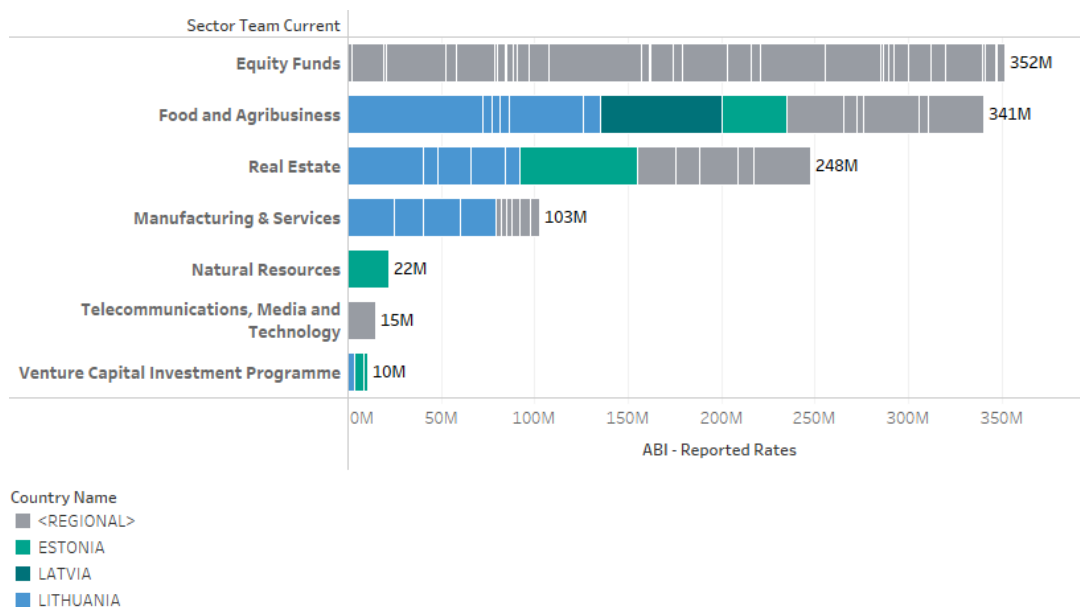
Figure 11: Baltics Corporate sector ABI by framework and instrument, 2016-2025



Note: DFF non-SME (48501); Resilience fwks – Resilience fwk (51974), Resilience and Livelihoods fwk (53662); Early-Stage Innovation Facility – ESIF I (45486), ESIF II (53545); VCIP – VCIP (42746), VCIP III (53257); Other fwks = Baltics CP (52363), EBRD InvestEU (54197), SCSF (55477), EBRD InvestEU Framework for Biofuels Development (55127)

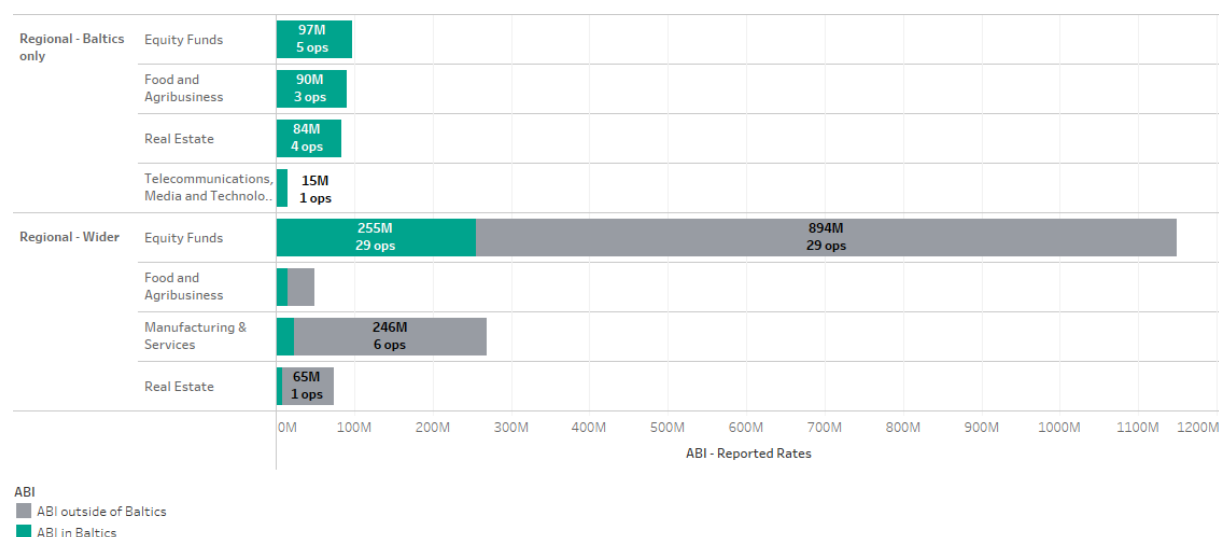
By sub-sector and geography, Corporate sector activity was concentrated in three sub-sectors and strongly shaped by regional operations. The largest sector teams by ABI were Equity Funds (€352m), Food and Agribusiness (€341m) and Real Estate (€248m), together accounting for the bulk of COR volumes. All Equity Fund operations were regional in scope, contributing to the high share of regional projects (54%, €589m) in total COR ABI. When regional allocations are taken into account, Lithuania accounted for 53% (€575m) of COR ABI, with Latvia and Estonia representing 24% and 23%, respectively. (Figure 12)

Figure 12: Baltics Corporate sector ABI by sector team and country, 2016-2025



Regional Corporate delivery was dominated by equity funds implemented through wider-scope regional funds. The biggest share of COR ABI was delivered through regional operations originated from equity fund investments with a geographic scope extending beyond the Baltics, which accounted for €255m Baltics-allocated ABI across 29 projects. Baltics-only regional Corporate projects comprised five equity fund investments totalling €97m ABI, alongside eight projects in Food and Agribusiness, Real Estate and Telecommunications, totalling €189m ABI. (Figure 13)

Figure 13: ABI of regional COR projects by geography and team, 2016-2025

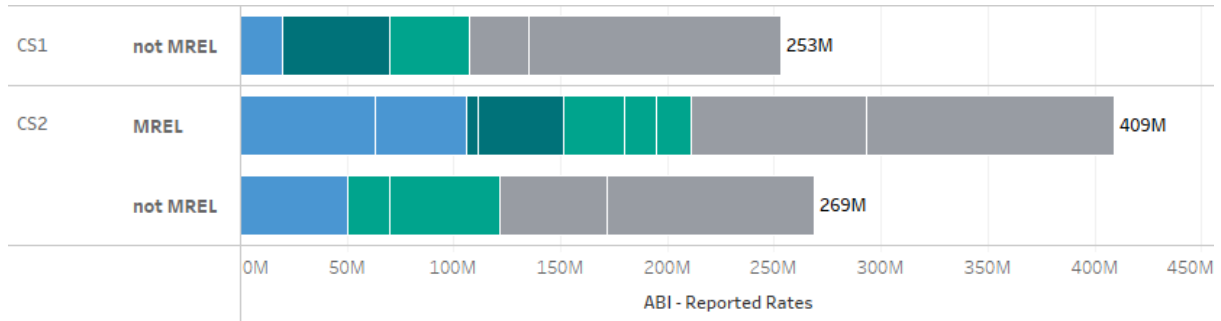


A limited number of large transactions accounted for a sizeable share of COR ABI volume. The top five COR operations by ABI size together represented €290m, or 38% of total COR ABI, although this includes the Porto Franco Regeneration Project (€63m), which was subsequently fully cancelled. The largest completed transactions included the Maxima Grupe bond (€72m) in Lithuania and the Schwarz Sustainable Retail expansion (€65m) in Latvia (both Food & Agribusiness), alongside the Taaleri SolarWind III Fund (€50m), a regional equity fund, and Project Union (€40m, Food & Agribusiness) Lithuania.

The increase in FI ABI in the second strategic period was largely driven by the introduction of MREL instruments

Financial Institutions activity was moderate in scale and heavily concentrated in the second strategic period, driven by the introduction of bail-in-able instruments. Total FI ABI over the evaluation period amounted to €931m, of which €678m was delivered in the second strategic period. Activity in the first strategic period was limited to non-MREL instruments (€253m), whereas the second period saw a marked shift in composition with the introduction of MREL-eligible instruments, which accounted for €409m of ABI. Non-MREL FI operations continued alongside this expansion (€269m in CS2), but the overall increase in volumes was primarily attributable to MREL issuances, reflecting regulatory-driven balance sheet strengthening. (Figure 14)

Figure 14: Baltics FI sector ABI by strategic period, country and instrument, 2016-2025



Country Name
 ■ <REGIONAL>
 ■ ESTONIA
 ■ LATVIA
 ■ LITHUANIA

Sustainable Infrastructure saw the strongest sectoral growth, driven by a late-period scale-up of Energy investments and geographic diversification beyond Lithuania

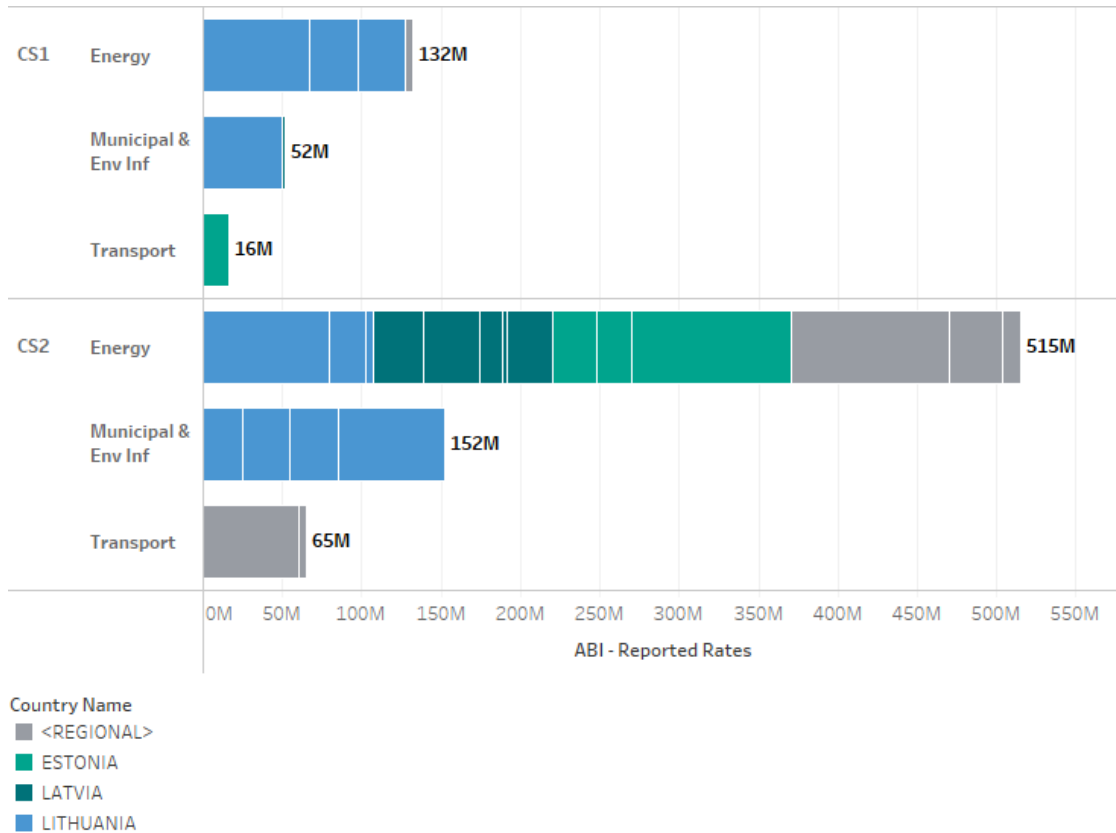
SIG ABI volumes expanded sharply over the evaluation period, recording the most pronounced increase across sectors in the second strategic period. Total SIG ABI amounted to €932m, with volumes increasing from €200m in CS1 to €732m in CS2, representing the most dramatic sectoral growth across the portfolio. In the first strategic period, SIG activity was overwhelmingly concentrated in Lithuania, reflecting a narrow geographic footprint that broadened only in the later years. (Figure 15)

This expansion was driven primarily by the Energy sub-sector, which dominated SIG activity across both periods. Energy accounted for €647m, or around 70% of total SIG ABI, with volumes increasing almost four-fold from €132m in CS1 to €515m in CS2. While Energy operations in CS1 were largely confined to Lithuania, the second strategic period saw meaningful diversification beyond Lithuania, with substantial investments in Estonia and Latvia. The largest Energy operations were concentrated in 2024–2025, including Enefit Wind (€100m, Estonia), Green Genius (€100m, regional) and Kelme Wind (€80m, Lithuania), underscoring the late-period scaling-up of large renewable energy projects.

Municipal and Environmental Infrastructure (MEI) represented a smaller component of SIG, remaining fully concentrated in Lithuania. Total MEI ABI reached €204m, delivered exclusively in Lithuania in both strategic periods. Activity was concentrated in a limited number of operations under the Green Cities Framework in Vilnius (€85m) and energy-efficiency financing through VIPA (€118m), reflecting a sustained but geographically narrow engagement model within this sub-sector.

Transport activity was minimal for most of the evaluation period, with a modest late-period expansion. Outside of a €16m participation in the Port of Tallinn IPO in CS1, Transport sector operations were largely absent until 2025, when a €60m regional investment in EV charging infrastructure was signed with Ignitis Group. While small in absolute terms, this operation marked a move towards regional transport connectivity and decarbonisation, contrasting with the otherwise limited Transport footprint in the Baltics.

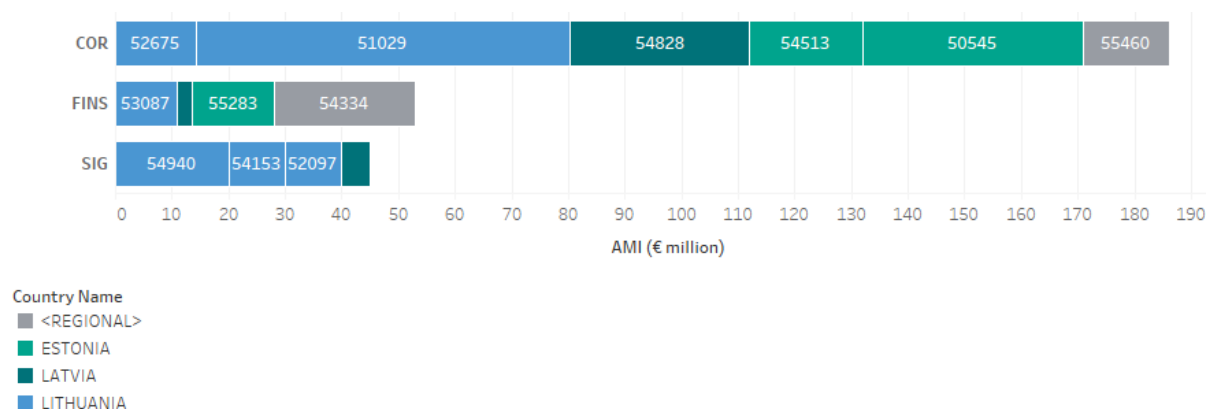
Figure 15: Baltics Sustainable Infrastructure ABI by sector, country and strategic period, 2016-2025



Most AMI was recorded in the Corporate sector, although effective mobilisation was substantially lower after cancellations and prepayments

Annual Mobilised Investment was €284m over the 2016-2025 period, with majority mobilised in the Corporate sector. All AMI was recorded from 2020 onward. Corporate sector was the largest contributor, with €186m AMI over six operations. (Figure 16) However, the two largest AMI contributors, project 50545 Porto Franco with AMI of €39m, and project 51029 VMG Akmene with AMI of €66m, were fully cancelled and fully pre-paid respectively. This leaves €81m of AMI on implemented projects in the Corporate sector. Four FI projects registered AMI of €53m total through mobilising institutional investors on MREL bonds and, in 2025, through on-lending bonds. Four projects in Infrastructure registered total AMI of €45m, mostly through URPs (€40m). (Table 1)

Figure 16: Baltics AMI by sector, project and country; 2016-2024



Source of data: OSP 326 Annual Mobilised Investment

Table 1: AMI sources by sector, 2016-2025

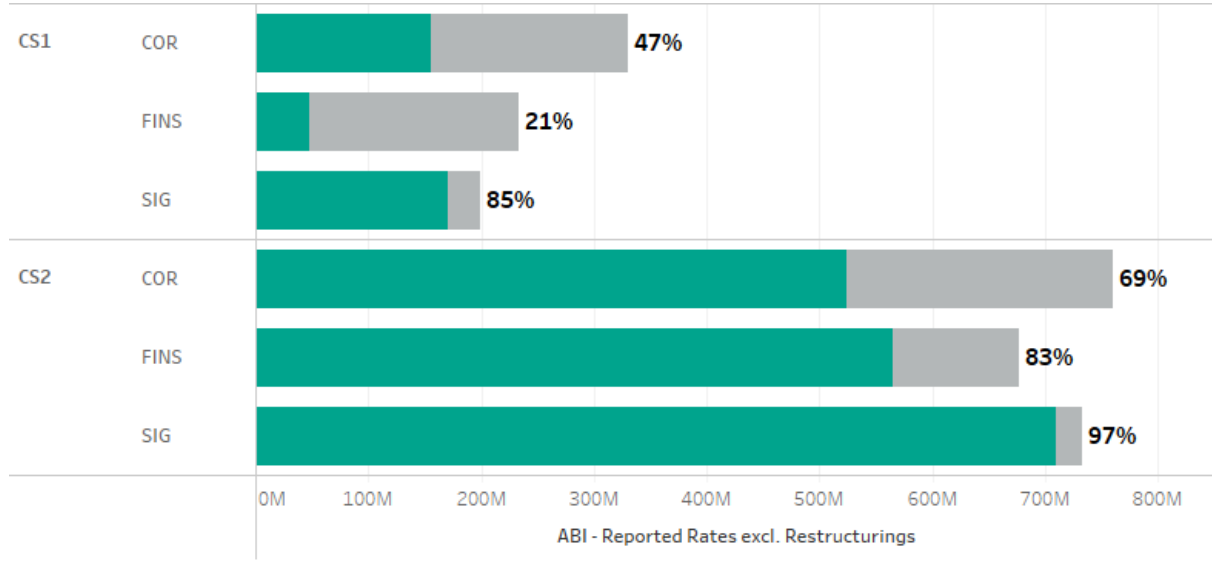
Sector	Number of projects with AMI	Syndications (€)	URPs (€)	Non-Payment Insurance (€)	Non-EBRD Finance (€)	On-lending bonds (€)	TOTAL AMI (€)
COR	6	15 M	20 M	32 M	119 M	-	186 M
FINS	4	-	-	-	47 M	6 M	53 M
SIG	4	-	40 M	-	5 M	-	45 M

Source of data: OSP 326 Annual Mobilised Investment

The share of GET finance increased substantially across sectors, with the strongest gains in FI and consistently high levels in Sustainable Infrastructure

GET finance represented a large and rising share of ABI over the evaluation period. Overall, 75% of ABI signed in 2016–2025 was classified as GET. The GET share increased markedly between strategic periods, from 49% in CS1 to 83% in CS2, with increases observed across all sectors. The FI sector recorded the most pronounced rise in GET share, from 21% to 83%, driven largely by investments in GET-eligible MREL bonds. Sustainable Infrastructure consistently exhibited the highest GET intensity, reaching 97% of sector ABI in CS2. (Figure 17)

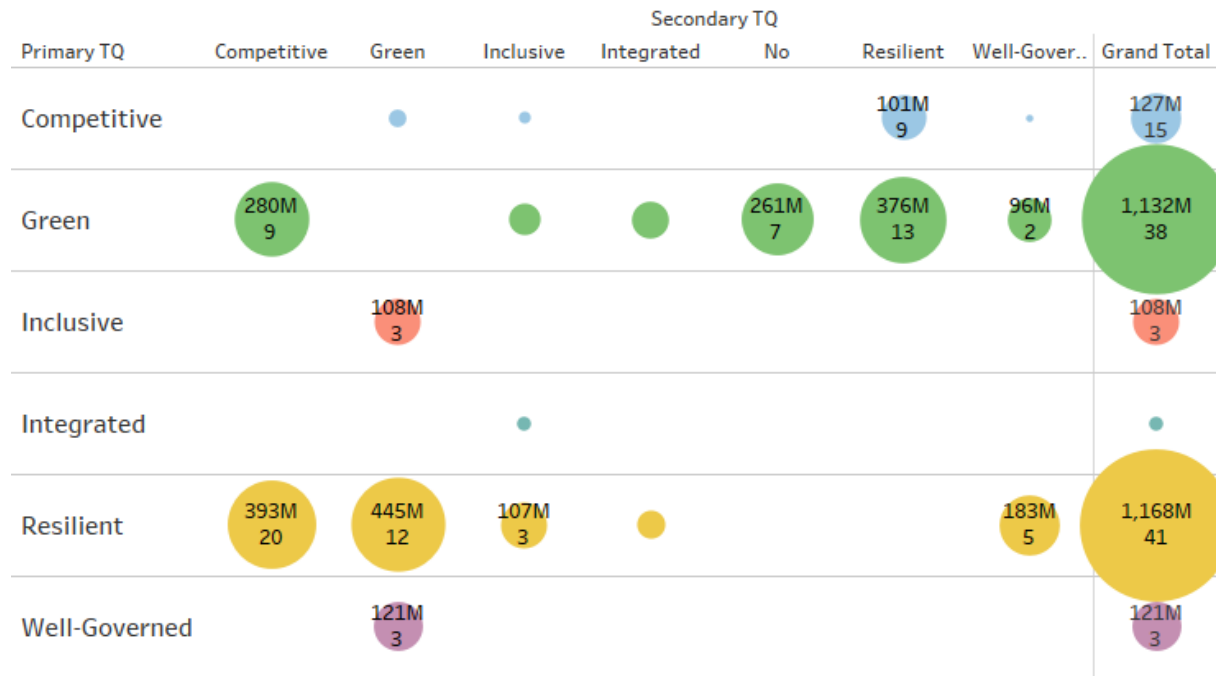
Figure 17: Baltics GET finance share by sector and strategic period, 2016-2025



Resilient and Green dominated transition expectations, with Resilient led by Corporate and FI activity and Green concentrated in Sustainable Infrastructure

Transition expectations were dominated by the Resilient and Green Transition Qualities, with Resilient emerging as the most prevalent across the portfolio. Resilient was the most represented primary TQ, both by ABI volume and number of projects, accounting for 41 investments totalling around €1.2bn. It was the primary TQ for the majority of Equity Fund investments in the Corporate sector and for all but two FI operations, including all MREL investments, underscoring the regulatory- and balance-sheet-driven nature of FI activity. Green was the second largest primary TQ, delivered predominantly through Sustainable Infrastructure (€665m ABI) and the Corporate sector (€462m ABI), and also featured frequently as a secondary TQ alongside Resilient, particularly in FI MREL operations. Inclusive and Well-Governed TQs were absent as primary objectives in the first strategic period but appeared in the second period through a small number of projects, all in combination with Green as a secondary TQ. Integrated remained the least represented TQ throughout the portfolio, both as a primary and secondary objective. (Figure 18)

Figure 18: Baltics primary and secondary TQ distribution, ABI and number of projects, 2016-2024



Primary TQ – rows, Secondary TQ – columns; Size of mark is based on ABI volumes

Note: only projects where data on TQs are included in the system are represented; no data for approximately 15 projects from 2016-18

Annex 4. List of operations

Table 2: List of ABI operations in the Baltic states, 2016-2025

	Year Signing	Type	Op Id	Operation Name	Portfolio Class	Instrument	Life Cycle Current	Status Current	ABI ¹ (€)	
CORPORATE										
Equity Funds										
<REGIONAL> Regional projects with Baltic-only geo scope	2018	SA	49526	BaltCap Infrastructure Fund	PRIVATE	EQUITY	Repaying	Active	20M	
	2019	SA	51009	BaltCap Private Equity Fund III	PRIVATE	EQUITY	Repaying	Active	35M	
	2021	SA	52555	Livonia Partners Fund II	PRIVATE	EQUITY	Repaying	Active	24M	
		SO	49988	Change Ventures Fund II	PRIVATE	EQUITY	Repaying	Active	8M	
2023	SO	54356	Practica Venture Capital III	PRIVATE	EQUITY	Repaying	Active	10M		
<REGIONAL> Regional projects with wider geo scope	2016	SA	47228	Resource EEE Partners LP II	PRIVATE	EQUITY	Repaying	Active	4M	
	2017	SA	48186	Alpha Associates CEE IV	PRIVATE	EQUITY	Repaying	Active	1M	
			48242	Accession Mezzanine Capital IV	PRIVATE	EQUITY	Repaying	Active	6M	
			49356	Polish Enterprise Fund 2017	PRIVATE	EQUITY	Repaying	Active	2M	
	2018	SA	49894	Mid Europa Fund V	PRIVATE	EQUITY	Repaying	Active	12M	
	2019	SA	49887	Almaz Capital Fund III	PRIVATE	EQUITY	Repaying	Active	8M	
			SO	50014	Innovation Nest Fund II	PRIVATE	EQUITY	Repaying	Active	2M
				50606	Revo Capital Fund II	PRIVATE	EQUITY	Repaying	Active	2M
	2020	SA	50444	Earlybird Digital East Fund II	PRIVATE	EQUITY	Repaying	Active	3M	
			50958	Taaleri Solarwind Fund II	PRIVATE	EQUITY	Repaying	Active	30M	
	2021	SA	52446	BPM Mezzanine Fund II	PRIVATE	EQUITY	Repaying	Active	13M	
	2022	SA	51925	CVI Private Debt Fund	PRIVATE	EQUITY	Repaying	Active	5M	
			52718	Innova/7	PRIVATE	EQUITY	Repaying	Active	5M	
2023	SA	52719	Enterprise Investors Fund IX	PRIVATE	EQUITY	Repaying	Active	12M		

¹ For Regional projects ABI volumes are as initially allocated to Baltic countries; For all projects ABI volumes only from 2016-2025 period

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	Year Signing	Type	Op Id	Operation Name	Portfolio Class	Instrument	Life Cycle Current	Status Current	ABI ¹ (€)
			54102	AMC V	PRIVATE	EQUITY	Repaying	Active	4M
			54248	Taaleri SolarWind III Fund	PRIVATE	EQUITY	Repaying	Active	50M
		SO	53848	500 Istanbul Fund II	PRIVATE	EQUITY	Disbursing	Active	1M
	2024	SA	54856	V4C Poland Plus Fund II	PRIVATE	EQUITY	Repaying	Active	4M
			55534	CVI Private Debt Fund II	PRIVATE	EQUITY	Repaying	Active	6M
		SO	54746	Digital East Fund III	PRIVATE	EQUITY	Disbursing	Active	2M
			54952	Revo Capital Fund III	PRIVATE	EQUITY	Disbursing	Active	1M
	2025	SA	55167	Cogito Fund II	PRIVATE	EQUITY	Repaying	Active	5M
			55244	Mid Europa Fund VI	PRIVATE	EQUITY	Disbursing	Active	20M
			55820	Luxcara Flaveo IV	PRIVATE	EQUITY	Signed	Active	32M
			56031	Energy Transition Europe II	PRIVATE	EQUITY	Disbursing	Active	1M
		SO	56260	Taaleri Solarwind Fund III SV	PRIVATE	EQUITY	Disbursing	Active	17M
			54396	Siena Secondary Fund II	PRIVATE	EQUITY	Repaying	Active	7M
			55227	Movens Fund II	PRIVATE	EQUITY	Disbursing	Active	2M
			56510	E2VC Fund III	PRIVATE	EQUITY	Disbursing	Active	2M
Food and Agribusiness									
<REGIONAL> Baltics only	2018	SA	49171	Scandagra Baltics	PRIVATE	DEBT	Completed	Complete	30M
	2021	SA	53125	Scandagra Expansion	PRIVATE	DEBT	Completed	Complete	30M
	2025	SA	56272	Scandagra SLL (f. Project Ruta)	PRIVATE	DEBT	Disbursing	Active	30M
<REGIONAL> Wider geo	2019	SO	51181	DFF - Kormotech	PRIVATE	DEBT	Repaying	Active	5M
	2024	SO	53345	DFF - Turpaz	PRIVATE	DEBT	Repaying	Active	3M
			55460	RLF - Kormotech Expansion	PRIVATE	DEBT	Disbursing	Active	8M
ESTONIA	2024	SA	54513	Schwarz Sustainable Retail Exp Estonia	PRIVATE	DEBT	Disbursing	Active	35M
LATVIA	2023	SA	54828	Schwarz Sustainable Retail Exp Latvija	PRIVATE	DEBT	Disbursing	Active	65M
LITHUANIA	2018	SA	50245	Project Union	PRIVATE	DEBT	Completed	Complete	40M
		SO	50197	DFF - Auga Group (f.Project Circulus)	PRIVATE	EQUITY	Disbursing	Active	9M

	Year Signing	Type	Op Id	Operation Name	Portfolio Class	Instrument	Life Cycle Current	Status Current	ABI ¹ (€)
	2019	SO	51181	DFF - Kormotech	PRIVATE	DEBT	Repaying	Active	5M
	2021	SO	52675	Baltics CP: Maxima	PRIVATE	DEBT	Completed	Complete	4M
	2022	SO	53602	Baltics CP: Maxima Extension	PRIVATE	DEBT	Completed	Complete	5M
			53722	RLF ĳ Maxima Grupe Bond 2022 (f. RLF-Project Pinnacle)	PRIVATE	DEBT	Disbursing	Active	72M
Manufacturing & Services									
<REGIONAL> Wider geo	2019	SA	50384	Pelion Pharma Investment Programme (f. Project Pelion)	PRIVATE	DEBT	Completed	Complete	5M
	2020	SO	52033	RF - Pelion Pharma II	PRIVATE	DEBT	Completed	Complete	6M
	2021	SA	52667	Pelion E-commerce Expansion	PRIVATE	DEBT	Repaying	Active	4M
	2022	SA	53649	ETEX	PRIVATE	DEBT	Disbursing	Active	3M
		SO	54078	DFF - Greiner	PRIVATE	DEBT	Disbursing	Active	3M
	2023	SO	53661	SCSF - Citi - Metso Outotec	PRIVATE	DEBT	Repaying	Active	3M
LITHUANIA	2019	SO	50581	DFF - Frame	PRIVATE	DEBT	Completed	Complete	19M
	2020	SA	51029	VMG Akmene	PRIVATE	DEBT	Completed	Complete	20M
	2023	SO	54457	DFF - ECSO	PRIVATE	DEBT	Repaying	Active	15M
	2025	SO	54519	DFF - Evertis Lithuania	PRIVATE	DEBT	Disbursing	Active	25M
Natural Resources									
ESTONIA	2025	SO	55584	InvestEU BF FW - Bioforce	PRIVATE	DEBT	Disbursing	Active	22M
Real Estate									
<REGIONAL> Baltics only	2019	SA	50770	EfTEN Baltics Sustainable Property Fund	PRIVATE	EQUITY	Repaying	Active	31M
	2021	SO	52863	DFF - Project Neris	PRIVATE	DEBT	Completed	Complete	20M
	2024	SA	54485	SBA Urban JV	PRIVATE	DEBT	Disbursing	Active	13M
						EQUITY	Disbursing	Active	0M
		55048	EfTEN Special Opportunities Fund	PRIVATE	EQUITY	Repaying	Active	20M	
<REGIONAL> Wider geo	2021	SA	51120	VGP Parks	PRIVATE	DEBT	Repaying	Active	9M
ESTONIA	2020	SA	50545	Porto Franco Regeneration Project	PRIVATE	DEBT	Signed	Cancelled	63M

	Year Signing	Type	Op Id	Operation Name	Portfolio Class	Instrument	Life Cycle Current	Status Current	ABI ¹ (€)
LITHUANIA	2023	SO	52814	DFF - J55	PRIVATE	DEBT	Repaying	Active	8M
	2024	SO	55369	InvestEU - Jasinskio	PRIVATE	DEBT	Disbursing	Active	18M
			55417	DFF - J55 II	PRIVATE	DEBT	Repaying	Active	8M
	2025	SA	53609	Releven Properties JV	PRIVATE	DEBT	Disbursing	Active	15M
						EQUITY	Disbursing	Active	4M
	56021	Akropolis Group Green Bond (f. Project Neris II)	PRIVATE	DEBT	Disbursing	Active	40M		
Telecommunications, Media and Technology									
<REGIONAL> Baltics only	2023	SO	54301	DFF - Project Billy	PRIVATE	DEBT	Disbursing	Active	15M
ESTONIA	2024	SO	55524	VCIP III - Miros	PRIVATE	DEBT	Disbursing	Active	2M
	2025	SO	56224	VCIP III - Binalyze	PRIVATE	EQUITY	Disbursing	Active	5M
LITHUANIA	2015	SO	47436	VCIP - Trafi	PRIVATE	DEBT	Repaying	Active	1M
						EQUITY	Repaying	Active	3M
FINANCIAL INSTITUTIONS									
Depository Credit (banks)									
<REGIONAL> Baltics only	2018	SA	50023	Project Reval	PRIVATE	DEBT	Completed	Complete	100M
		SO	50023	Project Reval (Senior & Bail-in Senior Preferred)	PRIVATE	DEBT	Completed	Complete	56M
				Project Reval (SP)	PRIVATE	DEBT	Completed	Complete	18M
	2020	SA	51326	Project Valgus	PRIVATE	DEBT	Repaying	Active	125M
		SO	50023	Project Reval (Senior & Bail-in Senior Preferred)	PRIVATE	DEBT	Completed	Complete	60M
	2023	SA	54334	Project Kvass (Bail-in-able Programme)	PRIVATE	DEBT	Disbursing	Active	82M
	2025	SA	54333	Project Kali (Covered bond)	PRIVATE	DEBT	Disbursing	Active	50M
ESTONIA	2020	SA	51956	Project Quetzal	PRIVATE	DEBT	Completed	Complete	37M
	2021	SA	52949	Project Oak (Bail-in Senior Preferred)	PRIVATE	DEBT	Completed	Complete	16M
	2022	SO	54069	RLF - Project Helix (Bail-in Senior Preferred)	PRIVATE	DEBT	Completed	Complete	15M

	Year Signing	Type	Op Id	Operation Name	Portfolio Class	Instrument	Life Cycle Current	Status Current	ABI ¹ (€)
	2024	SA	55283	Project Semla (Bail-in Senior Preferred programme)	PRIVATE	DEBT	Disbursing	Active	29M
			55848	Project Voda (Covered bonds)	PRIVATE	DEBT	Disbursing	Active	52M
	2025	SA	56122	Project Metsik	PRIVATE	DEBT	Disbursing	Active	20M
LATVIA	2021	SA	53246	Project Zelen (Bail-in Senior Preferred)	PRIVATE	DEBT	Completed	Complete	40M
	2025	SA	56434	Project Zemya (Bail-in Senior Preferred)	PRIVATE	DEBT	Disbursing	Active	5M
LITHUANIA	2005	SA	35009	Siauliu Bankas equity	PRIVATE	EQUITY	Repaying	Active	20M
	2022	SA	53087	Project Sun (Bail-in-able programme)	PRIVATE	DEBT	Repaying	Active	43M
	2024	SA	55454	Project Spurga (Bail-in Programme)	PRIVATE	DEBT	Disbursing	Active	63M
	2025	SA	55315	Project Sigma	PRIVATE	DEBT	Disbursing	Active	50M
Leasing Finance									
LATVIA	2019	SO	50884	FIF - UniCredit Leasing Latvia	PRIVATE	DEBT	Completed	Complete	50M
SUSTAINABLE INFRASTRUCTURE									
Energy									
<REGIONAL> Baltics only	2021	SA	52137	Enefit Green (f. Project Spring)	STATE	EQUITY	Completed	Complete	12M
	2024	SA	55305	Green Genius (f. Project Stella)	PRIVATE	EQUITY	Disbursing	Active	100M
<REGIONAL> Wider geo	2020	SA	51126	Enefit Green	PRIVATE	DEBT	Repaying	Active	4M
	2023	SA	53864	Sunly (f. Project Spike)	PRIVATE	EQUITY	Disbursing	Active	33M
ESTONIA	2024	SA	54467	Enefit Wind	STATE	DEBT	Signed	Active	100M
		SO	54611	KC Pihlaka Solar PV	PRIVATE	DEBT	Disbursing	Active	22M
	2025	SO	55565	BSP Battery Energy Storage	PRIVATE	DEBT	Disbursing	Active	28M
LATVIA	2021	SA	51879	Latvenergo Green Bond Programme (f. Project Amigos)	STATE	DEBT	Disbursing	Active	29M
				Project Amigos (VISP)	STATE	DEBT	Disbursing	Active	3M
			52822	Project Novus	STATE	DEBT	Disbursing	Active	14M
	2025	SO	55542	Sunly solar portfolio - Latvia	PRIVATE	DEBT	Disbursing	Active	35M
		SO	56214	Simpson WPP	PRIVATE	DEBT	Signed	Active	32M

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	Year Signing	Type	Op Id	Operation Name	Portfolio Class	Instrument	Life Cycle Current	Status Current	ABI ¹ (€)
LITHUANIA	2017	SA	49433	Lietuvos Energija Green Bond	STATE	DEBT	Disbursing	Active	30M
	2018	SA	50268	Lietuvos Energija Green Bond 2	STATE	DEBT	Disbursing	Active	30M
	2020	SA	52352	Ignitis Grupe (f.Project Octavia)	STATE	EQUITY	Disbursing	Active	68M
	2021	SO	53271	DFF - AEI green bond (F. DFF - Project Kilimanjaro)	PRIVATE	DEBT	Disbursing	Active	5M
	2022	SA	53607	Project Galaxy	STATE	DEBT	Disbursing	Active	23M
	2025	SA	55604	Kelme Wind	STATE	DEBT	Signed	Active	80M
Municipal & Env Inf									
LATVIA	2016	SO	48668	DFF - Latvian Baltic Energy Efficiency Facility	STATE	DEBT	Completed	Complete	2M
LITHUANIA	2017	SA	48417	VIPA Energy Efficiency Structured Loan	STATE	DEBT	Completed	Complete	50M
	2021	SA	52097	VIPA Energy Efficiency Loan II	PRIVATE	DEBT	Completed	Complete	68M
	2023	SO	54153	GrCF2 W2 E2 - VVT Trolleybuses Fleet Renewal	STATE	DEBT	Disbursing	Active	31M
	2024	SO	54940	GrCF2 W2 - VVT Fleet Renewal - Phase 2	STATE	DEBT	Signed	Active	29M
			55147	GrCF2 W2 - Siauliu Bank Energy Efficiency Fund	PRIVATE	DEBT	Disbursing	Active	25M
Transport									
<REGIONAL> Baltics only	2025	SA	55637	Ignitis Grupe EV Charging	STATE	DEBT	Disbursing	Active	60M
<REGIONAL> Wider geo	2024	SA	54542	Eldrive Holding (f. Project Ride)	PRIVATE	EQUITY	Disbursing	Active	5M
ESTONIA	2018	SA	50111	Port of Tallinn (f. Project Lighthouse)	PRIVATE	EQUITY	Disbursing	Active	16M

Annex 5. Energy Sector case study

Key messages

- **Energy sector investment concentrated heavily in 2024-2025** following a period dominated by geographically concentrated capital market transactions with state utilities. The operational shift toward private sector equity and project finance across all three Baltic states materialised primarily after the 2022 geopolitical shock altered risk perceptions and financing conditions.
- **Financial additionality reversed from declining anchor investor role pre-2022 to crisis-essential capital provision post-2022**, with EBRD providing direct equity to private renewable developers facing capital flight, syndicated lending capacity when commercial bank obligor limits became binding constraints, and credit enhancement for merchant renewable projects and battery storage where revenue volatility exceeded commercial risk appetite.
- **Non-financial additionality concentrated in governance frameworks** for state utility IPOs and environmental standards for project finance, with clients valuing EBRD's engaged advisory approach over other IFIs' transactional models despite sometimes perceiving compliance costs as disproportionate.
- **Investment concentration in 2024-2025 delivers measurable renewable capacity additions**, particularly significant in Latvia where EBRD engagement will nearly double solar and wind installations. The concentration of investments in the most recent years however prevents assessment of whether operations catalysed systemic market transformation beyond individual client-level outcomes.
- **The 2025 renationalisation of Enefit Green reversed capital markets development gains** from EBRD's landmark IPO participation, exposing sustainability risks inherent in transition outcomes dependent on sustained government commitment to partial privatisation in state-dominated utility structures.

NB: While formally outside of the scope of the evaluation, this case study considers the contextual and portfolio developments in the Energy sector in 2025 to remain relevant and forward looking

Context: The Baltic states' energy sector dual transition

The Baltic states' energy transition has been driven by two strategic imperatives that have shaped policy and investment over the past decade – **decarbonisation and energy security**. Decarbonisation commitments aligned with EU climate targets require transformation of electricity generation systems heavily dependent on fossil fuels, particularly Estonia's oil shale industry. Energy security and independence represent an equally urgent priority, accelerated substantially by Russia's 2022 invasion of Ukraine but rooted in decades of post-Soviet vulnerability.

Energy independence through grid synchronisation transformed regional security architecture

The completion of electricity grid synchronisation with Continental Europe in February 2025 ended post-Soviet energy dependence for Estonia, Latvia, and Lithuania. This historic decoupling

from the Russian-controlled BRELL electricity system, achieved through a €1.6 billion infrastructure programme supported by €1.2 billion in EU funding,ⁱ marks the culmination of nearly two decades of strategic planning. The three Baltic states successfully disconnected all remaining transmission lines to Russia and Belarus, synchronising with the Continental European synchronous area through Poland.

The strategic imperative for synchronisation intensified following Russia's annexation of Crimea in 2014 and Russia's full-scale invasion of Ukraine in 2022. Russia's demonstrated willingness to weaponise energy supplies, combined with cyberattacks on Ukraine's electricity grid in 2015 and 2016, exposed the vulnerability inherent in Russian-controlled frequency management of the Baltic system. The BRELL agreement represented a significant security liability, maintaining Russia's theoretical capability to disrupt Baltic electricity supply through grid manipulation.

The Baltic states achieved practical energy independence even before formal synchronisation by severing commercial ties with Russian suppliers following the invasion of Ukraine. Lithuania's Klaipėda LNG terminal, operational since 2014, transformed the natural gas market by providing the first viable alternative to Russian pipeline gas. Estonia completed an LNG facility at Paldiski in 2022. All three countries stopped importing Russian electricity by mid-2022, demonstrating their capacity to operate without Russian energy before completing the technical infrastructure for full grid independence.ⁱⁱ

Integration into the Continental European synchronous area enhances Baltic energy security.

This integration provides access to substantially larger generation capacity and reserve mechanisms, reducing vulnerability to domestic supply disruptions while operating under transparent, rules-based governance through ENTSO-E.ⁱⁱⁱ The post-synchronisation environment necessitates new market structures, including the Baltic Balancing Capacity Market established in 2025 with total demand projected at approximately 1,500 MW and expected to grow with increased renewable penetration.^{iv} Maintaining system stability in this new architecture requires continued investment in battery storage, pumped hydro, and flexible generation capacity.

Accelerated decarbonisation programmes created divergent national pathways

Estonia confronts the most challenging decarbonisation trajectory among the Baltic states due to its historic dependence on oil shale for electricity generation. Oil shale accounted for approximately 85% of Estonia's electricity generation in 2013, but this reliance declined rapidly as rising EU carbon prices rendered the fuel increasingly uneconomical. Between 2018 and 2024, state-owned utility Eesti Energia reduced its carbon emissions from 11.3 mt to 2.1 mt,^v announcing in 2021 that it would cease burning oil shale for electricity generation by 2025.^{vi} Renewable energy deployment accelerated dramatically, with solar and wind generation each surpassing one TWh for the first time in 2024.^{vii} By the end of 2024, Estonia had installed 695 MW of wind capacity and 1,210 MW of solar capacity, with renewables accounting for 63% of total electricity production.^{viii} Major projects include the 255 MW Sopi-Tootsi wind and solar farm, expected to produce over 770 GWh annually and contribute approximately 10% of Estonia's current electricity consumption.^{ix} Estonia's updated National Energy and Climate Plan (NECP) sets an ambitious target of 65% renewable energy in gross final energy consumption and aims to achieve 100% renewable electricity generation by 2030.^x

Latvia's energy transition builds upon an established hydroelectric foundation while confronting the challenge of diversification beyond weather-dependent generation. Hydroelectric power accounted for 54% of electricity generation in 2024, within a renewable energy mix that represented 73% of total production.^{xi} Wind generation reached 276 GWh while solar generation surged to 536 GWh in 2024, more than doubling from the previous year as installed solar

capacity reached 660MW by year-end.^{xii} State-owned Latvenergo positioned itself for expanded renewable generation through acquiring the 124MW Telšiai wind farm in Lithuania, expected to commence operations in the first quarter of 2026, and through establishing a joint venture to develop at least 800MW of onshore wind capacity by 2030.^{xiii} Transmission system operator AST signed connection agreements in 2024 for projects totalling nearly 2,000MW, signalling accelerating investment momentum.^{xiv} Latvia's updated NECP establishes a target of over 80% renewable electricity generation by 2030 within an overall target of 61% renewable energy in gross final consumption.^{xv}

Lithuania's energy transition was fundamentally shaped by the 2009 closure of the Ignalina nuclear power plant, which had provided approximately 70% of the country's electricity, and transformed Lithuania from net exporter to net importer.^{xvi} By 2019, net imports reached approximately 70% of electricity consumption.^{xvii} The country responded with aggressive renewable deployment, experiencing one of the fastest energy transitions globally as total electricity generation increased from 4.5 TWh in 2022 to 7.5 TWh in 2024.^{xviii} Renewable sources surged from 18.2% of generation in 2010 to 76.4% in 2023, while installed renewable capacity grew nearly sixfold over five years to reach 2,885 MW by mid-2024.^{xix} Lithuania's updated NECP establishes a target of 100% renewable electricity consumption by 2030 within an overall renewable energy share of 70% in total final energy consumption. The National Energy Independence Strategy envisions electricity consumption growing sixfold to 74TWh by 2050, with offshore wind potential of 4.5GW positioning Lithuania to transform from net importer to net exporter by 2030.^{xx}

Grid infrastructure modernisation struggles to match renewable energy deployment pace

Rapid expansion of renewable energy capacity across all three Baltic states exposed significant grid infrastructure limitations that threaten to constrain future deployment. Distribution and transmission network upgrades emerged as critical bottlenecks, with construction timelines for new grid capacity remaining substantially longer than for generation assets. Latvia's transmission system operator AST signed connection agreements for nearly 2,000 MW of renewable projects in 2024, yet aging transmission infrastructure complicates integration of variable renewable sources. Estonia's network modernisation needs extend beyond the synchronisation infrastructure, while Lithuania designated transmission projects as being of special national importance to accelerate deployment.^{xxi}

Energy storage represents an infrastructure gap, with current capacity orders of magnitude below requirements for reliable operation with high renewable penetration. Latvia's 80MW battery energy storage system at Rēzekne and Tume substations, operational from 2025, represents one of the region's largest installations but illustrates the scale of investment still required. Lithuania inaugurated its first large-scale storage battery system at Tārgale with 10MW capacity in November 2024, contributing to grid stability ahead of synchronisation. Private sector developers advanced battery storage deployment through hybrid renewable projects, with Estonian company Sunly pioneering grid stabilisation services through its 1.7MW battery at the Pikkori hybrid power plant, which became the first facility in Estonia capable of providing automatic frequency restoration reserves.^{xxii} Sunly's broader plans to add 1,000 MWh of battery storage across the Baltics by end-2026, demonstrate the growing private sector role in addressing storage requirements. Despite these initiatives, all three countries project storage needs in the gigawatt range by 2030 necessary to maintain grid stability with 70-100% renewable electricity.

Permitting processes remain significant bottlenecks despite reform efforts, with environmental assessments, grid connection studies, and local consultation procedures creating multi-year development timelines. Smart grid capabilities for managing distributed solar generation, electric vehicle charging, and demand response require substantial distribution network investments that have lagged behind generation deployment. The International Energy Agency assessments for all three countries emphasise the need for streamlined and transparent systems for spatial planning and permitting of renewable energy and supporting infrastructure to ensure projects can be deployed at the pace required to meet 2030 targets.^{xxiii}

Regional offshore wind development has transformative potential but faces implementation challenges

The combined offshore wind resource of the Baltic Sea region holds substantial potential, with the three Baltic states specifically estimated at approximately 26 GW. In 2020, energy ministers from eight EU countries surrounding the Baltic Sea signed a declaration committing to closer cooperation on offshore wind development, with the Baltic Energy Market Interconnection Plan (BEMIP)^{xxiv} framework establishing targets of 19.6 GW by 2030, increasing to 26.7 GW by 2030 under the 2024 Vilnius Declaration, and ultimately reaching 45 GW.^{xxv} Development progress has fallen substantially short of these ambitions, with regulatory, financial, and market challenges delaying project commissioning across all three countries.

Implementation difficulties demonstrate the gap between offshore wind ambitions and market realities across the Baltic states. Lithuania successfully awarded its first 700 MW offshore wind project in 2023 to a joint venture between Ignitis Renewables and Ocean Winds, yet the country's second auction launched in January 2024 was cancelled after receiving only one bid. The insufficient interest reflected high interest rates, supply chain disruptions, elevated equipment costs, and reduced financial sector appetite that characterised broader European offshore wind market challenges during 2023-2024.^{xxvi} Latvia and Estonia remain in earlier planning and assessment stages, with neither country having reached final investment decisions on offshore projects. The repeated challenges securing investment for Lithuanian offshore wind underscore that developers require stable regulatory frameworks and commercially viable support mechanisms before committing to large-scale projects, while the necessary enabling infrastructure including offshore grid connections, specialised port facilities, and transmission reinforcements demands substantial coordinated investment across the region.

EBRD Energy sector operations: from state-led capital markets to diversified renewables financing

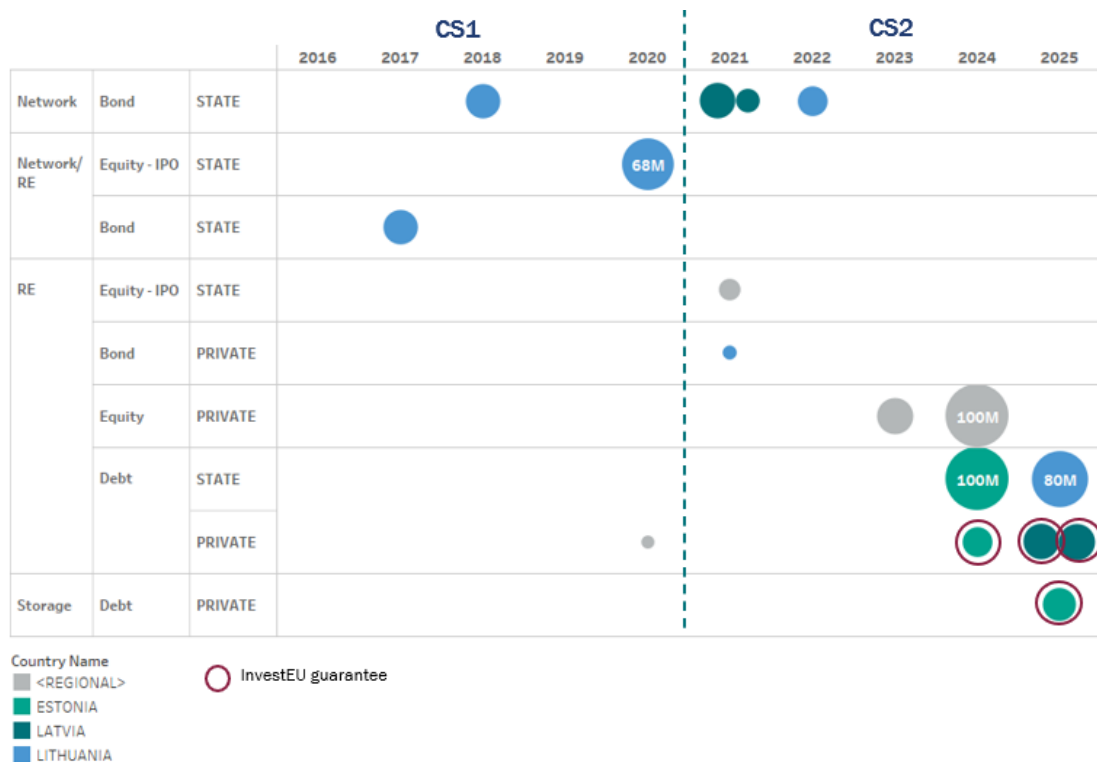
Operational model evolved from state utility capital markets transactions to project finance accompanied by geographic diversification, with investment concentration in 2024-2025

The operational model in energy evolved across the evaluation period, from capital markets transactions with state utilities to more geographically diversified engagement combining private sector equity, debt project finance for RE installations, and deployment of blended finance mechanisms. The first strategic period established a narrow operational focus through bonds and IPO participation with Lithuanian state utility Lietuvos/Ignitis, accounting for nearly all Energy investment during 2016-2020. The second strategic period brought substantial diversification across multiple dimensions: geographic distribution achieved relative balance with Lithuania, Estonia, and Latvia each receiving meaningful share of the investment; counterparty

diversity expanded to include private renewable developers alongside state utilities; and transaction structures shifted from capital market issuances toward project-level debt and private equity financing supporting renewable energy installations. This diversification was accompanied by the introduction of concessional finance, with all private sector debt operations in the second strategic period utilising InvestEU guarantee mechanism. (Figure 19)

While the country strategies for the Baltic states referenced prospective policy work in the energy sector, particularly regarding offshore wind regulation in Estonia, formal policy dialogue remained limited during the two strategic periods under review. Given that renewable energy projects in the region were largely commercial in nature and operated within the established EU regulatory framework for renewable energy development, there was limited scope for policy intervention at the country or regional level. Estonia's country strategies for both periods included reference to the regulatory framework for renewable energy, with offshore wind specifically mentioned in the second period. The renewable energy support mechanisms in the region provide relatively minimal financial support, reflecting the fact that the investment case for renewable energy in these markets does not rely heavily on subsidy mechanisms. Engagement on offshore wind regulation did not materialise, largely due to delays in offshore project development timelines that extended beyond the strategic periods. Consequently, policy engagement has remained relatively informal and exploratory, focusing on forward-looking opportunities such as the exploration of a technology-neutral scheme leveraging IFI financing.

Figure 19: Energy sector operations by use of proceeds, instrument and portfolio class, 2016-2025



The figure illustrates the key developments in the Energy sector operations over the two strategic periods:

- **Operations were heavily concentrated in the post-2022 period:** The ABI of the second strategic period was nearly four times larger than the ABI of the first strategic period (CS1)

€132m; CS2: €515m). The ABI of the two most recent years (2024-25) represented over 60% of the overall ABI of the ten-year period.

- **Operations were concentrated geographically:** In the first strategic period, investments were almost exclusively implemented in Lithuania (€128m of €132m Energy ABI). With more geographic diversification in the second strategic period, Lithuania's Energy ABI was 50% over both strategic periods, with Estonia and Latvia at 25% each (€323m, €163m, €161m – ABI of regional projects distributed per country shares).
- **Operations pre-2022 were largely based in capital markets transactions with state utilities or transmission system operators** – bonds (Lietuvos, Latvenergo, AST, EPSO-G) and IPOs (Ignitis, Enefit Green).
- **Post-2022 operations shifted toward private sector equity** (Sunly, Green Genius), and **project-based RE installation debt financing** in both state (Enefit Wind, Kelme Wind) and private sectors.
- **All private sector debt operations in the second strategic period were supported with concessional finance** (InvestEU guarantee).

Source: IEvD elaboration based on DTM and project data; size of mark based on Baltics ABI value

Table 3: EBRD strategic priorities in the Energy sector in the Baltic states

	Priority	Objective	Activity
CS 2016			
Latvia, Lithuania	Energy security	Strengthen regional energy market integration through cross-border energy connections and gas pipelines	Boost pan-Baltic transmission and storage capacity by financing interconnectors
Latvia, Lithuania	Energy security	Increasing electricity generation from local, renewable resources and increasing private sector participation	Direct/indirect financing to generating companies using local energy sources, including renewables Latvia Policy: Support for further liberalisation and unbundling in the gas sector
Estonia	Enhancing the resource-efficient use of local energy sources	Diversify energy mix by increasing electricity generation from local, renewable resources	Direct/indirect financing to generating companies using local energy sources, including renewables Policy: regulatory framework for renewable energy
CS 2021			
Latvia, Lithuania, Estonia	Green Economy Transition	Reduced GHG emission , increased renewable energy	Support development of renewable energy Estonia: policy engagement incl. auction system for offshore wind

Relevance: Strategic priorities identified energy transition challenges, but parallel capital markets positioning created operational ambiguity

Strategic prioritisation correctly identified the dual imperatives driving Baltic states' energy transitions, but delivery approach showed some misalignment in operational response

EBRD's country strategies appropriately recognised that decarbonisation and energy security, while shared imperatives, manifested through fundamentally different starting conditions requiring differentiated responses. The 2016 diagnostics accurately identified Estonia's decarbonisation challenge from oil shale dependence, Latvia's underdeveloped renewable sectors beyond hydropower, and Lithuania's post-Ignalina vulnerability requiring renewable deployment at scale. The strategic framing reflected these distinctions: Latvia and Lithuania strategies prioritised energy security through regional market integration and local renewable generation, while Estonia focused on resource-efficient use of local sources and diversification away from oil shale. By 2021, the objectives converged on GHG reduction and renewable energy generation, reflecting matured interconnection infrastructure and intensified EU decarbonisation priorities under REPowerEU.

The operational portfolio shows misalignment between strategic assessments and objectives and actual investment deployment, particularly during the first strategic period. Direct Energy sector investment totalled only €132 million over five years across the three countries in the first period, compared to €515 million in the second period (incl. 2025). In the first strategic period the investment was highly concentrated: €128 million was implemented in Lithuania through Lietuvos/Ignitis green bonds and IPO; there was no investment in Latvia. Estonia, facing the most urgent decarbonisation challenge, only received the first significant renewable investment in 2023 with Sunly equity, nearly a decade after announcing oil shale phase-out plans. The majority of renewable capacity investments in all three countries occurred in 2023-2025 despite being an explicit objective in both strategic periods, suggesting somewhat reactive rather than proactive engagement with the identified transition objectives. (Figure 19)

This reflects an operational model prioritising capital market transaction opportunities over systematic addressing of identified energy transition objectives. This tension is inherent in the dual strategic positioning of these operations. The initial concentration of the portfolio in state utility bond participations and the Ignitis and Enefit IPOs served important capital markets development objectives, where transaction timing necessarily follows issuer readiness rather than strategic priority sequencing. However, this dual framing meant the operational delivery was substantially determined by state utility capital raising schedules.

The disconnect between strategic objectives and operational delivery was also evident in the 2016 regional market integration objective for Latvia and Lithuania, which failed to materialise in actual investments. Both countries' 2016 strategies included the objective of energy security operationalised through "*regional market integration [...] by financing interconnectors*" However, EBRD's first energy investment in Lithuania under this strategy, the 2017 Lietuvos Energija GB, already called this need into question. The project document stated that "*Lithuania is well interconnected to neighbour countries, not only among Baltic countries but also to Poland. [...] These cross-border interconnections help Lithuania to liberalize the market and increase liquidity in the market.*"^{xvii} The one investment nominally aligned with the interconnector objective, Latvia's 2021 AST green bond, did not materialise. While AST is Latvia's transmission system operator and the GB framework included provisions for interconnector investments, only the

tranche refinancing existing electricity transmission assets was actually issued, with EBRD participation. The removal of the regional market integration objective from both countries' 2021 strategies, with energy sector priorities shifting exclusively to renewable energy generation, implicitly acknowledged that financing TSO infrastructure for regional market integration was not EBRD's primary operational space.

The framing of energy operations as serving both energy transition and capital markets objectives appropriately recognised Baltic context, but the dual positioning created some ambiguity about operational priorities

EBRD's approach appropriately recognised that energy transition financing in the Baltics required simultaneous development of capital markets, given the dominance of state utilities and limited depth of sustainable infrastructure financing. The participation in state utility green/sustainable bond programs (Lietuvos, Latvenergo, EPSO-G) and IPOs (Ignitis, Enefit Green) explicitly served dual objectives: financing grid and renewable energy projects while advancing the stated projects' objective of local capital market development. This cross-cutting framing showed strategic coherence and appropriate recognition of the Baltic context where capital market development and energy transition were mutually reinforcing. The 2021 country strategies formalised this approach with the objective of "*deepened and diversified debt and equity capital markets*" including activities to "*grow investor and issuer base through financing and introduction of new and green instruments*" and to "*explore further opportunities to support and invest in IPOs, including SOEs (e.g. energy sector).*" The dual positioning reflected a legitimate assessment that meaningful energy transition would require not only project-level financing but also fundamental strengthening of the capital markets infrastructure through which such projects could be funded at scale.

However, this dual strategic positioning created ambiguity about whether EBRD was systematically addressing the most critical energy transition gaps or opportunistically participating in capital market transactions that happened to be in the energy sector. According to internal interviews, the concentration on capital market instruments and state utility issuances during 2016-2021 reflected actual market conditions, when the renewable energy landscape consisted of numerous small-scale developers able to access financing through local commercial banks, suggesting limited EBRD additionality in that segment. The limited operational delivery on renewable generation objectives until market structures fundamentally shifted post-2022, when private developers faced capital flight and technology risk barriers that local banks could no longer absorb, reinforces this pattern of EBRD gravitating toward available capital market opportunities rather than the renewable generation priorities articulated in the strategies.

This operational pattern indicates a gap in the diagnostics and specification of strategic objectives. If the primary operational opportunity lay in capital markets development through state utility transactions, then the prominent articulation of renewable energy generation objectives across all three countries suggests the strategies prioritised alignment with national transition aspirations without fully integrating assessment of where EBRD could realistically provide value beyond existing market actors. The tension between stated strategic priorities and actual operational opportunity space indicates that the strategies may have defined objectives based on policy alignment rather than rigorous diagnosis of market gaps where EBRD's intervention would be genuinely additional.

Going forward, the intended relationship between energy sector engagement and capital markets development objectives could benefit from more explicit specification, particularly as the operational model has evolved substantially since 2022. Interview evidence from state utilities suggests they view EBRD primarily as a reliable capital provider rather than as a catalyst

for transformational market development. The operational shift post-2022 toward private sector debt and equity (Sunly, Green Genius) and project-level financing even with state utilities (Enefit Wind, Kelme Wind, debt in consortium with commercial banks) suggests implicit recognition that continued anchor participation in state utility capital raising may have exhausted its strategic relevance. This interpretation is corroborated by EBRD's non-participation in Latvenergo's recent substantial green bond issuance, which was significantly oversubscribed, indicating that state utilities can access capital markets independently at scale. If capital markets development through energy sector engagement remains a strategic priority, the evolution away from state utility anchor investments toward private sector and project finance suggests a more targeted approach to addressing remaining market gaps.

The intensified post-2022 operational focus on merchant renewable projects and private sector equity appropriately responded to the altered risk environment

EBRD's operational response following Russia's invasion of Ukraine demonstrated alignment with the dramatically heightened energy security imperative and the altered risk environment facing the region. The banking team's articulated operational shift toward renewable energy deployment especially large-scale projects difficult to finance without IFIs, market-based projects and challenging technologies, and private sector equity raise, directly addressed the needs created by the crisis. The acceleration was substantial: direct energy sector investment increased more than two-fold from 2023 onward compared to the entire 2016-2022 period. This reflected context responsiveness and willingness to deploy capital at scale when strategic urgency aligned with client demand. The focus on merchant projects without government support schemes or PPAs and standalone battery storage represented a meaningful evolution toward more challenging risk profiles that matched the market's needs during a period of capital scarcity and heightened geopolitical uncertainty.

However, this acceleration also raises questions about whether earlier engagement with emerging private developers could have established stronger foundations for the rapid scaling post-2022. During 2016-2020, when the renewable energy landscape was characterised by a large number of small sized developments financed by local commercial banks, EBRD concentrated its engagement on state utility capital market transactions rather than working with developers or independent power producers facing capital constraints that might have warranted support. The rationale that local banks adequately served this segment was reasonable given prevailing market conditions, but the subsequent market evolution suggests this assessment may have been static rather than forward-looking. By 2024-2025, interview evidence indicates the private developer market showed signs of saturation and consolidation, with many developers seeking exits and facing difficulty attracting capital for new projects. Developers described a shift in business models from develop-and-sell strategies to becoming integrated independent power producers with cross-border operations, representing market maturation that had largely occurred without significant EBRD engagement during the formative phase.

Additionality: Financial additionality shifted from declining anchor role to crisis-driven equity and project finance, supported by blended mechanisms, with non-financial value in governance and standards

Financial additionality during 2016-2021 derived primarily from anchor investor credibility in state utility capital market transactions, providing confidence and broadening investor base

EBRD's anchor participation in state utility green bonds and IPOs during 2016-2021 played a demonstrable role in facilitating first-of-kind capital market transactions and attracting institutional investors to Baltic energy issuances. The 2017-2018 Lietuvos² green bonds represented the largest green bond from a corporate issuer in the region, with the issuer emphasising that EBRD's participation provided critical comfort during the preparation phase when transaction success remained uncertain. The value of early commitment was particularly evident in the 2020 Ignitis IPO, which required substantial investor outreach and was not heavily oversubscribed relative to the preceding green bond issuances. Interview evidence indicates EBRD's early-phase commitment was instrumental when building the investor book, with the issuer characterising EBRD's role as a defining factor in the transaction's success. Similarly, Latvenergo's green bond programme benefited from EBRD's active early bid submission, which helped attract additional investors and supported the issuer's confidence in accessing capital markets during a period when such transactions were less routine for Baltic utilities. This credibility function addressed a genuine market gap, when institutional investor familiarity with Baltic sustainable infrastructure issuances remained limited and execution risk was higher.

Clients acknowledged that EBRD's financial additionality was declining during this period as market conditions improved and institutional appetite for Baltic utility issuances strengthened. The improving market environment was reflected in transaction outcomes: Latvenergo's 2021 green bond first tranche registered heavy oversubscription, resulting EBRD to scale its participation down to only €3m. Clients noted that financing was becoming easier to attract through the period leading up to 2022, indicating that the anchor investor function was losing its criticality as Baltic utilities established track records and investor familiarity increased. The modest overall Energy investment volumes during this period (€132m total across all three countries over the first strategic period) suggest limited operational opportunity for financial additionality beyond the capital markets anchor function.

Post-2022 geopolitical shock created renewed financial additionality across multiple mechanisms, reversing the declining pre-war additionality trend

The Russian invasion of Ukraine altered investor risk perception and capital availability, creating renewed financial additionality that reversed the declining trend of the previous period. Client interviews consistently emphasised that the geopolitical shock created financing conditions where transactions that would have been straightforward in the pre-war period became impossible or prohibitively expensive without IFI participation. Issuers characterised EBRD's role as shifting to being crucial for major energy programmes, with some noting that current transactions would not be possible without such support. Even for established state utilities with proven capital market access, the altered environment increased financing challenges.

² Lietuvos Energija changed its name to Ignitis Group (Ignitis Grupė) in 2019

Latvenergo's experience illustrates this shift: the 2021 green bond first tranche achieved substantial oversubscription (5x) requiring EBRD to scale participation to only €3 million, while the 2022 and 2023 tranches were much less oversubscribed (1.6x, 1.3x) and required larger EBRD participation. Similarly, the EPSO-G sustainable bond in 2022 faced insufficient demand requiring a scale down of the intended issuance volume (from €135m to €75m), which still was not oversubscribed, resulting in EBRD becoming the largest investor in the bond (30%).

EBRD's financial additionality manifested through distinct mechanisms addressing different dimensions of the post-2022 financing gap, with direct equity provision emerging as particularly additional. Private renewable developers reported that equity raise became essential when attempts to raise bonds in Scandinavian markets failed despite established company track records and operational assets. For projects approaching ready-to-build status, the risk profile exceeded what bond investors would accept, while equity investors could accommodate the development risk and merchant revenue exposure. Interview evidence indicates that geopolitical conditions made alternative equity capital either unavailable or available only on terms that would not support business plans. EBRD direct equity was seen as a source of capital providing both reliability and acceptable pricing during the crisis period, as developers sought institutional investors that could provide security amid regional uncertainty.

EBRD's lending capacity addressed binding constraints from commercial bank obligor limits and conservative lending approaches that became increasingly restrictive as project scale increased and merchant revenue structures became more prevalent. Private developers reported reaching limits with commercial banks that had previously provided financing but maintained conservative exposure management, requiring escalation to parent institutions in Scandinavia and facing tightened constraints on individual obligor exposure. The combination of larger project scale and the conservative approach of commercial banks meant that individual bank capacity became insufficient without syndication involving IFIs. In some cases, commercial banks required IFI participation as a condition for their own involvement, with developers noting they could not raise necessary syndicates independently. The revenue uncertainty created by merchant project structures without long-term power purchase agreements (PPAs), increasingly common in the Baltic context, exceeded the risk appetite that commercial banks would accommodate. The evolution toward larger-scale projects and merchant structures, created clear financial additionality space for EBRD lending.

Equity investments in private renewable unlocked debt mobilisation capacity, addressing capital structure constraints

EBRD's minority equity stakes in private renewable developers generated financial additionality extending beyond the immediate equity provision to enabling subsequent debt mobilisation that would not have been achievable without the strengthened capital structure. The equity investments in Green Genius and Sunly facilitated substantial debt capacity, with Green Genius new debt for renewable energy development in the Baltics and Poland following the EBRD equity investment. This multiplier effect proved particularly important as developers evolved from develop-and-sell business models to becoming integrated independent power producers requiring substantial balance sheet capacity to hold operating assets and manage merchant revenue exposure. The transaction structure and timing flexibility also represented important additionality: alternative structures that other IFIs preferred, such as investment through funds, would not have been suitable for the required transaction timeline or the developers' operational needs for direct balance sheet strengthening. For the Sunly equity raise in 2024, EBRD represented the viable option for expanding the shareholder base when the existing infrastructure fund investor was unwilling to increase its stake at prices the company considered reasonable beyond proportional

participation, and smaller existing shareholders lacked financial capacity for meaningful additional investment.

Increased use of blended finance mechanisms post-2022 enabled engagement with merchant-based renewable projects and nascent technologies

All private portfolio debt operations in the second strategic period were subsidised with concessional funds. All private portfolio debt projects were supported by InvestEU first loss guarantee.³ As noted earlier, the operational pattern in Energy substantially evolved from state utility capital market based transactions to increasingly focus on private sector and/or project debt finance in the most recent years. This shift was accompanied by intensified use of blended finance, with the EBRD InvestEU Framework for Sustainable Transition⁴ having been utilised to support credit enhancement of these operations.

The intensified use of blended finance mechanisms in 2024-2025 energy operations enabled engagement with merchant-based renewable projects and nascent storage technologies. The battery storage project represented the highest risk given limited operational precedent and revenue volatility without long-term offtake agreements. The renewable energy projects occupied a less exposed position on the risk spectrum, featuring established developers but operating on fully or substantially merchant basis without power purchase agreement coverage that would provide contracted revenue certainty.

For battery storage, blended finance addressed a genuine market gap where revenue volatility and lack of operational precedent exceeded what commercial project finance could accommodate, enabling demonstration financing with infrastructure fund co-financiers. The InvestEU first-loss guarantee coverage on the BSP battery storage project proved instrumental in structuring a transaction with private fund co-financing rather than commercial banks, supporting a new asset class where absence of long-term offtake agreements and limited performance data created challenges beyond commercial bank appetite. The demonstration expectation is that successful project performance will enable subsequent battery projects to access commercial bank financing in the future.

Box 1: From synchronisation to stability: the Baltics' balancing capacity imperative

The Baltic grid's 2025 synchronisation with Continental Europe created an urgent, structural need for balancing capacity. With Estonia, Latvia and Lithuania now managing frequency independently, the region must counter sharper, faster deviations driven by renewable growth and cross-border power flows. The policy shift elevates balancing capacity (reserves that stabilise the system) to strategic infrastructure underpinning security of supply across all three countries.

The Baltic states procure balancing capacity jointly, and grid-scale batteries are the most effective assets to deliver it. A unified day-ahead market (Baltic Balancing Capacity Market, BBCM) now sources reserves across the region. Grid-scale batteries have emerged as the most effective technology to meet this need, responding near-instantaneously while stacking multiple grid services without emissions. However, deployment remains in early stages with pioneering projects like Sunly's frequency-response units^{xxviii} demonstrating the potential for scalable delivery as system requirements intensify.

IFIs are catalysing first-of-a-kind, revenue-backed financing of storage project that addresses the balancing gap. EBRD alongside NIB and Edmond de Rothschild AM supported the Baltic Storage Platform (BSP) with €85.6 m financing, including InvestEU first-loss risk cover, marking the Baltics' first project financing built solely on storage revenues. The project is developed on a merchant basis, without reliance on government support schemes demonstrating the commercial viability and scalability of storage in the

³ 54611 Pihlaka Solar, Estonia; 55565 BSP Battery Energy Storage, Estonia; 55542 Sunly Solar, Latvia; 56214 Simpson WPP, Latvia
⁴ 54197 EBRD InvestEU Framework for Sustainable Transition BDS22-226

Box 1: From synchronisation to stability: the Baltics' balancing capacity imperative

region. The financing will support two projects located in Estonia. With a combined capacity of 200 MW of power and 400 MWh of storage capacity, Hertz 1 and Hertz 2 will form one of the largest battery complexes in continental Europe.^{xxix}

For merchant renewable projects, the guarantee deployment appears driven more by internal risk appetite constraints than by absolute unavailability of commercial financing. These projects successfully attracted commercial bank participation on commercial terms, indicating the transactions achieved bankable structures with co-lenders willing to finance without guarantee coverage. The guarantee utilisation therefore appears to have filled the overall financing gap created by project scale exceeding commercial bank capacity, with IFIs requiring credit enhancement to participate in these syndications. While merchant exposure without PPAs represents higher risk than contracted revenue structures, the question remains whether this risk profile requires concessional support in EU member countries and advanced transition economies where EBRD historically operated on commercial terms, or whether institutional risk appetites have become more conservative relative to evolving market structures that strategies identified as necessary for energy transition acceleration.

Non-financial additionality concentrated in governance structuring for IPOs and ESG standards for project finance, with clients differentiating EBRD's engagement model from other IFIs

EBRD's non-financial additionality manifested most substantively in governance frameworks supporting state utility IPOs and the application of enhanced ESG standards. For the Ignitis IPO, EBRD's contribution extended to helping frame governance structures that would attract international investors, including establishing requirements for independent directors on the supervisory board that became part of the company's governance framework. The governance engagement continued beyond the transaction itself, with EBRD supporting stakeholder mobilisation when post-IPO regulatory changes threatened to undermine investor confidence. In project finance transactions, environmental standards setting demonstrated additionality: the Kelme Wind project implemented advanced bird collision prevention technology and adopted international best practice distance standards that exceeded local requirements. Solar projects incorporated extended supply chain due diligence, with clients implementing supply chain management provisions as financing conditions. Clients acknowledged that environmental assessments, while at times perceived as burdensome in process terms, ultimately generated valuable inputs that improved project design and risk management.

EBRD's non-financial additionality in governance and standards setting was more pronounced in deeper forms of engagement, such as equity investments and pre-IPO support. The concentration of reported non-financial value in transactions involving equity stakes or project finance engagement suggests that additionality mechanisms depend on governance rights and sustained involvement rather than being achievable through bond anchor participation alone. Contributions in bond transactions were predominantly focused on early bid submission and signalling effects to support investor confidence during capital raising, rather than on shaping governance frameworks or introducing new market standards. Stronger non-financial additionality in governance and standard setting was delivered in more in-depth forms of engagement, such as equity investments or pre-IPO support, where EBRD was able to engage more closely with clients on institutional reforms, disclosure practices, and strategic alignment with international standards.

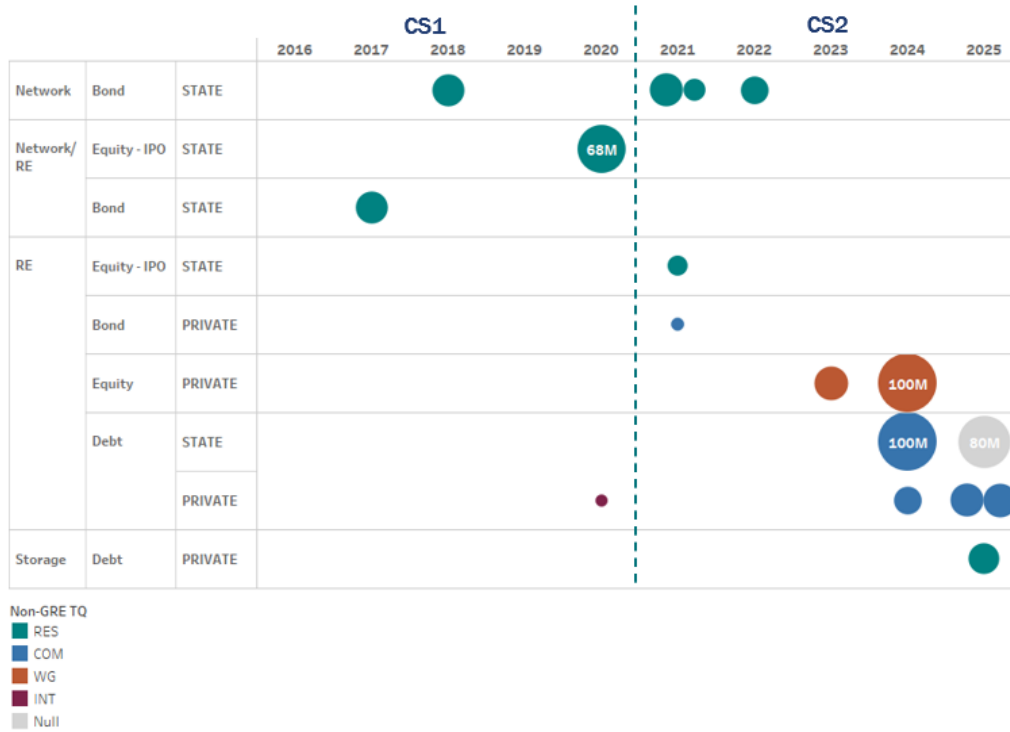
Clients consistently differentiated EBRD from other IFIs on the basis of engagement model, responsiveness, and value-add balance, though assessments varied on whether stricter requirements represented appropriate rigour or excessive process. Multiple clients characterised EIB and NIB as operating primarily as classic lenders providing funding, contrasting this with EBRD's more active engagement approach that provided guidance on navigating regulatory challenges, stakeholder management, and identifying opportunities. The responsiveness dimension proved particularly valued: clients emphasised the ability to engage directly with EBRD on strategic challenges, including political risks, regulatory framework changes following IPOs, and managing stakeholder relationships through challenging policy environments. However, the stricter due diligence and decision-making processes that distinguished EBRD from other IFIs also created longer transaction timelines and more extensive documentation requirements. One utility noted that NIB was prepared to invest based on documentation that EBRD required additional process to accept, suggesting variation in standards application. The perception of some clients that EBRD's ESG requirements impose competitive disadvantages through added costs, while accepted as part of working with the Bank, indicates occasional tension between standards-setting objectives and client operational priorities.

Results: EBRD's energy engagement contributed to renewable deployment, capital-market development, and client-level governance, with uneven and still-maturing transition effects

Evolving transition objectives reflect operational shifts though recent investment concentration constrains systemic outcome assessment

The evolution in operational model was accompanied by corresponding shift in transition results expectations beyond the universal Green objective, reflecting the progression from capital markets development to merchant-based renewable deployment and governance enhancement. Operations during 2016-2021 were overwhelmingly associated with Resilient as the complementary TQ, reflecting their structure as capital market transactions centred on developing local financing capacity and diversifying funding sources. The post-2022 shift toward private sector engagement and state debt brought differentiated TQ frameworks: equity investments in renewable developers targeted Well-Governed, emphasising corporate governance improvements and ESG standards implementation, while project finance for renewable energy installations was associated with Competitive, linked to their merchant-based revenue structures. The battery storage investment represented a distinct framing, prioritising Resilient through its contribution to grid stability and the emerging Baltic Balancing Capacity Market, despite also operating on fully merchant revenue basis that could equally justify Competitive positioning. (Figure 20)

Figure 20: Transition Quality complementary to Green in Energy operations, 2016-2025



The figure illustrates the **distribution of Transition Qualities in Energy operations** over the two strategic periods:

- **All operations targeted TQ Green**, most commonly as the primary transition quality
- **Operations prior to 2022 were overwhelmingly associated with TQ Resilient** as the complementary transition quality, reflecting capital market transactions and associated objectives in local capital markets development
- **Post-2022 operations in private equity targeted TQ Well-Governed**, while **project finance for renewable energy installations was associated with TQ Competitive**, linked to merchant-based revenue structures
- **The battery storage investment targeted TQ Resilient** as secondary, linked to energy grid stability

Source: IEvD elaboration based on DTM and project data; size of mark based on Baltics ABI value

Investment concentration in the final two years of the evaluation period shapes expectations for transition results and systemic change, as insufficient time has elapsed for market-level outcomes to materialise from recent operational acceleration. The concentration of over 60% of total Energy sector investment in 2024-2025, following low to moderate engagement pre-2022, means the bulk of EBRD's operational contribution occurred too recently for systemic/market impacts to have been achieved. This temporal distribution reflects the post-2022 shift in additionality, strategic urgency and operational model as discussed above, but it also constrains the ability to assess whether investments generated intended systemic market transformation, demonstration effects, or sustained changes in investor or commercial bank behaviour and institutional practices. The evaluation period captures investment inputs and initial implementation, together with client level results in some cases, but systemic outcomes such as commercial market replication of merchant project structures, institutional investor appetite

evolution, or sectoral governance practice changes require longer time horizons than the timeline allows.

EBRD-supported renewable energy capacity additions contributed meaningfully to national deployment trajectories, with particularly significant scale relative to market size in Latvia

Increasing renewable electricity generation capacity represented a consistent strategic objective across both country strategy periods. The 2016 strategies aimed to increase local RE generation capacity as a contribution to the objectives of energy mix diversification (Estonia) and energy security (Latvia, Lithuania), while the 2021 strategies consolidated around green transition and decarbonisation objective by increasing renewable energy share. This continuity in strategic framing provides a clear basis for assessing EBRD's contribution to national renewable deployment trajectories, though the operational concentration in the final years of the evaluation period means most capacity additions remain under construction or recently commissioned.

Estonia has undertaken the most dramatic energy transition among the Baltic states, pivoting away from heavy oil shale dependence that characterised its electricity sector in 2016, though this transformation has been achieved more through production decline than full renewable substitution. Between 2016 and 2024, renewable electricity generation more than tripled from 639 GWh to 2,199 GWh, driven primarily by a remarkable solar surge from near zero to 1,005 GWh, and wind expansion (from 594 GWh to 1,164 GWh). However, this renewable buildout replaced only a fraction of the substantial oil shale phase-out, with coal-fired generation collapsing from 10,188 GWh in 2016 to 1,916 GWh in 2024. The resulting gap transformed Estonia from a net exporter of 2,037 GWh in 2016 to a net importer of 2,897 GWh by 2024, as total domestic production fell by more than half to 5,489 GWh.

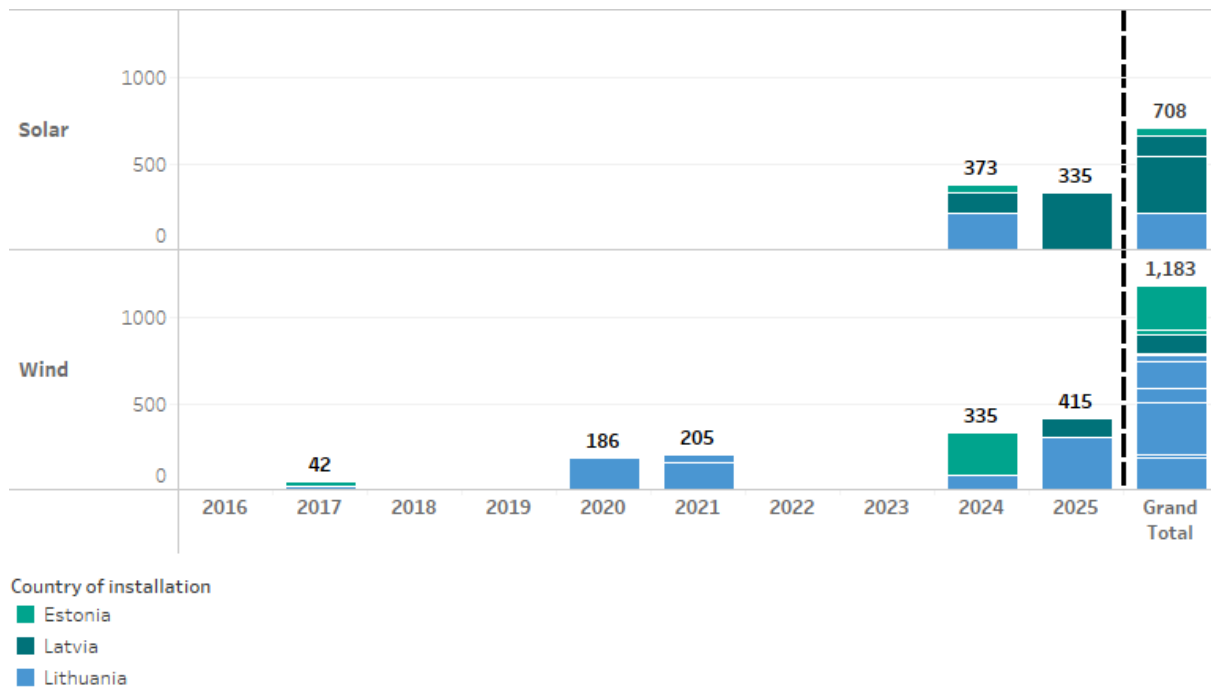
Lithuania has pursued the most aggressive renewable deployment trajectory, effectively rebuilding its electricity sector following the 2009 closure of the Ignalina nuclear plant. Wind capacity has driven this transformation, with generation nearly tripling from 1,136 GWh in 2016 to 3,448 GWh in 2024. The pace accelerated markedly after 2022, with total electricity production surging 69% in just two years from 4,783 GWh to 8,092 GWh. This renewable-led production growth has materially improved Lithuania's trade position, reducing net imports from 8,275 GWh in 2016 to 5,403 GWh in 2024, though the country remains the largest net importer among the three states.

Latvia's transition has followed a distinctly different path, building upon an already substantial hydropower base that provided 40% of total generation in 2016. With hydro generation expanding modestly from 2,530 GWh to 3,209 GWh, the country maintained relatively stable total production throughout the period while steadily increasing its renewable share to 76% by 2022. Unlike Estonia and Lithuania, Latvia's deployment of new wind and solar capacity commenced in earnest only post-2022, with solar generation expanding dramatically from just 75 GWh in 2022 to 536 GWh in 2024. Latvia maintains the smallest import dependency in both absolute terms and relative to domestic generation, reflecting the stability advantages of its mature hydropower infrastructure.

EBRD investments during the evaluation period are associated with approximately 1,891 MW of renewable energy capacity across the three countries, though significant attribution caveats apply to these figures. The capacity figures reflect the year of EBRD investment rather than project completion, preventing direct comparison with annual national installation statistics for the same years. More importantly, due to the idiosyncrasies in the GET reporting methodology, the renewable energy capacity associated with EBRD investments is not consistently pro-rated to

reflect EBRD's proportional share of total finance, which can substantially overstate EBRD's direct contribution. This distortion is most pronounced in capital market transactions: for instance, the Enefit Green IPO, where EBRD invested €12m, is associated with 159 MW of installed wind capacity in Lithuania (while the total financing for these projects reported at around €350m). These figures therefore should be interpreted as indicative of EBRD's engagement scope rather than precise contribution measurement. (Figure 21)

Figure 21: RE installed capacity associated with EBRD investments (MW); 2016-2025



Note: Data on installed capacity associated with EBRD investments are taken from the GET database. Year as per EBRD investment (signing), not project completion. Most recent reporting on progress is presented in data annex.

In addition to direct Energy sector investments, the data also incorporates confirmed installed capacity from Taaleri SolarWind equity funds as follows:

- 50958 Taaleri Solarwind Fund II is represented by three confirmed RE investments in the Baltics as per end-2024 fund report (Anykščiai, Rokiškis, Jonava – Lithuania, wind, 186MW total, assigned to 2020 as per EBRD investment).
- 54248 Taaleri SolarWind III Fund is represented by its confirmed contribution to 56214 Simpson WPP project, i.e. the project is included with full 112MW capacity (2025)

The scale of EBRD-associated renewable capacity appears most significant relative to national context in Latvia, where engagement timing and project scale represent substantial additions to a market with delayed wind and solar deployment. The Sunly solar investment alone, supporting 335 MW of capacity from a 2025 signing, represents meaningful scale-up from Latvia's approximately 470 MW of installed solar capacity in 2024. Combined with the Green Genius investment, EBRD investment in Latvia is associated with 456 MW of projected solar capacity, nearly doubling the existing base in a country where solar deployment commenced only post-2022. Similarly, the Simpson Wind project at 112 MW will almost double Latvia's 2024 wind capacity of 128 MW (2024). While Latvia's absolute capacity additions remain modest compared to Estonia and Lithuania, EBRD's proportional engagement represents more substantial participation in a market characterised by later-stage renewable deployment.

In Lithuania and Estonia, EBRD-associated capacity represents meaningful contributions to markets with more established renewable trajectories, though the scale varies between the two countries. In Lithuania, EBRD participation is associated with nearly 800 MW of wind capacity, including the Kelme Wind project at 303 MW, reported in the project document as the largest wind development in the country and the Baltic states. This contributes meaningfully to Lithuania's energy independence trajectory, which reduced electricity imports by approximately 35% between 2022 and 2024 driven largely by renewable generation growth. Estonia's EBRD-associated capacity, though representing the smallest absolute volume across the three countries, includes the Enefit Wind investment at 255 MW, a substantial addition relative to Estonia's 2024 installed wind capacity of 572 MW. This represents nearly 45% expansion of the country's wind generation capacity, contributing to the gradual renewable energy replacement of phased-out oil shale generation.

The operational concentration in 2024-2025 investments, combined with attribution complexities, limits assessment of whether EBRD participation proved transformational. The response to the strategic objective of supporting renewable energy generation remained limited during the first strategic period, with capacity additions concentrated almost entirely in Lithuania, despite articulated objectives across all three countries. Most RE capacity investments materialised only in 2024-25 overall. The post-2022 project finance investments more directly supported specific capacity additions, but the combination of IFI co-financing and concessional guarantees means EBRD represented one financing component among several rather than a singular enabling factor.

Box 2: Energy transition beyond EBRD investment – Ignalina decommissioning

Safe and timely decommissioning at Ignalina Nuclear Power Plant is a cornerstone of Lithuania's energy-sector transition, with the EBRD's management of the Ignalina International Decommissioning Support Fund (IIDSF) enabling critical milestones. Ignalina's two RBMK-1500 units were closed in 2004 and 2009 as part of EU accession commitments; the IIDSF, established in 2001 and managed by EBRD, has mobilised €841 million (with ~96% from the European Commission) to deliver key facilities, notably the interim spent-fuel storage (commissioned 2016) and solid radioactive waste management (industrial operation from 2017). These actions underpin the safe dismantling pathway and reduce radiological risk while preserving regulatory compliance.^{xxx}

EBRD's value added lies in robust procurement governance, dispute-resolution efficiency, and targeted capacity building that accelerated implementation compared with national processes. Evidence from interviews indicates that EBRD's well-structured procurement shortened claims resolution from potential months/years under national procedures to weeks, reduced litigation exposure, and strengthened contractor discipline; systematic steering and responsive communications further improved delivery pace. Capacity-building workshops and hands-on mentoring by the FIDIC engineer contributed to local skills transfer in contract management and technical oversight.

Delivery results show steady progress, with all spent fuel removed and plans in place for the next stage of dismantling. In April 2022, the last fuel was transferred to secure on-site storage, closing a significant decommissioning risk.^{xxxi} International teams were engaged in 2023–2024 to develop the approach for dismantling the reactor cores, and the programme is sequenced toward the 2038 completion target. Interview evidence indicates EBRD will lead the upcoming dismantling contract (around €500 million), coordinating donors, regulators and safety reviews to international standards.

As an instrument of transition, the IIDSF has coupled decommissioning with governance and planning benefits, while earlier energy-sector measures helped bridge security needs during the post-closure period. EBRD's processes have reinforced compliance, transparency and risk management (including coordination with the EC and the State Nuclear Safety Inspectorate), supported integration of international expertise, and contributed to institutional learning in Lithuania's nuclear and energy authorities; IIDSF-supported energy projects prior to 2016 (e.g., planning for LT-PL interconnection and CCGT) provided interim resilience while the economy pivoted away from nuclear baseload. Going forward, the Fund's role remains primarily decommissioning-focused; interview evidence indicates that "Just

Box 2: Energy transition beyond EBRD investment – Ignalina decommissioning

Transition” social measures were handled outside the IIDSF, underscoring the need for complementary instruments alongside technical decommissioning delivery.

EBRD's bond market engagement addressed investable securities gap and supported international investor introduction

EBRD participations in state utility and transmission system operator bond issuances rooted rationale in local capital market underdevelopment. The projects addressed stated needs for investable securities and poor secondary market liquidity through supporting capital raising and achieving local Nasdaq Baltic listings, though some transactions fell short of targeted size or tenor objectives. The bond programme supported predominantly locally listed issuances on Nasdaq exchanges in Vilnius, Riga, and Tallinn, expanding the stock of available instruments for regional investors. These outcomes demonstrate EBRD's capacity to support transaction execution and contribute anchor participation that facilitated primary placement, though the occasional shortfalls to transition benchmarks suggest market appetite was constrained under specific circumstances as discussed in the additionality section.

State utilities have demonstrated increasingly evident capacity to access capital markets independently at scale, achieving several notable transactions without EBRD participation. EBRD-supported transactions included the region's first sizeable corporate green bond (Lietuvos €300m Green Bond in 2017) and first sustainability-linked bond (EPSO-G in 2022), introducing these issuers to international green-focused investors who demonstrate stronger appetite for labelled instruments than domestic Baltic investors prioritising creditworthiness and yield. Subsequent landmark issuances proceeded without EBRD participation: Latvenergo's 2025 EU Green Bond represented the region's first such instrument at €400m with 5x reported oversubscription, while Eesti Energia's 2024 green hybrid bond achieved €400m with 4x reported oversubscription. This suggests EBRD's contribution to attracting international institutional investors, particularly for first-of-a-kind labelled issuances, may represent the most concrete capital markets development outcome. The subsequent ability of issuers to access markets independently indicates this catalytic function has achieved its objective and may no longer represent ongoing additionality.

EBRD facilitation of bond issuances expanded the universe of locally listed securities available to regional institutional investors seeking alternatives to financial sector issuances. Regional pension funds, insurance companies, and other institutional investors gained access to creditworthy, locally listed utility bonds through Nasdaq Baltic exchanges that expanded their investment options beyond banking sector exposures. Secondary market liquidity improvements cannot be fully assessed from available data. These transactions often achieve oversubscription in primary placement and are subsequently held to maturity, reflecting buy-and-hold institutional investor behaviour that characterises Baltic capital markets more broadly. Public exchange information for Nasdaq Baltic Bond List securities indicates limited secondary turnover, consistent with the initial problem statement of poor secondary market liquidity. The capital markets development contribution therefore centres on expanding primary placement capacity and the stock of investable fixed-income instruments rather than transforming secondary market liquidity, representing meaningful progress.

IPO participation supported landmark privatisations that expanded Baltic equity markets, though subsequent renationalisation illustrates sustainability challenges

EBRD's anchor participation in the Ignitis and Enefit Green initial public offerings supported the largest equity issuances in the Baltic region and achieved important capital markets development milestones including index inclusion and dual-market listings. These transactions addressed a capital markets development need in equity markets characterised by limited listed company universe and shallow liquidity, with state-owned utility partial privatisations representing one of few available pathways for expanding the investable equity base. EBRD's anchor investor role provided confidence during the execution phase. However, interview evidence indicates that EBRD's investment through London-listed GDRs rather than domestic shares in the Ignitis transaction may have created unintended signalling effects that directed capital away from the Lithuanian equity market, partially undermining local capital markets development objectives.

Both IPOs achieved materially lower free floats than initially targeted, limiting the depth of liquidity creation, and the subsequent renationalisation of Enefit Green in 2025 reversed the capital markets development outcomes. The Ignitis IPO raised €450 million against an expected €500-600 million range, achieving 26.92% free float, while Enefit Green's offering settled at €100 million with 22.8% free float against initial expectations of 49% free float. The Enefit Green renationalisation in 2025, driven by commercial rationale of integrating renewable generation with retail supply to compete effectively with fully integrated regional utilities, demonstrates the potential reversibility of capital markets development outcomes dependent on sustained government commitment to partial privatisation despite shifting energy market conditions. Interview evidence indicates the delisting reflected operational imperatives – renewable energy market saturation, price volatility, and the need to hedge merchant exposure through vertical integration, yet the opportunity costs for local equity market development remain substantial.

Box 3: From IPO to re-nationalisation: Sustainability challenge of EBRD's transition outcomes

Enefit Green's 2021 IPO and its 2025 re-nationalisation illustrate the sustainability challenges for Baltic capital markets transition. Enefit Green AS, Eesti Energia's renewables subsidiary, listed on Nasdaq Tallinn in October 2021, with the EBRD participating as an anchor investor in an offering reported as 4× oversubscribed. In April–May 2025, the parent executed a voluntary takeover, followed by a squeeze-out and delisting on 1 August 2025, restoring 100% state ownership and removing a major liquid issuer from the already low-capitalised Baltic equity market.^{xxxii, xxxiii}

The re-nationalisation has reversed the capital-market transition outcomes that underpinned the EBRD's anchor investment at the IPO. The operation's transition rationale emphasised listing on Nasdaq Tallinn's Main List, index eligibility, and improved local market liquidity; those objectives materialised initially but were undone by the 2025 delisting following a full buy-back by the state parent. The sequence, from high-profile admission in October 2021 to squeeze-out, removes a major constituent from an already shallow market and narrows investable Baltic equity supply.

Strategic drivers for re-nationalisation reflected energy-sector integration, market cyclicity, and operational pressures rather than capital market failures per se. The parent's case centred on synergies from combining renewables with dispatchable assets, de-risking revenue through portfolio integration and internal hedging amid price volatility and weaker standalone performance – factors consistently noted in market commentary and company communications during the 2025 takeover process.^{xxxiv} These considerations are valid in the current Baltic energy context, yet they carry opportunity costs for local capital market development.

Despite the strong demand at IPO, the actual free float was materially below expectations, leaving concentrated ownership that facilitated a rapid buy-back. While the offering was reported as four-fold oversubscribed, the floated stake settled at 22.8% versus an initial expectation of 49%, with €100m

Box 3: From IPO to re-nationalisation: Sustainability challenge of EBRD's transition outcomes

primary proceeds. The lower float limited index weight and durable liquidity creation, weakening the resilience of the transition impact once strategic priorities shifted at the group level.

For EBRD, the delisting represents a reversal in intended transition: it removes one of few liquid names from Baltic equity markets and may signal a policy drift toward renationalisation regionally. Market participants cautioned that taking out a large, actively traded issuer would depress liquidity and constrain equity financing channels; ^{xxxv} these concerns are pertinent for sustainability of EBRD's capital markets TI in the Baltics. Recent political signals in Lithuania about exploring a buy-out of minority shareholders in Ignitis Group^{xxxvi} reinforce the risk of a pattern that could erode earlier capital market gains.

Governance improvements delivered at client level through corporate governance action plans and enhanced environmental standards

Pre-IPO engagement with Ignitis and Enefit generated governance improvements aimed at attracting international investors, centred on strengthening supervisory board independence and formalising oversight procedures. The corporate governance action plans expanded independent board representation, established audit and risk committee structures, implemented board evaluation and succession planning processes, and enhanced disclosure standards beyond national requirements. For Ignitis, the supervisory board expanded from three to five independent members with formalised investment policy approval, while Enefit Green established independent audit committee majority and structured performance indicator oversight. Interview evidence indicates these governance improvements proved durable beyond the public market period, with the Enefit Green governance framework retained following the 2025 renationalisation and adopted by the merged entity rather than reverting to legacy parent company practices, suggesting meaningful client-level governance enhancement that survived the reversal of capital markets development outcomes.

The private equity investments in Green Genius and Sunly, adopted corporate governance action plans aligned with international investor expectations. The two projects specifically targeted Well-Governed as transition objectives. The governance improvements encompassed establishment of supervisory boards with EBRD representation, audit and risk committees, internal audit functions, succession planning, and related-party transaction policies intended to position these companies for potential future public market access. For Sunly, the engagement extended to supply chain management systems addressing forced labour risks and establishing codes of ethics covering corruption and whistleblowing, responding to heightened scrutiny of renewable energy supply chains in solar developments. However, client feedback from private developers suggests that governance compliance costs represent substantial burden relative to company size and capital intensity, with some questioning the proportionality of requirements in OECD member countries with established regulatory frameworks.

Project finance transactions generated environmental standards improvements beyond national regulatory requirements through enhanced due diligence and technology implementation. The Kelme Wind project implemented advanced AI-based bird collision prevention technology exceeding local legislative requirements. All solar projects incorporated extended supply chain due diligence aligned with EBRD policy, with clients implementing supply chain management provisions as financing conditions. These environmental standards applications represent concrete improvements at transaction level, though they also generate cost implications that clients balance against EBRD capital access benefits.

- ⁱ https://energy.ec.europa.eu/news/commission-baltic-states-and-poland-commit-accelerated-baltic-grid-synchronisation-continental-2023-12-19_en
- ⁱⁱ <https://www.atlanticcouncil.org/blogs/new-atlanticist/baltic-states-unplug-from-russias-power-grid-but-moscow-still-looms-over-critical-infrastructure/>
- ⁱⁱⁱ European Network of Transmission System Operators for Electricity; <https://www.entsoe.eu/>
- ^{iv} <https://elering.ee/en/article/baltic-electricity-transmission-system-operators-launch-baltic-balancing-capacity-market>
- ^v <https://www.enefit.com/en/ettevottest/vastutustundlik-energia/keskkond>
- ^{vi} https://www.baltictimes.com/estonia_eesti_energia_to_stop_producing_electricity_from_oil_shale_by_2030/
- ^{vii} https://www.baltictimes.com/estonia_eesti_energia_to_stop_producing_electricity_from_oil_shale_by_2030/
- ^{viii} <https://elering.ee/en/electricity-consumption-and-generation>
- ^{ix} <https://investinestonia.com/estonia-sets-its-sights-on-100-renewable-energy-by-2030/>
- ^x https://commission.europa.eu/system/files/2023-08/Estonia_Draft_Updated_NECP_2021-2030_en_1.pdf
- ^{xi} AST Latvian electricity market overview 2024: <https://www.ast.lv/en/electricity-market-review?year=2024&month=13>; Central Statistical Bureau of Latvia, <https://eng.lsm.lv/article/economy/economy/10.09.2025-latvias-renewable-energy-consumption-has-grown-over-five-years.a613808/>
- ^{xii} AST Latvian electricity market overview 2024: <https://www.ast.lv/en/electricity-market-review?year=2024&month=13>
- ^{xiii} <https://www.em.gov.lv/en/article/latvenergo-concludes-largest-wind-farm-development-deal-lithuania;> <https://latvenergo.lv/en/jaunumi/preses-relizes/relize/national-joint-venture-latvijas-veja-parki-sia-latvias-energy-independence-security-and-stability>
- ^{xiv} <https://view.news.eu.nasdaq.com/view?id=be007c2d89c9caed28d0dd8237fe42a73&lang=en>
- ^{xv} https://commission.europa.eu/publications/latvia-final-updated-necp-2021-2030-submitted-2024_en
- ^{xvi} https://en.wikipedia.org/wiki/Energy_in_Lithuania
- ^{xvii} IEA, "Energy Policy Review Lithuania 2021," https://iea.blob.core.windows.net/assets/4d014034-0f94-409d-bb8f-193e17a81d77/Lithuania_2021_Energy_Policy_Review.pdf
- ^{xviii} REGlobal, "Lithuania Energy Policy Review," July 2025, <https://reglobal.org/lithuania-energy-policy-review/>
- ^{xix} <https://interreg-baltic.eu/project-posts/energy-equilibrium/energy-system-and-storages-infrastructure-in-lithuania/>
- ^{xx} <https://www.iea.org/countries/lithuania>
- ^{xxi} <https://ecfr.eu/article/synch-and-swim-how-escaping-russias-electricity-grid-can-strengthen-baltic-energy-security/>
- ^{xxii} <https://sunly.ee/en/news/sunly-begins-providing-the-fastest-frequency-reserves-in-estonia>
- ^{xxiii} IEA Energy Policy Review Estonia <https://www.iea.org/reports/estonia-2023>;
IEA Energy Policy Review Latvia <https://www.iea.org/reports/latvia-2024>;
IEA Energy Policy Review Lithuania <https://www.iea.org/reports/lithuania-2025>
- ^{xxiv} https://energy.ec.europa.eu/topics/infrastructure/high-level-groups/baltic-energy-market-interconnection-plan_en
- ^{xxv} <https://www.ast.lv/en/events/potential-93-gw-offshore-capacity-baltic-sea-basins>
- ^{xxvi} <https://knowledge.energyinst.org/new-energy-world/article?id=138716>
- ^{xxvii} BDS17-076: Lithuania: Project LEGO
- ^{xxviii} <https://sunly.ee/en/news/sunly-begins-providing-the-fastest-frequency-reserves-in-estonia>
- ^{xxix} <https://www.mirova.com/sites/default/files/2025-10/baltics-storage-platform-en.pdf>
- ^{xxx} <https://www.ebrd.com/home/what-we-do/focus-areas/nuclear-safety/ignalina-international-decommissioning-support-fund.html#>
- ^{xxxi} <https://www.ebrd.com/home/news-and-events/news/2022/last-spent-nuclear-fuel-removed-from-reactors-at-ignalina.html>
- ^{xxxii} <https://list.solar/news/eesti-energia-1/>
- ^{xxxiii} <https://news.err.ee/1608376859/interest-in-enefit-green-shares-crashes-nasdaq-website>
- ^{xxxiv} <https://news.err.ee/1609645454/eesti-energia-launches-voluntary-takeover-bid-of-enefit-green>
- ^{xxxv} <https://news.err.ee/1609645811/investment-banker-delisting-enefit-green-not-good-for-investors>
- ^{xxxvi} <https://www.lrt.lt/en/news-in-english/19/2656720/lithuania-s-incoming-pm-hints-at-gradual-state-buyout-of-ignitis-group-shares>

Energy Data annex

Overview of Energy sector projects

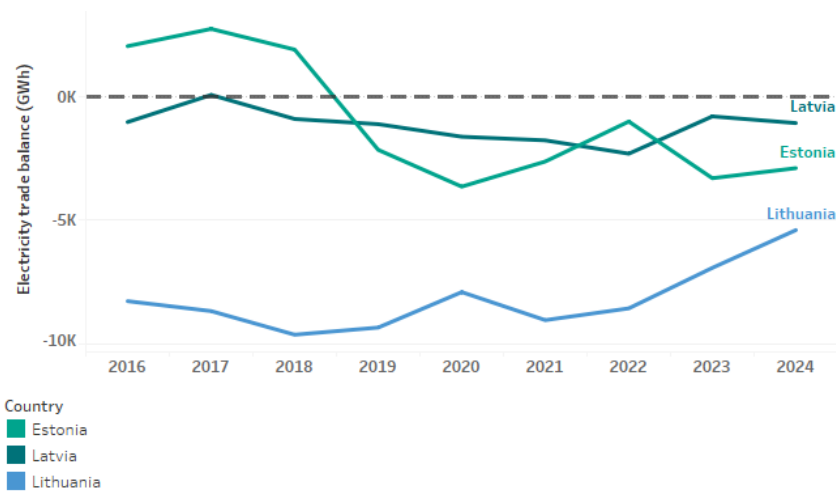
Table 4: Overview of Energy sector operations, 2016-2025

Year Signing	Country	Op Id	Operation Name	Client Name	Instrument	Portfolio Class	ABI split in the Baltics	ABI in the Baltics (€)
2017	LITHUANIA	49433	Lietuvos Energija Green Bond	LIETUVOS ENERGIJA UAB	DEBT	STATE	LITHUANIA	30M
2018	LITHUANIA	50268	Lietuvos Energija Green Bond 2	LIETUVOS ENERGIJA UAB	DEBT	STATE	LITHUANIA	30M
2020	<REGIONAL>	51126	Enefit Green	ENEFIT GREEN AS	DEBT	PRIVATE	ESTONIA	4M
	LITHUANIA	52352	Ignitis Grupe (f.Project Octavia)	IGNITIS GRUPE AB	EQUITY	STATE	LITHUANIA	68M
2021	<REGIONAL>	52137	Enefit Green (f. Project Spring)	ENEFIT GREEN AS	EQUITY	STATE	ESTONIA	1M
							LATVIA	5M
							LITHUANIA	6M
	LATVIA	51879	Latvenergo Green Bond Programme (f. Project Amigos)	LATVENERGO AS	DEBT	STATE	LATVIA	32M
		52822	Project Novus	AUGSTSPRIEGUMA TIKLS AS	DEBT	STATE	LATVIA	14M
LITHUANIA	53271	DFF - AEI green bond (F. DFF - Project Kilimanjaro)	ATSINAUJINANCOS ENERGETIKOS INVESTICIJOS	DEBT	PRIVATE	LITHUANIA	5M	
2022	LITHUANIA	53607	Project Galaxy	EPSO-G UAB	DEBT	STATE	LITHUANIA	23M
2023	<REGIONAL>	53864	Sunly (f. Project Spike)	SUNLY AS	EQUITY	PRIVATE	ESTONIA	8M
							LATVIA	19M
							LITHUANIA	7M
2024	<REGIONAL>	55305	Green Genius (f.Project Stella)	GREEN GENIUS INTERNATIONAL BV	EQUITY	PRIVATE	LATVIA	24M

Year Signing	Country	Op Id	Operation Name	Client Name	Instrument	Portfolio Class	ABI split in the Baltics	ABI in the Baltics (€)
							LITHUANIA	76M
	ESTONIA	54467	Enefit Wind	ENEFIT GREEN AS	DEBT	STATE	ESTONIA	100M
		54611	KC Pihlaka Solar PV	KC SOLAR2 OU	DEBT	PRIVATE	ESTONIA	22M
2025	ESTONIA	55565	BSP Battery Energy Storage	BALTIC STORAGE PLATFORM OU	DEBT	PRIVATE	ESTONIA	28M
	LATVIA	55542	Sunly solar portfolio - Latvia	SUNLY HOLDING 2 SIA	DEBT	PRIVATE	LATVIA	35M
		56214	Simpson WPP	SIA WPR2	DEBT	PRIVATE	LATVIA	32M
	LITHUANIA	55604	Kelme Wind	VEJAS LT UAB	DEBT	STATE	LITHUANIA	80M

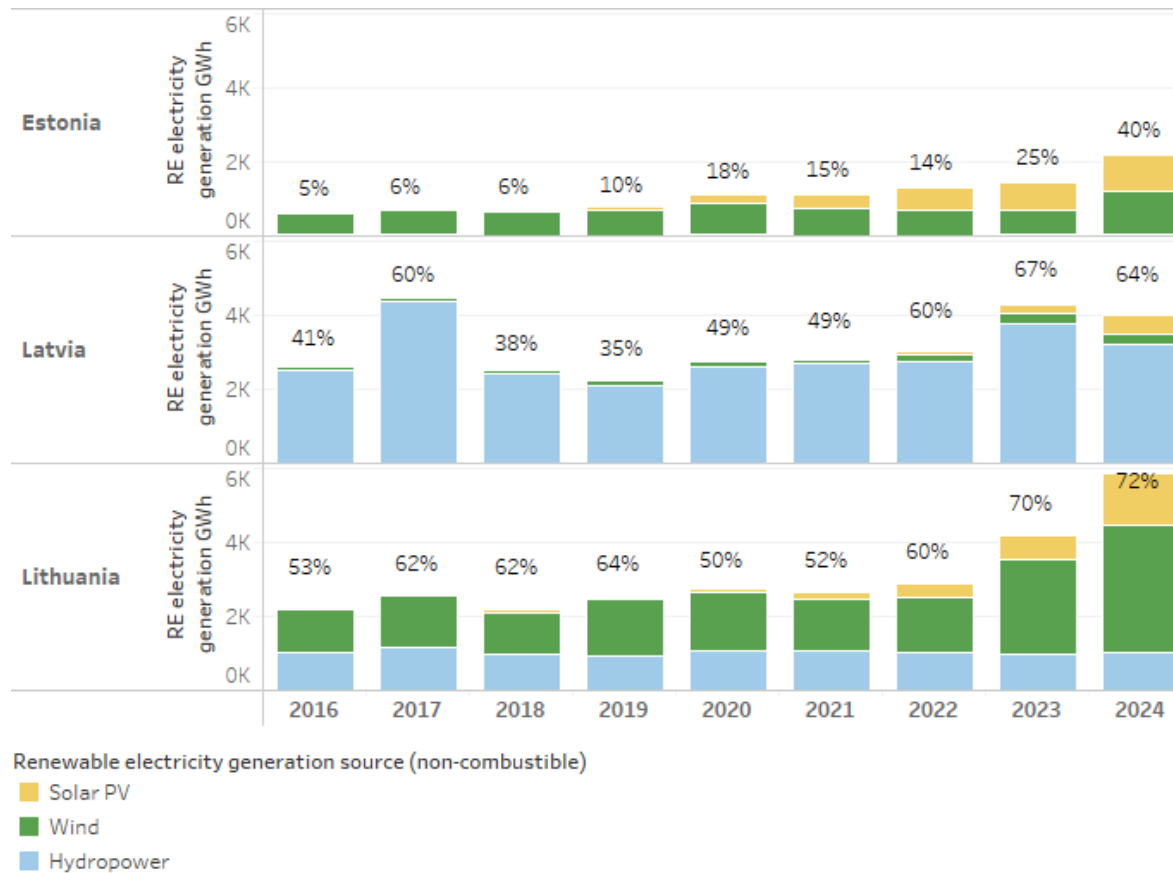
Green transition

Figure 22: Electricity trade balance (GWh), 2016-2024



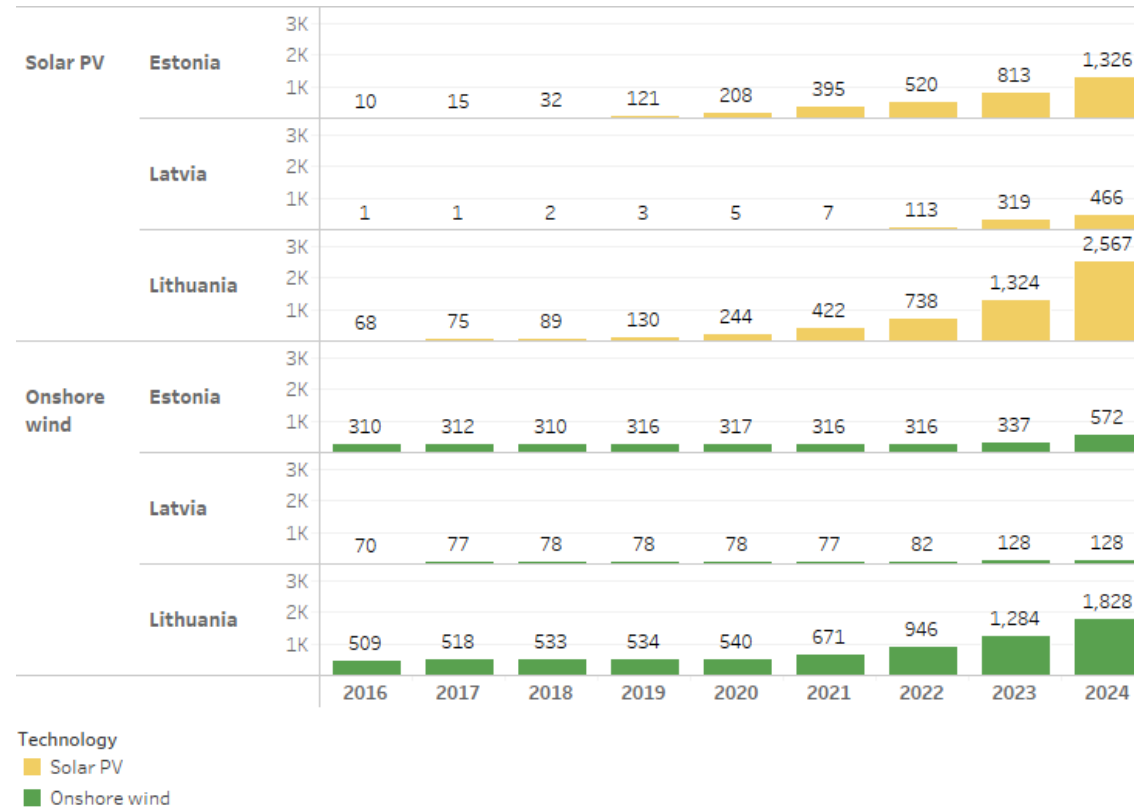
Source of data: International Energy Agency (IEA): <https://www.iea.org/countries>

Figure 23: Renewable electricity generation (MWh) from hydro, solar and wind; share in total country electricity generation (%), 2016-2024



Source of data: International Energy Agency (IEA): <https://www.iea.org/countries>

Figure 24: Solar and Wind installed capacity (MW), 2016-2024



Source of data: International Renewable Energy Agency (IRENA); <https://www.irena.org/Publications/2025/Jul/Renewable-energy-statistics-2025>

Table 5: Green transition – overview of progress on Energy sector projects associated with RE installed capacity

Year of signing – OpID – Country of ABI – Operation name – Instrument – Portfolio class – ABI in Baltics	RE Installation UoP	Country of installation	Technology	[GET db] RE installed capacity (MW) - ex-ante	Reporting
2017 – 49433 – LITHUANIA – Lietuvos Energija Green Bond – Bond – STATE – 30M	EBRD UoP linked to the refinancing of acquired wind farm projects	Lithuania	Wind	18.3	Completed (UoP for refinancing only) (achieved)
		Estonia	Wind	24	Completed (UoP for refinancing only) (achieved)
2020 – 52352 – LITHUANIA – Ignitis Grupe (f.Project Octavia) – Equity/IPO – STATE – 68M	UoP for RE installations not linked to EBRD finance	-	-	-	n/a: Not linked to EBRD finance
2020 – 51126 – <REGIONAL> – Enefit Green – Debt – PRIVATE – 4M	Long-term financing of the construction of 20 greenfield small scale solar PV plants with an aggregate capacity of 19.2 MW	Poland	Solar	18	[TIMS 2023] Out of the initially planned acquisition of 20 PV power plants with total capacity of 19.2MW, 19 PV plants have been acquired; capacity 18.2MW. All fully operational. (achieved)
2021 – 52137 – <REGIONAL> – Enefit Green IPO – Equity/IPO – STATE – 12M	EBRD UoP linked to greenfield wind projects in Lithuania	Lithuania	Wind	159	[TIMS 2024] Due date 2027, will be assessed then.
2021 – 53271 – LITHUANIA – DFF – AEI green bond f. Project Kilimanjaro) – Bond – PRIVATE – 5M	EBRD UoP linked to greenfield wind projects in Lithuania	Lithuania	Wind	46	[TIMS 2025] 3 onshore windfarms (Anykščiai 49.5MW, Jonava 70MW, Rokiškis 66MW); construction of all three windfarms was finalized in 3Q2023 and energized in 4Q2023 (achieved)

Year of signing – OpID – Country of ABI – Operation name – Instrument – Portfolio class – ABI in Baltics	RE Installation UoP	Country of installation	Technology	[GET db] RE installed capacity (MW) - ex-ante	Reporting
2023 – 53864 – <REGIONAL> – Sunly (f. Project Spike) – Equity – PRIVATE – 33M	EBRD UoP linked to additional RE capacity in Poland	Poland	Solar	220	[TIMS 2024] Due 2026 Company has reached 164 MW (of planned 600MW) in operation by end of year 2023.
2024 – 55305 – <REGIONAL> – Green Genius (f. Project Stella) – Equity – PRIVATE – 100M	EBRD UoP linked to financing or refinancing of the development and construction of new green assets	Lithuania	Solar	208	[TIMS 2025] Due 2029 The Team will have an update on the construction progress and implementation at the end of 2025. None of EBRD's invested Projects are yet operational.
		Lithuania	Wind	80	
		Latvia	Solar	121	
		Romania	Solar	28	
2024 – 54611 – ESTONIA – KC Pihlaka Solar PV – Debt – PRIVATE – 22M	EBRD UoP linked to financing of Phase 2 of the project	Estonia	Solar	44	[TIMS 2024] Due 2026 The Project is at an early construction stage and no additional capacity has yet been installed.
2024 – 54467 – ESTONIA – Enefit Wind – Debt – STATE – 100M	EBRD UoP to finance costs related to the development, construction and operation of the Project.	Estonia	Wind	255	[TIMS 2025] Due 2026 The Project reached technical completion in 2025.
2025 – 56214 – LATVIA – Simpson WPP – Debt – PRIVATE – 32M	EBRD UoP is for the costs related to the development, construction and operation of a 112 MW wind power plant	Latvia	Wind	112	<i>Project signed in 2025</i>
2025 – 55542 – LATVIA – Sunly solar portfolio – Latvia – Debt – PRIVATE – 35M	EBRD UoP to finance costs related to the development, construction and operation of the Project.	Latvia	Solar	335	<i>Project signed in 2025</i>
2025 – 55604 – LITHUANIA – Kelme Wind – Debt – STATE – 80M	EBRD UoP on the refinancing of the capex	Lithuania	Wind	303	<i>Project signed in 2025; Construction had been completed, this is refinancing</i>

Table 6: Green transition – overview of progress on Energy sector projects associated with network investments

Year of signing – OpID – Country of ABI – Operation name – Instrument – Portfolio class – ABI in Baltics	Network UoP	[GET db] CO2e Emissions Reduced from distribution efficiency (kt/y) – ex-ante	Reporting
2017 – 49433 – LITHUANIA – Lietuvos Energija Green Bond – Bond – STATE – 30M	UoP for investments in network distribution capex (€100m) not linked to EBRD finance	-	n/a: Not linked to EBRD finance
2018 – 50268 – LITHUANIA – Lietuvos Energija Green Bond 2 – Bond – STATE – 30M	EBRD UoP linked to investments in the electricity distribution network	5	[TIMS 2024] Distribution grid SAIDI reduced from 100 to 87 > not achieved ; SAIDI in 2021 was 201 Distribution grid losses reduced from 6.14% to 5.85% > achieved ; The distribution grid loss was 5.2% in 2021.
2020 – 52352 – LITHUANIA – Ignitis Grupe (f. Project Octavia) – Equity/IPO – STATE – 68M	EBRD UoP linked to investments in the electricity distribution network	18	[TIMS 2025] Achievements of ghg reduction from distribution losses will be assessed after 2022-25 investment programme completed. In 12M2025, technological losses comprised 5% vs 5.4% targeted (target achieved). Smart meters installed comprised 1.2m (target achieved). SAIDI comprised 399 (vs 85 targeted) and SAIFI 1.41 (vs 0.83 targeted) (targets not achieved)
2021 – 51879 – LATVIA – Latvenergo Green Bond Programme (f. Project Amigos) – Bond – STATE – 32M	EBRD UoP linked to investments in the electricity distribution network	19.75	[TIMS2024] The reduction of CO2 emissions resulting from the decrease in distribution losses is around 14kt. (partially achieved) Distribution network losses reduced from 3.73% in 2023 (target 3.7%), Unscheduled SAIDI was 183 in 2023 (target 100; not achieved), unscheduled SAIFI was 2.2 in 2023 (target 1.8; not achieved)
2021 – 52822 – LATVIA – Project Novus [AST] – Bond – STATE – 14M	EBRD UoP to be allocated pro-rata to the two tranches: i) refinance short term loans used to finance the electricity transmission assets transferred from Latvenergo; ii) finance part of the Company's 2021-2030 investment plan	7	The investment tranche of the GB was not eventually issued. [TIMS 2024] Technological losses were at 2.17% in 2023 (target 1.43% not achieved)

Year of signing – OpID – Country of ABI – Operation name – Instrument – Portfolio class – ABI in Baltics	Network UoP	[GET db] CO2e Emissions Reduced from distribution efficiency (kt/y) – ex-ante	Reporting
2022 – 53607 – LITHUANIA – Project Galaxy [EPSO-G] – Bond – STATE – 23M	SLB UoP solely toward general corporate purposes. EBRD UoP to finance electricity grid upgrades.	2.47	[TIMS 2024] <i>Not due yet, on track.</i> GHG emissions from Scope 1 and 2 in 2023, compared with the baseline of 2019 decrease of 12%, and increase by 6% compared to 2022. (Target 50% reduction for the Issuer's overall scope 1 and 2 emissions by 2030; Target Scope 1 reduction by 27.8% by 2026 Target Scope 2 reduction by 29.9% by 2026 vs baseline in 2019)

Local capital market development

Table 7: Local capital market development – overview of delivery on transition benchmarks related to capital markets

Year of Signing – Op Id – Country Name – Operation Name – Instrument – Portfolio Class – ABI in the Baltics	Reporting
2017 – 49433 – LITHUANIA – Lietuvos Energija Green Bond – Bond – STATE – 30M	[TIMS 2019] GB - successful GB issuance achieved ; Subsequent GB from the issuer achieved ; At least another 3 corporate green bond issuance (above EUR 100 million) in EBRD region - not reported but achieved , although 'EBRD region' is not an ambitious benchmark Governance - GB principles achieved ; Reporting on the bond proceeds and environmental impacts in line with GBP - not reported; according to the GB evaluation, good standards of impact reporting on the GBs
2018 – 50268 – LITHUANIA – Lietuvos Energija Green Bond 2 – DEBT – Bond – 30M	[TIMS 2024] The bond is listed on the Luxembourg Stock Exchange with trading rights passported to Nasdaq Vilnius > achieved : The second bond was also listed on Luxembourg Stock Exchange and NASDAQ Vilnius. - Bond issued with a tenor of more than 10 years > not achieved
2020 – 52352 – LITHUANIA – Ignitis Grupe (f. Project Octavia) – Equity - IPO – STATE – 68M	[TIMS 2025] Included in national index > achieved : Client's shares are included in the national index (OMX Vilnius GI) and international index (Baltic Benchmark GI) Increase the company's free-float to at least 25 per cent > achieved ; Total issuance was EUR 450m leading to a free-float of 26.92% The issuance is to be listed on London Stock Exchange and Vilnius Stock Exchange > achieved ; Issuance has been listed in London Stock Exchange and Nasdaq Vilnius

Year of Signing – Op Id – Country Name – Operation Name – Instrument – Portfolio Class – ABI in the Baltics	Reporting
2021 – 51879 – LATVIA – Latvenergo Green Bond Programme (f. Project Amigos) – Bond – STATE – 32M	To be listed in Nasdaq Riga > achieved ; Non-IFI/DFI investors more than at least 70% > achieved ; Total amount of non-IFI/DFI investors participation to Latvenergo's green bonds is EUR 151 million, which is accounting for 76% of total issuance of EUR 200 million (first, second and third issuance). Volume of issue to be larger than the Company's latest issue in 2016 > achieved
2021 – 52137 – <REGIONAL> – Enefit Green (f. Project Spring) – Equity - IPO – STATE – 12M	[TIMS 2024] Market capitalisation - free float to be 49 per cent > not achieved ; the final issuance was determined just before the IPO on the basis of investors' appetite. The size was then fixed at EUR 100 million leading to a free float of 22.8% To be included in NASDAQ Baltic main index > achieved To be listed on Tallinn Stock Exchange > achieved
2021 – 52822 – LATVIA – Project Novus [AST] – Bond – STATE – 14M	[TIMS 2024] To be listed in Nasdaq Riga > achieved ; Percentage of non-IFI/DFI investors more than at least 80% > not achieved ; non-IFI investors invested 68% of total issuance Issuance of EUR 100 million successfully subscribed > achieved
2022 – 53607 – LITHUANIA – Project Galaxy [EPSO-G] – Bond – STATE – 23M	[TIMS 2024] The SLB issuance of at least EUR 100m successfully subscribed for a 5-year tenor > not achieved ; issue of €75m SLB to be listed on Nasdaq Baltic Exchange > achieved

Annex 6. EBRD and Baltic capital markets (2016-24) case study

Part I: EBRD indirect equity investments in Baltic focused PE and VC funds

Key messages

- **EBRD has been a relevant and recognised indirect equity investor/ Limited Partner (LP) in Baltics, but its heft should not be overstated.** Putting its investment volumes in the market context, it has not been among the largest LPs in the region. Equally, the Bank has also not achieved its aspirations.
- **The EBRD focused more on later stage investments e.g. seed/ Series A investments and PE funds focusing on SMEs rather than VC funds targeting early start-ups.** This was consistent with the Bank's strategic approach. It also broadly matched the equity financing gap in the Baltics.
- **Some of EBRD's stated objectives towards Baltic funds may have been hard to reconcile for its indirect equity team e.g. promoting *first-time* funds vs *selectivity*.** On balance, however, it appears that the Bank's prevailing stance was eventually to take less risk rather than more, when it comes to funds' selection.
- **There is solid albeit not entirely consistent evidence of the EBRD being *cornerstone* investor, and little evidence of its role in crowding in *international* institutional LPs.** Otherwise, Bank's financial additionality was generally strong as even established local equity funds continued to face significant challenges in raising capital over 2016-24.
- **EBRD's non-financial additionality came overwhelmingly at *pre-investment* rather than *post-investment* stage.** For instance, in structuring Limited Partner Agreements, especially for funds from earlier vintages lacking experience and exposure to international standards.
- **On the other hand, the role of PE and VC funds (supported by the EBRD) in fostering innovation and the knowledge economy in the three Baltic countries is challenging to gauge.** While equity funds invest by default in the fast-growing, export oriented and innovative companies; complex transition pathways combined with inapt systems used in the Bank to define the key causal pathways and relevant results' metrics to assess the progress, all make assessment of the impact problematic. As *Fostering Knowledge Economy and Innovation* has been the key priority in both strategic cycles for all three countries, this is a material shortcoming.
- **However, information and data that the evaluation team was able to access and analyse still point to some positive results.** PE and VC funds that received EBRD financing over 2016-24 invested in the total of 81 companies across three countries, though the data on companies' performance *before* vs *after* (financing) is not available. In addition, one of the key pathways to galvanise the local start-up & VC eco-systems, has been to aim at financing and nurturing start-ups that then successfully gain 'Unicorn' status. EBRD's backed funds invested in two out of 11 unicorns that emerged in the Baltics over 2016-24.
- **Overall, ease of doing business with the EBRD as an LP can still be improved.** Its due diligence was perceived as thorough and while terms' negotiations generally added value, a number of funds viewed the length of the latter and EBRD's specific requirements as

excessive. Overall, the Bank's decision-making process when leading to an investment or non-investment was seen as lengthy and lacking transparency.

- **Financial performance of the EBRD's portfolio of Baltic focused funds has been markedly below expectations so far.** Noteworthy, the EBRD has demonstrated transparency by communicating on the financial performance data of its funds' portfolio. A rare approach across other LPs.
- **More broadly, there is a common market perception that the Baltic region does not offer premium risk adjusted returns compared to Western Europe.** This has dampened the appetite of *international* institutional investors in the region too.

EBRD's strategic approach to indirect equity

Over the last decade, the EBRD's conceptual approach to indirect equity investments in the region has been guided by **Baltics Integrated Approach (2012)**⁵ and **Enhanced Equity Approach (2021)**⁶. Figure 25 depicts the latter. In a nutshell, synthesis of both comprises several key orientations:

- Supporting a diverse range of funds across strategies and fund sizes, albeit with strong focus on *first-time* funds and SMEs (versus early-stage start-ups).
- Supporting credible managers, also via rigorous due diligence.
- Mobilise local and international institutional investors into VC and PE funds investing in Baltic region.
- Promoting best practices among local fund managers, which in turn would help to crowd-in *international* investors in the Baltics.
- Seeking a significant impact at portfolio company level from the fund managers down to companies.
- Rising profile of the private equity asset class through EBRD's advocacy⁷, capacity building for local funds and institutional investors and nurturing local funds that subsequently demonstrate strong performance (including financial return).

⁵ EBRD, 2013. Integrated Approach for the Further Development of the Venture Capital and Private Equity Ecosystem in the Baltic States, BDS13-279

⁶ EBRD Enhanced Equity Approach was approved in 2016 and there has been two updates of it so far, with the latest one in 2021

⁷ Including close collaboration among the local PE and VC Associations in Estonia, Latvia and Lithuania to enhance availability of market data

Figure 25: Updated Enhanced Equity Approach, EBRD's approach to equity funds



Source: Extract from EBRD (2021), Enhanced Equity Approach

In parallel, EBRD's investments in private equity (PE) and venture capital (VC) funds targeting companies in the Baltics featured strongly across Country Strategies of each Baltic state, and consistently across the previous (2016-20) and current (2021-26) strategic period. This theme, apart from feeding into specific Country Strategy Objectives⁸, has also contributed to broader EBRD Priorities too: *Enhancing Latvia/ Lithuania/ Estonia private sector competitiveness (and innovation)* under 2016-20 Strategies, and *Fostering innovation and knowledge economy through more diversified sources of finance* under 2021-26 Strategies.

Context: Growth and transformation of the PE and VC landscape in Baltics

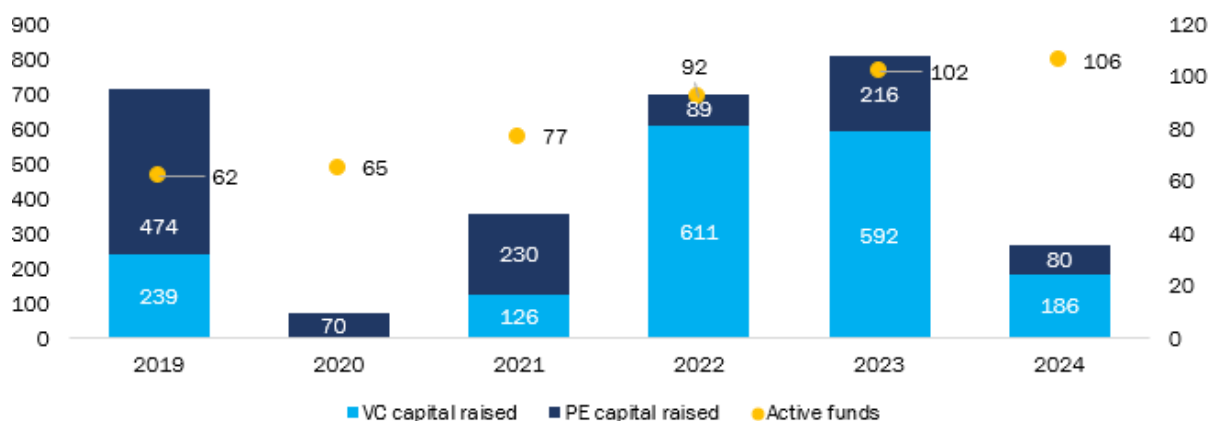
The PE and VC ecosystem in the Baltic region saw a transformational change over 2016-24. It is now one of the most mature and developed markets, if not the most, across EBRD's regions of operations. The region produced multiple successful start-ups. There is now a pool of established fund managers who succeeded to fundraise for the second or even third time, and a vibrant ecosystem more broadly. Institutional knowledge of the asset class grew too, also in terms of

⁸ Estonia, Latvia and Lithuania 2016-20 Country Strategies, under *Objective 2: Diversify sources of finance, including private equity and venture capital, as alternatives to the banking sector* included the following Activity: 'Under the Baltics Integrated Approach, investments in regional PE and VC funds targeting Baltics'. Under their respective 2021-26 Country Strategies, *Objective 1: Improved access to finance for innovation and digitalisation*, each included the following Activity: 'Continue participation as active investor in VC/equity/property funds'.

involvement and sophistication of public agencies like ILTE in Lithuania, Altum in Latvia, and SmartCap in Estonia that have ramped up their investments in local funds over recent years⁹.

Availability of PE and VC expanded markedly since 2016. Reliable pre-2019 data on PE and VC fundraising for the Baltic region is limited. Though, it is evident that the number of active funds and value of assets managed increased greatly since 2016¹⁰. More recent and comprehensive data points to strong fundraising activity in 2022 and 2023 with over €1.4 bln raised by Baltic fund managers, of which 85% was VC. Although the activity cooled down in 2024, partly due to the challenging macroeconomic and geopolitical environment, the decrease was seen as reverting to the mean level of fundraising after two record years rather than a fundamental deterioration¹¹. The number of active funds over 2019-2024 rose steadily too to 106. Figure 26 (: Total annual fundraising and active funds in Baltics, in € mln and count, 2019-24) Virtually all new funds raised nowadays have had pan-Baltic or broader mandates rather than a single country focus. Fundraising activity for 2025 is expected to be very strong¹².

Figure 26: Total annual fundraising and active funds in Baltics, in € mln and count, 2019-24



Source: KPMG, 2025. Baltic Private Equity and Venture Capital Market Overview

The rapid growth in funds and assets is closely linked to the creation of the Baltic Investment Fund (BIF) – the fund of funds, the European Investment Fund's (EIF) initiative. First, BIF of €130 mln was launched in 2012, followed by the second BIF of €156 mln in 2019 and third BIF of €150 mln to be rolled out in early 2026. The first two editions alone breathed a lot of life into local equity markets and appeared to have mobilised over €1 bln of financing into Baltic start-ups and SMEs¹³, of which around 70% of private funding¹⁴.

In relative terms and within the CEE region, the Baltic region punches much above its weight, especially in attracting VC. For instance, relying on *Invest Europe* data¹⁵ and despite the

⁹ Especially seed and first-time managers

¹⁰ For instance, according to EstVCA, assets under management reported by members of Estonian Venture Capital Association rose from €636 mln in 2016 to €3.08 bln in 2022. Available at: <https://estvca.ee/data-and-publications/estvca-members-in-numbers-2022.com>

¹¹ KPMG, 2025. Baltic Private Equity and Venture Capital Market Overview. Available at: https://assets.kpmg.com/content/dam/kpmgsites/lt/pdf/KPMG_VC_PE_2024.pdf

¹² Also on account of INVL Private Equity Fund II closing at €410 mln in October 2025. See INVL, 2025. Invalda INVL Group second generation PE fund closes above hard cap with record EUR 410 mln. Available at: <https://www.invl.com/en/news/invalda-invl-group-second-generation-pe-fund-closes-above-hard-cap-with-record-eur-410-million>

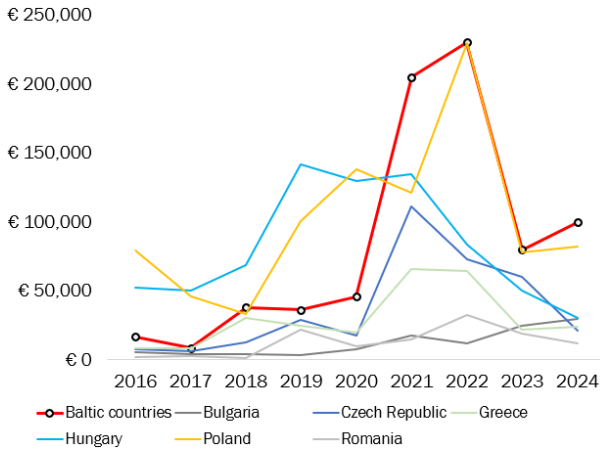
¹³ EIF, BIF. Available at: <https://engage.eif.org/bif-baltic-innovation-fund/the-power-of-3>

¹⁴ ESM Briefs, 2025. Capital Markets in the Baltic Region: A deep dive. Available at: <https://www.esm.europa.eu/ESM-briefs/capital-markets-baltic-region-deep-dive>

¹⁵ Invest Europe data coverage for Baltic region is considerably less comprehensive than the data published by KPMG. However, since the former covers all EU countries, it allows some cross-country comparison. Available at: <https://www.investeurope.eu/news/opinion/vc-factor-interactive-dashboard/>

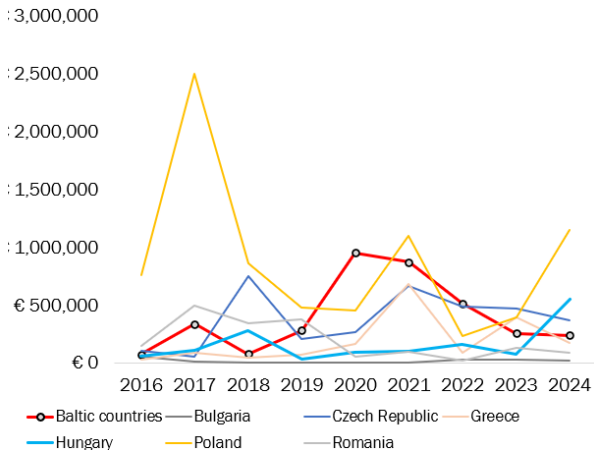
combined population of all three Baltic states being over six times smaller than Poland, the region managed to attract a very similar level of VC, at times even surpassing Poland (Figure 27) Although for PE capital the comparison is not as favourable, the region still performed at par/ better than its regional peers (Figure 28) **Figure 28: PE investments by origin of firm, in € 000', 2016-24.** Historically, VC has remained a larger component than traditional PE in the Baltics¹⁶.

Figure 27: VC investments by origin of firm, in € 000', 2016-24



Source: Invest Europe.

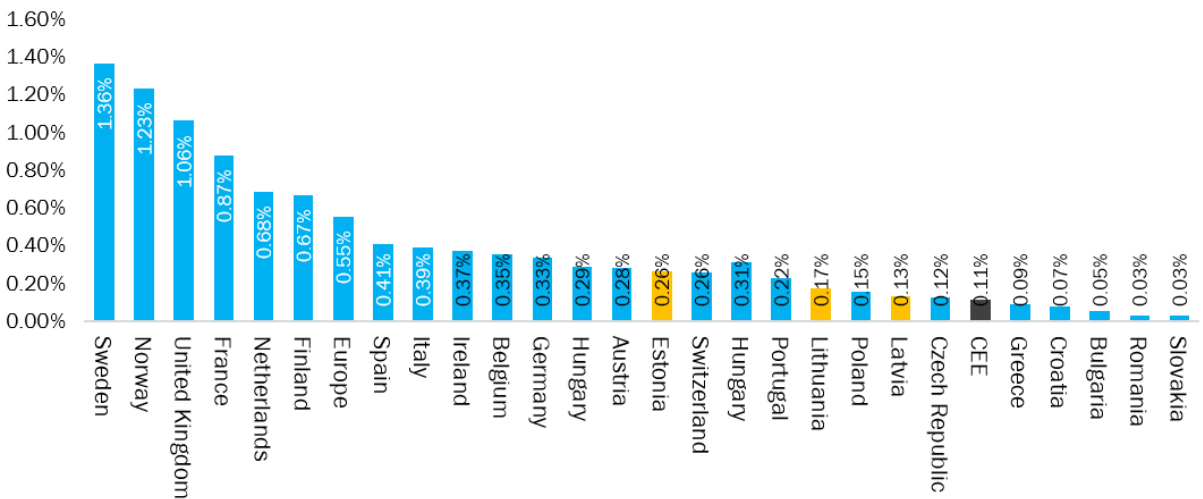
Figure 28: PE investments by origin of firm, in € 000', 2016-24



Source: Invest Europe.

However, when contrasted with more mature markets in the EU, the picture is less uplifting. Across the Baltic region, private equity and venture capital investments equated to 0.18% of its GDP in 2024, roughly a third of the EU-27 average of 0.55%¹⁷. The gap to most mature markets like the UK and Sweden, with 1.06% and 1.36% of GDP respectively, was even greater.

Figure 29: Private equity investments as a percentage of GDP, 2024



Note: Figures combining PE and VC, and as per by country of investment destination
Source: Invest Europe/ EDC for investment data and IMF WEO April 2025 for GDP data

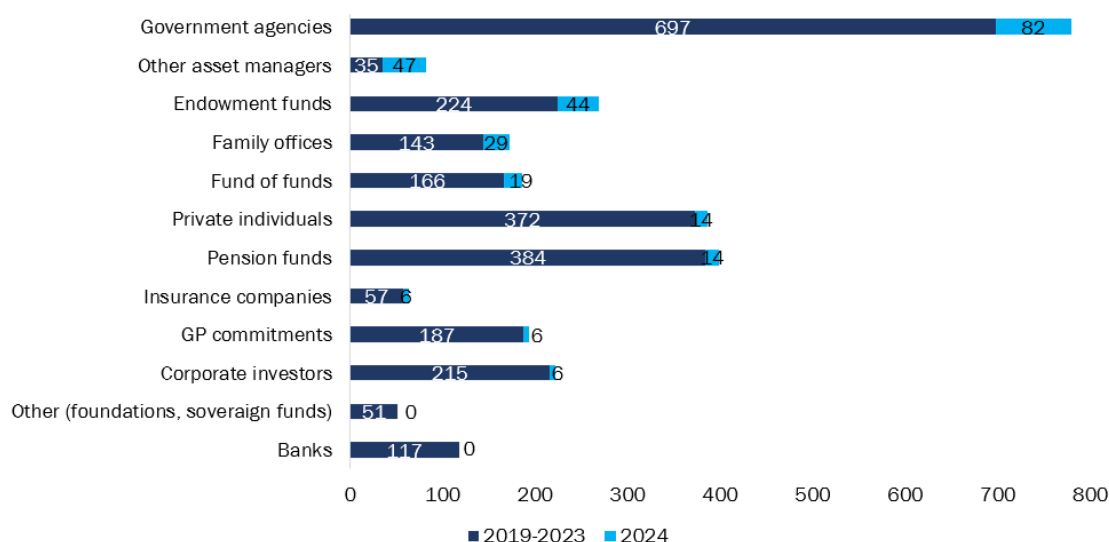
More generally, despite better financing conditions relative to other regions where EBRD operates, Baltic focused funds still routinely face a considerable challenge in raising capital.

¹⁶ Estonian Private Equity and Venture Capital Association, 2024. Baltic PE and VC Market Overview. Available at: https://www.estvca.ee/news/baltic-private-equity-and-venture-capital-market-overview-2024?utm_source=chatgpt.com
¹⁷ Invest Europe, 2025. CEE rebounds to €2.83 bln in 2024. Available at: <https://www.investeurope.eu/news/newsroom/central-and-eastern-europe-investment-rebounds-to-283bn-in-2024-as-regional-activity-recovers-and-market-confidence-returns/>

The fundraising process, even for established funds, remains long and arduous. Funds' closures exceeding target cap, are exceptionally rare. The financing gap appears to be bigger for later stage investments i.e. Series A and up, compared to early-stage start-up financing.

Government agencies, pension funds and private individuals have been the top three largest type of investors in PE and VC funds focusing on the Baltic region¹⁸ (Figure 30: Main type of VC & PE investors in Baltic region, in € mln, 2019-24). Government agencies¹⁹ invested nearly €780 mln over 2019-24, or 26% of all capital raised by the funds. While the disaggregated figures for ILTE (Lithuania), SmartCap (Estonia) and Altum (Latvia) are not easily available, these focused strongly on pre-seed (€500k - €750k) and seed stage (€1 mln – €2 mln) market segments. The role of state-funded agencies also increased over time. Further, the largest local pension funds such as Swedbank, SEB and in particular LHV²⁰, were also relevant investors. Private individuals' category comprised, among others, High Net Worth Individuals (HNWI) and entrepreneurs and founders of the successful start-ups in Baltics who re-invested in the local ecosystem.

Figure 30: Main type of VC & PE investors in Baltic region, in € mln, 2019-24



Source: KPMG, 2025. Baltic Private Equity and Venture Capital Market Overview

There were several key factors that hindered the flow of capital into the Baltic region over 2016-24. While non-exhaustive, the IEvD interviews with twelve local funds (both, EBRD clients and non-clients), local PE and VC Associations and other market participants pointed consistently to a few specific issues (Box 4:).

¹⁸ KPMG, 2025. Baltic Private Equity and Venture Capital Market Overview. Available at: https://assets.kpmg.com/content/dam/kpmgsites/lt/pdf/KPMG_VC_PE_2024.pdf

¹⁹ Inter-governmental organisations such as EIF and EBRD are considered under the 'government agencies' category.

²⁰ As of end-2024, the aggregate value of active investments in 'alternative assets' comprising also VC and PE funds, was €523 mln, €184 mln and €57 mln for LHV, Swedbank and SEB pension funds respectively.

Box 4: Key factors that shaped the evolution of PE and VC market in Baltic region 2016-24

Very few exits: Inability of LPs to cash in their earlier investments in funds, whether via trade sales or IPOs of investees, has discouraged many potential LPs and affected fundraising. As stated by one of the local pension funds: *“We have done alternative investments since 10 years. But in our portfolio, we have still no funds that fully exited. That’s becoming an issue for unit holders and also in-house e.g. questions why the hassle, why to bother to invest in those assets, if we cannot exit?”*. Fewer exits in Baltics in 2023-24²¹ has been also a global phenomenon though.

BaltCap Infrastructure Fund fraud case: BaltCap was established in 1995 and is one of the most experienced and largest private equity investors in the region. EBRD has invested in several BaltCap-managed funds, including the BaltCap sponsored Infrastructure Fund in 2018 with €20 million commitment to the €100 million fund. The Fund was the first local infrastructure fund in the Baltics and raised with a first-time team. The embezzlement of over €40 million by former BaltCap Infrastructure Fund partner discovered by BaltCap in 2023 dealt a blow to the trust of some institutional investors in the industry. Anecdotally, for instance, some local pension funds paused any investments in the funds for over a year. Since then, BaltCap strengthened internal risk management procedures and financial controls. In 2024, BaltCap has reached an agreement with investors, including EBRD, on the main terms of the recovery plan.

Pension reforms: Second pillar pension reform in Estonia enacted in April 2021 made contributions voluntary and allowed savers to withdraw their savings – government policy seen by the market as populist and short-sighted – and curtailing pension funds’ ability to invest. As a result, nearly 200k out of all 700k savers pulled €1.8 bln out of €5.3 bln from the system, or 34% of all capital²². In June 2025, Lithuania pursued similar reform. Here, some estimates suggest 40-50% of pension funds’ capital may be withdrawn over the next 2 years, equivalent of €4.5 - €5 bln.

Russia’s deplorable full-scale war on Ukraine: War raised perceived risk for the Baltic region, especially for international investors. It also made exits more challenging. The impact varied across the asset class being more pronounced on the PE versus limited/ no impact on VC, for example, as Baltic start-ups rely on intangible assets and are heavily geared towards export.

Source: IEvD interview program

Estonia, Latvia, and Lithuania are often perceived as one homogenous region. Reality is much more nuanced though. Estonia attracts more attention of global/ regional investors due to the higher level of activity within the local market. It saw an exceptionally high number of funded startups, being ranked second in the world behind Israel on per capita basis²³, and a remarkable number of successful ones originated in the country too, including *TransferWise* and *Bolt*. The population’s financial literacy has been also higher²⁴ and the economic and financial links with the Nordic region have been also traditionally strong. Nonetheless, although Latvia and Lithuania lagged, Lithuania in particular has been catching up.

²¹ For instance, according to the KPMG (2025) survey, number of exits in Estonia and Latvia fell from 31 and 20 in 2022 to 5 and 2 in 2024 respectively.

²² Finantsinspektion, 2022. The Estonian Financial Services Market as at December 2022. Available at: <https://www.fi.ee/en/publications/estonian-financial-services-market-31-december-2022>

²³ For instance, according to State of European Tech 2023 and Dealroom.com data has been Europe’s top performer in both, unicorns per m capita and funded start-ups per m capita. Available at: <https://firstpick.vc/baltic-startup-funding-report/>

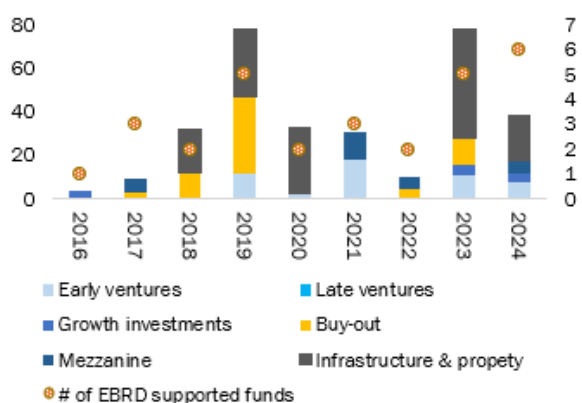
²⁴ Eurobarometer, 2023. Flash Survey – Financial Literacy. Available at: <https://europa.eu/eurobarometer/surveys/browse/all/search/financial%2520literacy>

EBRD as indirect equity investor in the Baltic region – relevant but not critical

The Bank's financial additionality was evident, but the relative scale of its investments should not be overstated, and its risk appetite was somewhat lower

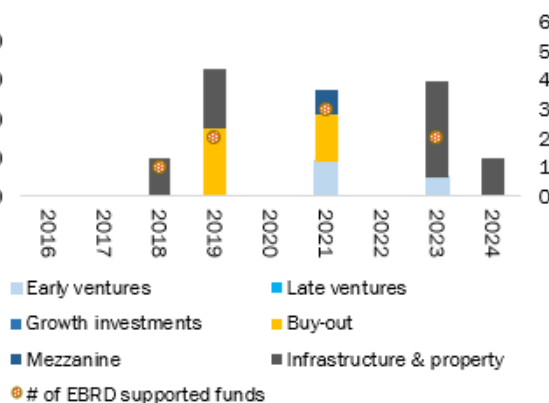
The Bank's investments in funds focused on the Baltic region were made over an irregular interval, with some years seeing no EBRD investments, and no increase in volumes over the time overall. Over 2016-24, EBRD made €322 mln of indirect equity investments in companies in the Baltic region via 29 funds (Figure 31). Figure 31: EBRD indirect equity, all funds, in € mln and # of funds, 2016-24 €221 mln out of €322 mln was invested via seven funds for which the Baltic region has been the only/ main focus²⁵ (Figure 32). Figure 32: EBRD indirect equity, Baltic focused funds, in € mln and # of funds, 2016-24

Figure 31: EBRD indirect equity, all funds, in € mln and # of funds, 2016-24



Source: Invest Europe

Figure 32: EBRD indirect equity, Baltic focused funds, in € mln and # of funds, 2016-24



Source: Invest Europe

Purely from the volume perspective, and in terms of the relative share of the EBRD's investments in Baltic focused PE and VC funds, it is hard to argue that the Bank's role was central in inducing systemic change. Concretely, contrasting the EBRD's annual investments with total fundraising at the market²⁶ shows that the EBRD's share was either limited i.e. 15.4%, 7.4% and 7% in 2021, 2023 and 2024 respectively, or nil given absence of any Bank investments in 2020 and 2022. The Bank's updated Enhanced Equity Approach (2021) has explicitly prioritised quality over volumes²⁷.

The EIF – the only other IFI that offers indirect equity investments in the Baltic region – invested €640 mln, nearly 3 times more than the EBRD over 2016-24²⁸. Its risk appetite has been also considerably higher – 38% funds (or nine out of 24) the EIF invested in were *first-time* funds. However, comparison of the EIF with the EBRD, if any, would need to be very careful – since the bulk of the EIF's invested capital was not from its balance sheet but rather via external mandates e.g. large EU mandates such as Invest EU and Recovery and Resilience Facility²⁹

²⁵ A fund was defined as having a main focus if $\geq 50\%$ of EBRD's investment was expected to be directed to companies based in Baltic region. For 20 out of 29 funds in which EBRD invested Baltic region was only one among other regions with expected investment in local Baltic companies being less than 50%.

²⁶ As per KPMG (2025) market data

²⁷ For instance, updated Enhanced Equity Approach (2021) does not include any numerical targets and states that '...equity investments are about quality, not volumes'.

²⁸ Considers Baltic focused funds. Figure for the EIF excludes investments in Baltic Innovation Fund

²⁹ EIF, 2022. The EIF and Invest EU. Available at: <https://www.eif.org/flagship-initiatives/investeu/overview>

EBRD backed established funds, but its investments in *first-time* funds were limited despite strategic intent

The EBRD invested in generalist funds³⁰, of which most were small to medium size. Although the funds that the Bank invested in made investments in frontier tech companies in the region, these were generalist funds. Partly a function of the market characteristics in Baltics with a very few thematic funds e.g. deep-tech. The fund sizes in which the EBRD invested over 2016-24 ranged from €35 mln to €577 mln, though after excluding one large infrastructure fund³¹, the average size of the remaining ones was €101 mln. The Bank's cheque oscillated typically around 10 - 25% of the fund size.

EBRD investments in equity funds over 2016-24 were heavily skewed towards PE funds³² investing in more mature and larger companies. The share of *early stage* and *late-stage* VC in the overall EBRD indirect equity investment over 2016-24 was 16%³³ (Figure 31: **EBRD indirect equity, all funds, in € mln and # of funds, 2016-24**) or 19%³⁴ (Figure 32: **EBRD indirect equity, Baltic focused funds, in € mln and # of funds, 2016-24**), depending on the sample of funds considered. Noteworthy, that share of *early stage* and *late-stage* VC in total EBRD's investments was much lower than the respective share of the VC in the whole market in Baltics (69%³⁵). This suggests a somewhat lower risk appetite of the EBRD but has been also in line with the Enhanced Equity Approach prioritising SMEs over early-stage start-ups. Also, the limited deal-flow in the Baltics may not have allowed the EBRD team to distinguish between PE and VC funds, especially in earlier years.

Contrary to its stated objective, the EBRD's investments in *first-time* VC and PE funds in Baltic region over 2016-24 were limited. The Enhanced Equity Approach (2021) envisaged 'to deploy capital across a range of strategies and fund sizes, with strong support for first-time funds'. In practice, over 2016-24, out of 29 PE and VC funds that received EBRD financing and intended to invest at least 1% of EBRD's commitment in companies based in Baltics, three were qualified by the IEVD as *first-time* funds. In addition, there was a consistent view expressed across the majority of interviewed funds³⁶ that EBRD has shown a fairly limited risk appetite. Part of this perception stems from the Bank's more thorough due diligence as well as some extra requirements and lengthier approval process compared to a standard market practice. Further, from the Bank's internal incentives point of view, this does not come as entirely surprising. Especially in the earlier years, lack of incentives for the indirect equity team to pursue riskier projects e.g. no reward as part of the EBRD's Scorecard system, may have fundamentally skewed the motivation towards pursuing deals with more established and repeated clients.

Distinguishing *first-time fund* (also called '*debut fund*') may be in some cases a matter of interpretation. In this evaluation, *first-time fund* is defined as first institutional investment vehicle raised by a new GP team or firm. Conversely, follow-on fund to an initial fund where the latter already demonstrated, inter alia, a proper institutional level governance structure, team, institutional LP presence and some track-record of investment, were not considered as *first-time funds*. In addition, new funds but launched by long standing and very well-established investment platforms were not considered *first-time funds* neither.

³⁰ NB: counting funds where EBRD's ABI directed to B3 was ≥ 50%

³¹ Taaleri III fund of €577 mln

³² Growth, buy-out, mezzanine and infrastructure funds

³³ 28 mln out of 170 mln NB: counting funds where EBRD's ABI directed to B3 was ≥ 50%

³⁴ 52 mln out of 272 mln NB: counting funds where EBRD's ABI directed to B3 was ≥ 1%

³⁵ Statistics - KPMG & Deloitte data - PE & VC in Baltics_LATEST.xlsx

³⁶ Both, EBRD clients and non-clients

The EBRD at times (but not always) acted as cornerstone investor. Despite its strategic intent, there is little evidence that it managed to crowd-in *international* LPs

There is solid, albeit not entirely consistent, evidence of the EBRD being *cornerstone* investor, and little evidence of its role in crowding in *international*³⁷ institutional LPs.

IEvD granular analysis of its indirect equity deals shows that the Bank achieved the *cornerstone* status in nearly 60% of cases³⁸. Presence of the EBRD (and EIF with which it frequently co-invested) was in some cases instrumental to crowd-in private sector non-DFI/IFI institutional investors. Many domestic pension funds, for instance, had limited in-house expertise in PE/VC and relied on the IFIs' due diligence and their negotiation of the LPAs. More recently though, pension funds' reliance on IFIs' due diligence somewhat reduced (quote). However, when it comes to *international* institutional investors, there was little evidence of EBRD's catalytic role, against its overarching objective on the market (Box 5:).

"Before, if you did not get EIF and EBRD, you could forget about closing a fund. Pension funds would rely on institutional investors like EBRD and EIF. Now it is different – they have already that experience."

Local institutional investor

Box 5: Attracting *international* institutional LPs in the Baltics – still a hard sell

Attracting *international* investors has been the Bank's key goal. Arguably though, unlike crowding in local institutional investors, attracting *international* ones poses a far greater challenge.

The imperative is to demonstrate that the investments in the region can generate consistently attractive returns. For instance, some investors may be inclined to broaden their portfolio if funds in a region offer top quartile or top decile returns. Obtaining comprehensive data on the key metrics such as DPI or IRR generated by Baltics focused funds has been problematic. Generally, international investors do not perceive the Baltics as offering higher risk adjusted returns. The limited number of exits in the region add further to the challenge. As put by one fund manager: *"Until we see large exits – which will trigger questions of 'why we are not on this' – I do not see much movement on the market"*.

In addition, the relatively small size of funds in the Baltic region (commensurate to the size of the market), has also made the region less attractive. Many US and Western Europe LPs would seek a minimum ticket of €50 mln or more, while the size of many local funds would fall within a range of €70 mln - €100 mln for the entire fund.

IEvD analysis of the profile of LPs that co-invested in the funds along with the EBRD showed a limited number of *international* institutional investors and little evidence that the Bank was instrumental in crowding-in those few.

Source: IEvD interview program; EBRD indirect equity portfolio data

EBRD invested (indirectly or directly) in two out of 11 'unicorns'³⁹ that emerged from the Baltic region over 2016-24. One of the key approaches to galvanise the local start-up & VC eco-systems, has been to aim at financing and nurturing start-ups that then gain 'unicorn' status. Logic suggests that these would then trigger subsequent positive spillover effects e.g. significant rise in interest from international investors. Over 2016-24, there were 11 unicorns across the three Baltic states, of which seven were in Estonia (Figure 33) with some like *Bolt* and *Nord Security* achieving remarkable success. The EBRD, via direct and indirect equity, managed to invest in two of these companies⁴⁰. By contrast, the EIF invested indirectly in seven out of 11 unicorns.

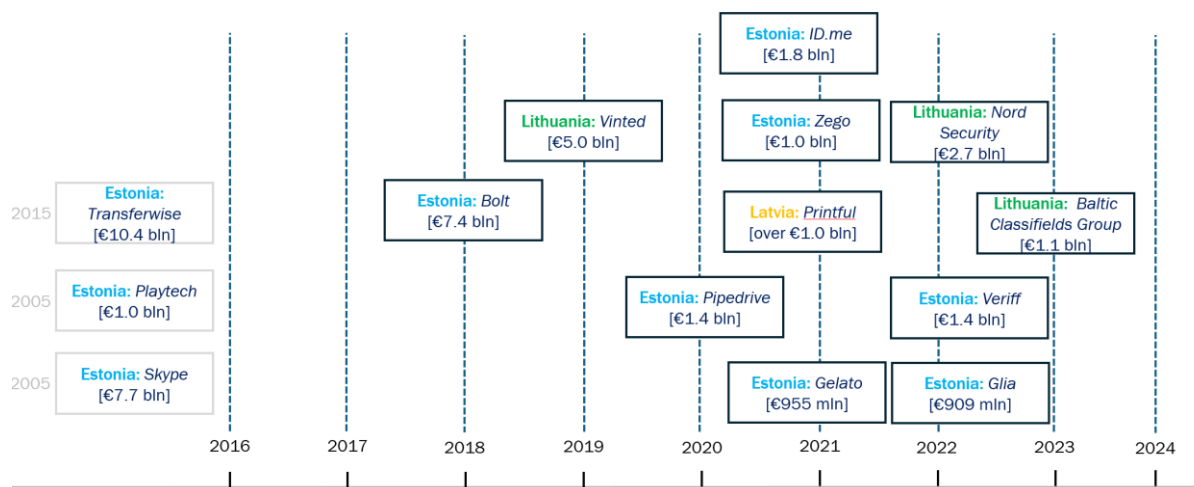
³⁷ LPs outside of Baltic region

³⁸ Four out of seven funds in invested in. NB: counting funds where EBRD's ABI directed to B3 was ≥ 50%

³⁹ Start-up company with a valuation over US\$ 1 bln.

⁴⁰ Veriff and Printiful

Figure 33: Unicorns in the Baltic region, year of gaining the status and recent market cap, 2016-24



Note: Market capitalisation as per 2024 or 2025 available valuations

Source: Reproduced by IEvD based on the KPMG (2025) and Dealroom

PE and VC funds that received EBRD financing over 2016-24 invested in the total of 81 companies. 34 and 35 companies were based in Estonia and Lithuania respectively, with 12 in Latvia. Due to compressed timeline for this evaluation, the analysis of *before/ after* PE and VC funds' investments at investees level e.g. investees' operational improvements, export, turnover and profitability, was beyond the scope of this assessment.

Link between the EBRD's efficiency as non-financial additionality

The EBRD's non-financial added value came overwhelmingly at *pre-investment* stage e.g. via thorough due diligence and advice on structuring the Limited Partner Agreements. But the Bank's modus operandi was often perceived as lengthy and lacking transparency

The EBRD's due diligence (DD) process was often perceived as thorough. Several interviewed funds pointed to the relative thoroughness of the Bank's DD. It was also generally seen as more extensive than the market and at par or more detailed than the EIF (quote). It had a strong emphasis on the teams and target markets. One local pension fund stated that the BaltCap fraud case eroded somewhat the confidence in IFIs' DD (since they had invested in it too), but this view was not corroborated by the interviewed local funds.

"It's probably one of the most extensive. If EBRD's DD depth is 100, EIF would be 80, local pension funds 40-70, private LPs 1-5."

Venture Capital fund focusing on Baltic region

The EBRD's non-financial added value as Limited Partner (LP) came overwhelmingly at pre-investment rather than post-investment phase. Based on twelve PE and VC funds interviewed by the IEvD, it appears that the Bank's important areas of input were Limited Partner Agreements (LPAs), especially for some funds from earlier vintages. In a few instances, the EBRD approach to negotiate the LPAs was seen as 'exceptionally demanding', and although overall funders appreciated improvements brought by it, a number of them viewed the length of it and EBRD's specific requirements as excessive and lacking transparency⁴¹ (quote). Besides, a few funds alluded to the EBRD as having important inputs to shape the geographical allocation of funds and ESG standards; but otherwise limited/ no impact in terms of shaping the investment strategy. Lastly, given much larger volumes invested in local funds by the EIF relative to the EBRD, some interviewees opined that the latter offers more bespoke and deeper non-financial inputs at pre-investment stage.

"Negotiations with the EBRD are slow and complicated. It is also not very clear who and by when decides. Fundraising should not be easy, but still, it can be predictable."

Venture Capital fund focusing on Baltic region

Post-investment, the EBRD routinely holds a seat on the fund's LP Advisory Committee. Here, the Bank's role was typically more of an oversight rather than a proactive advisory nature.

Overall, ease of doing business with the EBRD as an LP can still be improved. Given the Bank's sui generis mandate as an MDB, it is reasonable to assume that an investment process may take longer than that with purely commercial LPs. But it has still frequently been seen as (too) long and lacking clarity. The EBRD's need for geographical carve-out in some funds' investments⁴², and an inefficient process to find workable solutions in earlier years, was brought up by some funds. Given frequent co-investment of the EIF and EIB, some funds pointed to a tangible benefit of standardising the terms requirements between both. There may also be a rationale for streamlining the due diligence and negotiation process for smaller VC funds.

International investors do not perceive the Baltic region as offering premium risk adjusted returns (vis-à-vis mature EU markets).

Financial performance of the Baltic focused funds⁴³ in the EBRD's portfolio has been markedly lower than expected so far. For seven Baltic focused funds in the EBRD portfolio, none of these funds, however, has seen compete exits at the time of writing this report.

More broadly, general market perception has been that Baltic PE and VC funds do not offer premium returns vis-à-vis mature Western European markets. Attractiveness of the Baltic region in terms of risk adjusted returns from equity investments relative to other regions, whether based on perceived or realised returns, has been paramount to crowd-in international institutional investors. Availability of market data has underpinned this goal. First, robust data allowing a benchmark for performance of the Baltic region relative to other regions is lacking (Box 6:). Second, the EBRD has stood out positively in terms of transparency by

"When comparing Baltics with Western Europe, the return premium demanded to invest in an emerging market is not evident. This dampens foreign private investors' appetite."

Representative of IFI

⁴¹ In a few cases, interviewed funds noted substantial differences between the EIF and EBRD requirements while negotiating LPAs, at times leading to challenges to align those and overall process spanning beyond a timeline for a standard market transaction.

⁴² Relevant for funds that invest beyond Baltic region e.g. in Nordic countries, to ensure Bank's proceeds are invested entirely in EBRD's countries of operations.

⁴³ A fund was defined as being Baltic focused if $\geq 50\%$ of EBRD's investment it was expected to be directed to companies based in Baltic region. There were

publishing some of its investment performance data⁴⁴. Fundamentally though, feedback gathered from the market by the IEvD was that perceived equity investments in the Baltics do not offer a premium compared to Western Europe (quote).

Box 6: The EBRD and VC/PE market data in the Baltics

The EBRD's Integrated Approach envisaged Bank support to local PE and VC Associations "to ensure that the data on Baltics VC/PE activity (number and amount of funds raised, sources of funds, number of investments made, aggregate investments, etc.) is collected exhaustively and returns of VC/PE investments in the Baltic States is captured through a confidential data collection System". This data was expected to benefit the entire VC/PE ecosystem.

Here, the Bank provided the support by engaging with local PE and VC Associations. The quality and consistency of the essential market data improved since 2019 when PE and VC Associations, together with professional services firms like KPMG, published market data annually (including some EBRD T&C support). However, data on financial performance specifically is still not widely available, even if the EBRD has stood out as one of the LPs demonstrating the highest transparency in that area.

Source: IEvD interview program

⁴⁴ EBRD Equity Fund team presented its performance data externally. For instance, at conferences, tailored to the audience, whether in panels or as presentations as well as in EBRD's equity day, DFI day, VCA Summits, Invest Europe articles, universities etc.

Part II: The Bank's Policy Dialogue and capacity building supporting Baltic capital markets – significant, well recognised though with mixed outcomes (so far)

Key messages

- **The EBRD has been a leading promoter of the development of a single Pan-Baltic capital market.** Throughout the 2016-24 period, it implemented 18 different Policy Dialogue workstreams spanning across new regulatory frameworks, new financial products and funding schemes, diagnostics and research, and others. Virtually all of those with an underlying principle to tackle size and illiquidity of the local capital markets through their integration. Selectively, the Bank also offered some capacity building.
- **The Bank has been widely recognised as a well-placed broker of the development and integration of the Baltic capital markets.** Given its status as external, impartial and as a reputable IFI, it has often been seen as a *uniting force between three countries* able to bring all three authorities to one table. Its technical expertise and exposure to international capital markets, including the London hub, have also been part of its allure; for the private market and authorities alike.
- **Overall, the actual impact of the Bank's PD workstreams in capital markets has been somewhat mixed (so far).** Establishing the single MSCI Baltic States Index was undoubtedly a major milestone. But it has not translated into the inflow of capital into the region. Set-up of the €50 mln Capital Market Development Accelerator Fund took nearly 10 years and it will only make first investments in 2026. The EBRD supported development of regulatory frameworks for covered bonds, securitisation and commercial papers. Although not in scale yet, these helped to unlock a number of novel transactions.
- **Regarding the EBRD's capacity building activities, relatively less frequently in the Baltics compared to other forms of support, the Bank's instrumental backing of ILTE's (formerly INVEGA) entry into the equity markets stood out.** The Bank's extensive training and knowledge-sharing provided to ILTE over 2016-19 was paramount in subsequent development of its equity based financial instruments. EBRD supported capacity building in two other national development institutions – Altum in Latvia and SmartCap in Estonia – in more limited and focused way.

The EBRD's strategic approach to Policy Dialogue and capacity building

Developing integrated Pan-Baltic capital market has been the EBRD's overriding principle for years. The Bank's Policy Dialogue support is designed to be a key lever here. It has been widely recognised inside the EBRD that due to the “*tyranny of small size*” of the individual Baltic states' capital markets, the only way to break the development deadlock is to create one truly broad, deep and liquid Pan-Baltic market. For that, Policy Dialogue promoting the integration and exploring new instruments for all three markets at the same time, has been a key EBRD tool.

Policy Dialogue fostering capital markets integration and development has also been prioritised in each EBRD Country Strategy. The 2016-20 Country Strategies incorporated the theme of *Support by policy dialogue and technical assistance to improve the legal and regulatory*

environment feeding into a wider objective of diversifying sources of finance, including private equity and venture capital. The Policy Dialogue gained even more prominence under the current 2021-26 Country Strategies⁴⁵.

Context: Capital markets in the Baltics – relatively developed infrastructure but without depth and liquidity

The three Baltic countries have a developed capital market infrastructure and relatively well developed legal and regulatory frameworks. Yet, what all three have lacked has been size, liquidity and diversification. According to the EBRD Financial Market Development Index (FMDI), as of end-2023, Latvia, Lithuania, Estonia ranked 11th, 9th and 12th respectively out of the Bank's 38 Countries of Operation⁴⁶. The Nasdaq Baltic securities and stock exchanges in Tallinn, Riga and Vilnius – a backbone of the Baltics capital market infrastructure – have been closely integrated for years already and investors face minimal barriers when operating in three countries. Despite some gaps, the legal frameworks were generally sound too. But challenges stemming from the overall size of the Baltic states, such as shallow and illiquid bond and equity markets or absence of derivatives, all persist (Figure 34: EBRD FMDI scores for Latvia, Lithuania and Estonia, as of end-2023 Figure 34 and Figure 35).

Figure 34: EBRD FMDI scores for Latvia, Lithuania and Estonia, as of end-2023



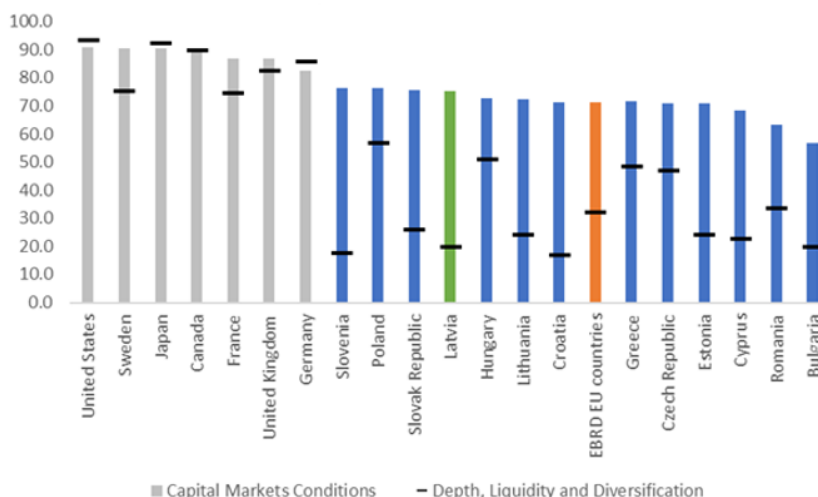
Note: The Financial Markets Development Index (FMDI) 2022 developed by the CFMD Team measures local financial markets development based on publicly available quantitative and qualitative criteria. The FMDI score is derived from more than 50 individual indicators split across two equally weighted sub-indices covering (i) the necessary conditions for sustainable market development and (ii) asset class-specific indicators reflecting the extent of such development. Each of these sub-indices contain four pillars

Source: EBRD

⁴⁵ The activity of *Continuing policy engagement to develop the Pan-Baltic capital market features* explicitly under each of three Country Strategies feeding into a broader Objective 2: 'Deepening and diversifying debt and equity capital markets'.

⁴⁶ Excluding recent countries of EBRD's expansion in Sub-Saharan Africa. Available at: <https://www.ebrd.com/home/what-we-do/where-we-invest.html>

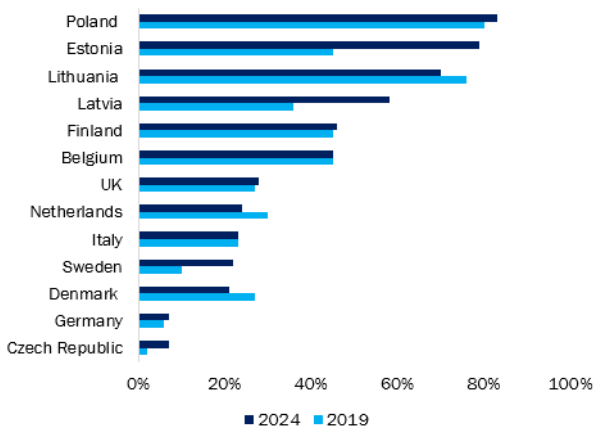
Figure 35: EBRD FMDI scores for Latvia, Lithuania and Estonia, as of end-2023



Source: EBRD

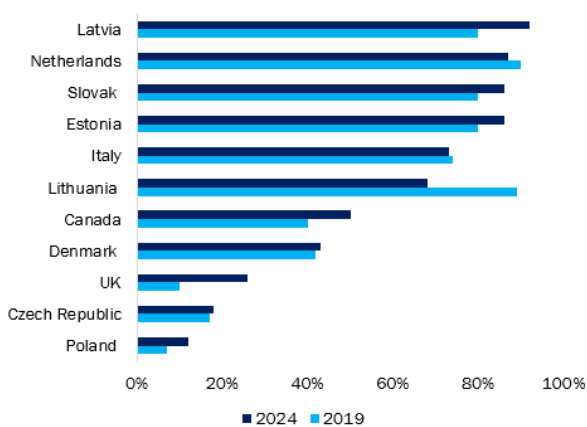
The Institutional investor base is relatively developed with local pension funds having high exposure to equity. However, they invested largely outside the Baltic region. Pension funds in Latvia, Estonia and Lithuania have been among those with the highest equity exposure across OECD countries (Figure 36). Figure 36: Share of pension funds total investments in equities, 2019 and 2024 However, although also partly reflected by prudent portfolio allocation, according to OECD data, Baltic pension funds have exhibited among the highest share of assets invested abroad⁴⁷ (Figure 37). Figure 37: Share of pension funds total investments in assets abroad, 2016 and 2024 Figure 37: Share of pension funds total investments in assets abroad, 2016 and 2024 More recent pension reforms in Estonia (2021) and Lithuania (2025) have severely dented funds' ability to invest in alternative assets.

Figure 36: Share of pension funds total investments in equities, 2019 and 2024



Source: OECD

Figure 37: Share of pension funds total investments in assets abroad, 2016 and 2024



Source: OECD

In terms of stock market capitalisation, the Baltics have lagged considerably behind many EU peers. Stock market capitalisation as a share of Latvian, Lithuanian and Estonian GDP has been low, and if anything, has fallen recently. The gaps with more developed EU markets like Finland,

⁴⁷ OECD, Pension Markets in Focus 2025. Available at: https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/11/pension-markets-in-focus-2025_361974da/b095d0a0-en.pdf

Germany, Sweden and more generally the EU-27 average, have been also large. **Figure 38: Stock market capitalisation as % of GDP, 2017-24**

Figure 38: Stock market capitalisation as % of GDP, 2017-24

	2017	2018	2019	2020	2021	2022	2023	2024
Estonia	10.8%	9.9%	9.8%	11.1%	17.1%	12.8%	13.1%	12.2%
Latvia	4.8%	2.7%	2.8%	3.3%	3.1%	2.1%	1.9%	1.2%
Lithuania	9.2%	7.3%	7.5%	9.0%	9.1%	7.1%	6.2%	5.9%
Poland	:	:	:	23.0%	24.1%	17.9%	22.2%	21.5%
Hungary	:	:	:	16.4%	17.5%	13.0%	17.5%	18.1%
Greece	22.9%	17.5%	24.5%	23.4%	26.9%	25.0%	31.3%	32.7%
Romania	:	:	:	8.4%	11.4%	9.0%	13.4%	13.1%
Bulgaria	:	:	:	10.1%	11.1%	9.2%	9.2%	8.4%
Czech Republic	:	:	:	9.8%	13.3%	9.3%	9.8%	9.5%
Finland	97.0%	101.5%	109.9%	131.6%	139.5%	107.6%	97.2%	93.4%
Sweden	:	:	:	182.6%	222.2%	141.6%	168.3%	179.5%
Germany	58.1%	47.6%	54.2%	56.8%	62.7%	47.2%	49.3%	52.0%
EU-27	72.8%	50.0%	68.7%	70.0%	81.0%	62.0%	69.0%	69.3%

Source: European Commission, European Semester Country Reports

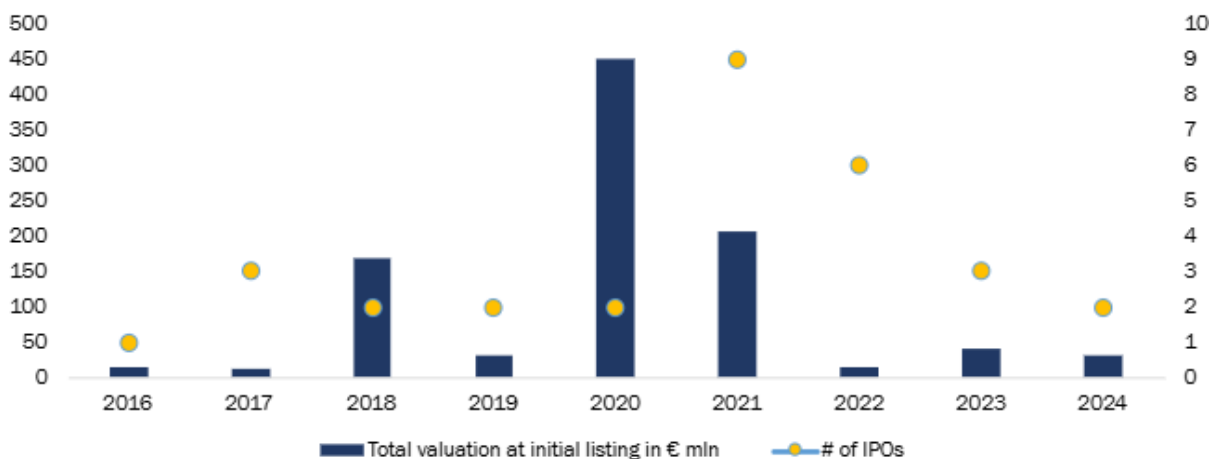
There was an uptick in the number of IPOs in 2021-22 and market capitalisation of Nasdaq Tallin and Vilnius (unlike Riga) has grown since 2016. However, local exchanges remain small and illiquid. Apart from 2021-22 that saw a rise in the number of IPOs due to several factors⁴⁸, there were few listings. The €148 mln listing of Port of Tallin in 2018, €450 mln of Ignitis Group in 2020 and €175 mln of Enefit Green in 2021 were exceptions from the norm of otherwise small IPOs (Figure 39). **Figure 39: Nasdaq Baltics – number IPOs and valuation at initial listing in € mln, 2016-24**

Nasdaq Tallin reported the largest growth in number of listed companies and market capitalization over 2016-24 **Figure 40: Nasdaq Baltics – number of listed companies (right axis) and market capitalisation in € bln (left axis), 2016-24** **Figure 40: Nasdaq Baltics – number of listed companies (right axis) and market capitalisation in € bln (left axis), 2016-24** **Figure 40: Nasdaq Baltics – number of listed companies (right axis) and market capitalisation in € bln (left axis), 2016-24** **Figure 40: Nasdaq Baltics – number of listed companies (right axis) and market capitalisation in € bln (left axis), 2016-24**. Unlike on many large exchanges with a significant majority of trades executed by institutional investors, for Nasdaq Baltics retail investors account for over 70% of all trades⁴⁹. Going forward, it is hard to conceive any significant growth of the exchanges without new SOEs' listings and/or dual listing of some successful unicorns.

⁴⁸ Including favourable market sentiment, strong retail investor appetite, and a supportive fundraising environment. In Estonia in particular, the pension system reform allowed individuals to withdraw accumulated retirement funds early, with many choosing to reinvest a portion of those assets into the market.

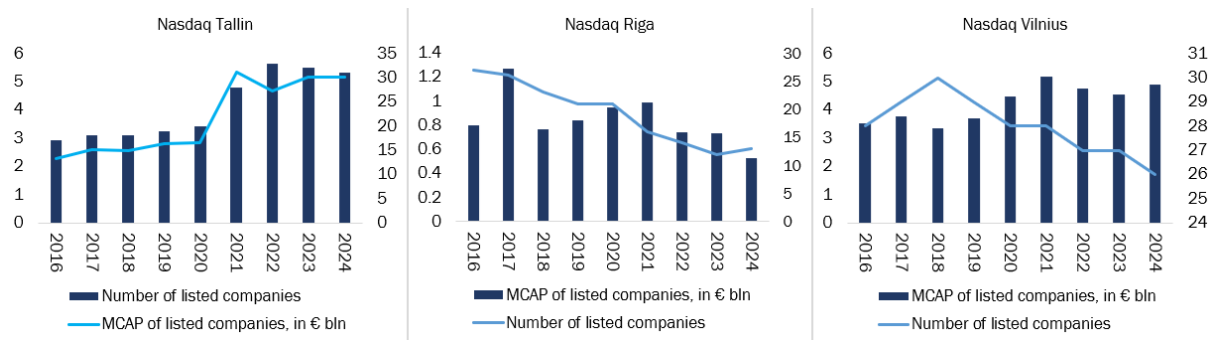
⁴⁹ Data from Nasdaq Tallin

Figure 39: Nasdaq Baltics – number IPOs and valuation at initial listing in € mln, 2016-24



Source: Nasdaq Tallin

Figure 40: Nasdaq Baltics – number of listed companies (right axis) and market capitalisation in € bln (left axis), 2016-24



Note: Number of listed companies comprises companies at regulated market & First North

Source: Nasdaq Tallin

The Bond market in the Baltics remains underdeveloped compared to other European markets.

Figure 41: Aggregate Size of Debt Securities Markets % of GDP, 2016-23. As of end-2023, the average size of the bond market as a share of GDP (consisting of corporate and government bonds) was much higher across most of the European markets than for Baltic countries. The development of the bond market in Estonia where its share grew from 7.8% in 2016 to 21.6% in 2023 was driven mostly by government bond issuances from 2020 onwards, issuance being practically non-existent prior to that. Further, unlike in many developed bond markets, the share of corporate bond issuance compared to government issuance in the Baltics was markedly lower⁵⁰.

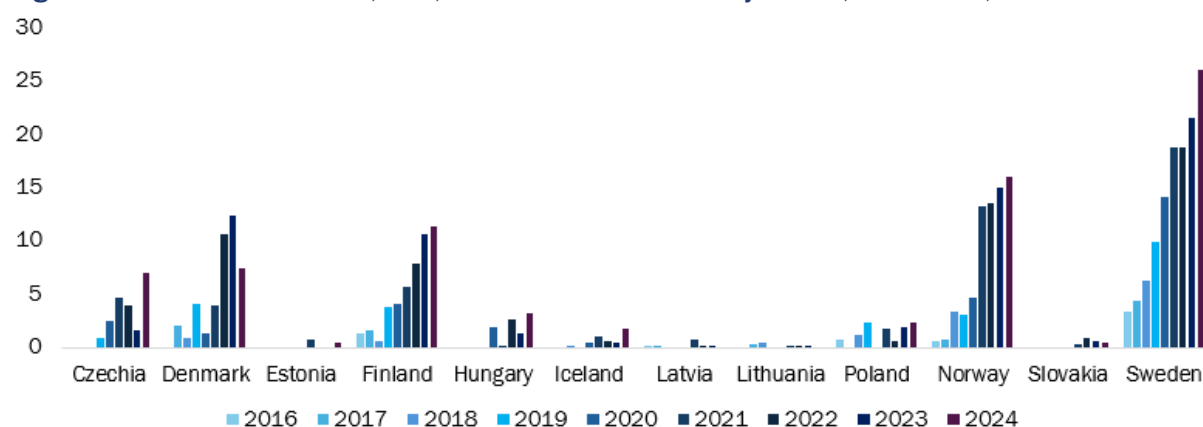
⁵⁰ For instance, corporate bonds stood for 56%, 11% and 10% of all outstanding bonds in Estonia, Lithuania and Latvia, as of end-2023. For comparison, respective figures for Germany, Finland, Czech Republic and Sweden were 48%, 61%, 55% and 87% respectively.

Figure 41: Aggregate Size of Debt Securities Markets % of GDP, 2016-23

	2016	2017	2018	2019	2020	2021	2022	2023
Germany	97.7%	97.6%	95.5%	94.4%	110.2%	112.2%	94.3%	101.8%
Estonia	7.8%	8.6%	8.1%	9.1%	19.1%	16.6%	20.6%	21.6%
Finland	111.1%	112.5%	132.6%	138.4%	153.4%	146.5%	128.9%	144.2%
Lithuania	35.2%	34.7%	34.7%	37.2%	45.7%	41.0%	30.6%	35.3%
Latvia	38.2%	31.9%	34.8%	36.5%	37.6%	41.6%	34.2%	41.7%
Bulgaria	28.1%	29.0%	24.1%	23.4%	27.1%	24.0%	20.7%	22.0%
Czech Republic	64.4%	95.0%	93.9%	90.0%	99.8%	91.5%	80.5%	108.1%
Hungary	76.5%	80.2%	78.8%	76.8%	87.7%	79.5%	68.9%	81.2%
Poland	59.3%	62.3%	57.4%	54.4%	67.9%	57.5%	49.2%	46.9%
Sweden	163.5%	147.0%	125.9%	127.3%	148.1%	124.4%	112.2%	146.6%
EU 27	147.0%	146.6%	143.6%	143.7%	164.2%	157.7%	130.8%	141.1%
United Kingdom	203.8%	223.1%	212.7%	230.9%	260.0%	238.8%	151.4%	169.0%

Source: Nasdaq CSD and ECMI

The ESG segment of the bond market in the Baltics has never taken off and it remains miniscule by all measures. While many European markets saw rapid growth of GSSS bond⁵¹ issuance over 2016-24, there were just episodic issuances in the Baltic region. **Figure 42: Issuance of Green, SLB, Social and Sustainability Bonds, in US\$ bln, 2017-24** Out of USD 3.9 bln GSSS issuance in all three Baltic states, USD 2.4 bln (or 62%) were green bonds.

Figure 42: Issuance of Green, SLB, Social and Sustainability Bonds, in US\$ bln, 2017-24

Source: Dealogic

The Bank made relevant and widely recognised contributions to development and integration of capital markets, but with mixed outcomes (so far)

By all measures, the EBRD delivered a very considerable number of initiatives supporting the development and integration of capital markets in Baltics, especially in earlier years

The EBRD undertook 18 PD workstreams⁵² in the area of capital markets development over the period 2016-24, supported with €5.2 mln TC funding⁵³. These numbers indicate a considerable

⁵¹ Green, Sustainable-Linked Bonds, Social and Sustainability Bonds

⁵² Defined as sum of PD workstreams supported by the TCs.

⁵³ Budget for TCs signed between 1 January 2016 and 31 December 2024 supporting corresponding PD workstreams.

Bank effort in the Baltic region⁵⁴. The TC-funded PD workstreams were equally distributed across the three Baltic countries with the vast majority having a Pan-Baltic character i.e. targeting two or all three states. TC funding came predominantly from the EU and Taiwan. The full list is shown in the Table 9: Equity Funds active in three Baltic countries in which EBRD invested during 2016-2024

#	Fund/ Client name	Signing date	Expected EBRD's ABI initially allocated in Baltic states, €	Expected EBRD's ABI Initially allocated in Baltic states, %
1	AMC CAPITAL IV SCSP	2017	6M	15%
2	ALMAZ CAPITAL FUND III LP	2019	8M	17%
3	ALPHA CEE OPPORTUNITY IV LP	2017	1M	3%
4	AMC V SCA SICAV-RAIF	2023	4M	10%
5	USALDUSFOND BALTCAP INFRASTRUCTURE FUND	2018	20M	100%
6	BALTCAP PRIVATE EQUITY FUND III	2019	35M	100%
7	BPM MEZZANINE FUND II	2021	13M	85%
8	CVI CEE PRIVATE DEBT FUND SCA SICAV-RAIF	2022	5M	20%
9	CVI PRIVATE DEBT FUND II SCA SICAV-RAIF	2024	6M	15%
10	CHANGE VENTURES FUND II USALDUSFOND	2021	8M	100%
11	INNOVATION NEST II SCSP	2019	2M	30%
12	REVO CAPITAL FUND II BV	2019	2M	12%
13	500 STARTUPS ISTANBUL FUND II COOPERATIEF UA	2023	1M	15%
14	PRACTICA VENTURE CAPITAL III KUB	2023	10M	100%
15	DIGITAL EAST FUND III SCSP	2024	2M	15%
16	REVO CAPITAL FUND III CV	2024	1M	4%
17	COGITO FUND II SCA SICAV-RAIF	2024	5M	30%
18	DIGITAL EAST FUND II SCSP	2020	3M	9%
19	ENTERPRISE INVESTORS FUND IX SCSP	2023	12M	15%
20	INNOVA 7 SCA SICAV RAIF	2022	5M	10%
21	LIVONIA PARTNERS FUND II AIF LP	2021	24M	100%
22	MID EUROPA FUND V LP	2018	12M	15%
23	POLISH ENTERPRISE FUND VIII LP	2017	2M	6%
24	RESOURCE EASTERN EUROPEAN EQUITY PARTNERS II LP	2016	4M	10%
25	TAALERI SOLARWIND II SCSP-RAIF	2020	30M	38%

⁵⁴ Due to current limitations of the EBRD's data, comparison with other countries of operations needs to be made with caution. However, the total value of TC contracts in three Baltic states in the capital markets area (excluding 'regional' ones) and for 2016-24 period was €1.86 mln. Greater than for Poland (€0.96 mln) and not far smaller than for all six Western Balkan countries (€2.2 mln)..

26	TAALERI SOLARWIND III	2023	50M	50%
27	V4C POLAND PLUS FUND II SCA SICAV-RAIF	2024	4M	15%
28	USALDUSFOND EFTEN REAL ESTATE FUND 4	2019	31M	100%
29	EFTEN SPECIAL OPPORTUNITIES FUND USALDUSFOND	2024	20M	100%

Table 10: TC-funded Policy Dialogue workstreams in the Capital Markets sector at the end of this Annex.

Noteworthy, some EBRD support activities in the Baltics were also provided without dedicated TC funding. These are not recorded in a systematic way in the Bank's systems. They involved in-kind contributions with the Bank staff investing their expertise and time in broadly defined advocacy e.g. communications, clarifications, coalition building, as well as transferring expertise and knowledge, and building skills in the local institutions. The role of the Resident office in Vilnius and two bankers based in Riga and Tallinn respectively, have been crucial in facilitating the everyday dialogue.

“EBRD's presence stimulates coordination and facilitates discussion between the three countries”

Government representative

In contrast to the EBRD investment projects where signings ramped up from 2022 onwards, the vast majority of PD workstreams (13 out of 18) were initiated pre-2020. 2017 was a particularly prolific year where nine PD workstreams started – with signed MoU on Capital Markets Development between three Baltic countries, support from the EBRD, and generous EU funding available, all providing impetus. On the other hand, there was just one single PD initiated more recently in 2023-2024, raising a question as to why this was the case. IEvD interviews across stakeholders' categories in all three countries did not pinpoint any clear *missed opportunity* but revealed a strong market desire for a greater involvement from the bank, whether through structured PDs⁵⁵ or more ad hoc advocacy on critical issues like pension reforms. Equally, to initiate some new PDs, a genuine appetite and clarity on where specifically the EBRD may help must come from the authorities too. According to EBRD management, very few new PD workstreams over the last five years was due to reduced availability of EU funding for technical assistance – triggered by de-prioritisation of capital markets over recent years relative to other EU strategic goals.

Otherwise, in terms of timeliness of delivery, the Bank's funded PD workstreams were typically delivered within an original schedule. Conceptualisation and delivery were mostly led by the London-based CFMD team, with an instrumental role being played by some experienced senior staff. It is worth noting though, that the presence of the local EBRD team in Vilnius facilitated both as well.

⁵⁵ One concrete area mentioned during the interviews were joint initiatives with national VC and PE Associations, of which there has been nil over the last several years.

The Bank's support was consistently guided by one principle – creation of one single Pan-Baltic capital market. Its capabilities and role in this area here have been widely recognised and praised in the Baltics

By and large, EBRD support was evidently steered by the concept of a single Pan-Baltic capital market and was therefore (highly) relevant. The selection of initiatives was an outcome of an iterative process, much of it formalised in the Memorandum of Understanding (MoU) signed in 2017 in Brussels, between, Estonia, Latvia and Lithuania, where parties agreed to create a pan-Baltic capital market⁵⁶. The MoU took place with support of the European Commission (EC) and the EBRD. Table 8 lists some of the most significant PD workstreams.

Table 8: Selected most significant EBRD PD workstreams in the capital markets area

PD workstream	Duration	Geographical scope
<i>Developing legal and regulatory framework for covered bonds and securitisation</i> Rationale: Requirement to transpose the EU Covered Bond Directive (2019/2162) combined with absence (LT and TV) or inadequate national regulatory frameworks making covered bonds securing on assets from all three countries simultaneously impossible.	2017-2023	all three countries
<i>Developing single MSCI classification</i> Rationale: Until 2023, with Latvia excluded, there was no single MSCI Baltics Index, negatively impacting the region's investment profile. Many investment funds are passive index-tracking and consider assets only if part of MSCI indices.	2017-2023	all three countries
<i>Developing Commercial Paper framework</i> Rationale: Absence of the legal framework and availability of commercial paper product in the Baltics offering an alternative financing method for short-term liquidity and working capital.	2020-2021	all three countries
<i>Structuring a Capital Market Development Accelerator Fund (CMDAF)</i> Rationale: Historically low market capitalisation and low number of IPOs in the region. Despite some SMEs and mid-caps in the region with potential for listing.	2020-2022	Latvia and Lithuania

Source: EBRD PD documentation and evaluation interview program

The Bank has been widely recognised as a leading and uniquely placed backer of development and integration of Baltic capital markets. In the region, often the first connotation with the EBRD has been its policy work in the capital markets⁵⁷. Given its status as a reputable, external and impartial IFI, it has been perceived as a *uniting force between three countries* with a unique ability to bring all three authorities to one table. Crucially, its hands-on technical expertise in international capital markets has made it an

“EBRD has technical know-how and brings cutting edge capital markets’ insights from London.”

European Commission

⁵⁶ The initiative sought to attract investment through the creation of a common capital market by combining the strengths of the three Baltic States and overcoming the constraints they often face due to their limited size.

⁵⁷ IEVD interview program

appealing partner for both, authorities and the market (quote). The Bank's presence on the ground has undoubtedly helped too.

The actual impact of the EBRD's initiatives has been mixed (so far). In some cases, very tangible results were already achieved. In others, results have not materialised within a scale and timeline that had been originally hoped.

Overall, the actual impact of the Bank's PD workstreams in the capital markets area has been somewhat mixed (so far). First, some initiatives such as the set-up of the CMDAF still have not led to any investments as of end-2025 hence no results at this stage. Second, others like development of regulatory frameworks for covered bonds, securitisation and commercial papers, has hinged largely on the market uptake – which has been mixed for host of reasons. Tangible benefits of the single MSCI Baltic States Index may materialise in the long-run subject to further developments, which are beyond the Bank's control. The remaining part of this section delves into more detail of the key initiatives.

The new single MSCI Baltic States Index⁵⁸ came into market in August 2023, but there is no evidence of tangible impact from it so far. EBRD was the lead promoter of the initiative and as put by MSCI representative: “without EBRD it would not have happened”. Undeniably, creation of the Index was a major milestone in integration of capital markets in Baltics. Yet, while the move achieved much publicity, there is no evidence that it has translated into inflow of capital into the region e.g. from passive index-tracking investors⁵⁹. Rising the Index classification from the current *Frontier Market*⁶⁰ to *Emerging Market* – plausibly resulting in a massive inflow of capital – would, however, require first a significant leap in the size and liquidity of Nasdaq Baltics' capitalisation⁶¹. And to achieve it, multiple and large listings of currently unlisted SOEs in combination with large *primary* listing of successful unicorns on Nasdaq Baltics would be needed. Both are currently only hypothetical.

Capital Markets Development Accelerator Fund (CMDAF), conceptually a valid idea, was launched only in October 2025, despite the work on the fund initiated already back in 2017. The Fund volume of €49 mln⁶², aiming to unlock €200 mln – €250 mln in future IPOs, will support Latvian and Lithuanian SMEs and small mid-cap companies seeking initial listings and inclusion in the Baltic States securities market, by investing in initial public offerings (IPO) or private equity and bond (IBO) offerings on the Nasdaq Baltic Stock Exchange⁶³. Since 2020, the EBRD supported the conceptualisation stage including market diagnostics. As of end-2025, no single investment has been made, and it is premature to gauge the results.

Box 7: EBRD support in developing single covered bond framework in Baltics

The primary driver for the harmonisation of the covered bond regulatory framework across the three Baltic states was the EU issued covered bond directive (2019/2162) which required member state

⁵⁸ Allowing inclusion of eligible Latvian securities as well, which had not been the case earlier. For more details, see EBRD, 2023. Pan-Baltic capital market to benefit from single index classification. Available at: <https://www.ebrd.com/home/news-and-events/news/2023/panbaltic-capital-market-to-benefit-from-single-index-classification.html>

⁵⁹ New Exchange Trade Funds (ETFs) launched within the Index could be one indication of some causal relationship with the creation of the Index, but such analysis was beyond the scope of this evaluation. Interviewed market participants in Baltics, including Nasdaq Baltics, were sceptical about any significant inflows of investment attributable to the creation of the Index.

⁶⁰ In 2025 MSCI introduced *Advanced Frontier* market sub-category as part of *Frontier* universe, of which the Baltic Region is currently part of.

⁶¹ As per current MSCI methodology, for a market to achieve the *Emerging Market* classification, there needs to be at least three companies meeting three following criteria: (i) Full market capitalisation of at least USD 3.57 bln; (ii) Free float-adjusted market capitalisation of at least USD 1.78 bln; (iii) Security liquidity above 15% on an Annualised Trade Value Ratio basis

⁶² €20 mln invested by ALTUM, €19 mln by ILTE, and €10 mln to be raised by the fund manager

⁶³ Additionally, the fund may invest in the pre-offering stage with the clear intention of listing the company on the exchange within a suitable timeframe (approximately 12–36 months), as well as in the IPO/IBO secondary market, provided that the fund participated in the initial IPO/IBO

legislation by mid-2021⁶⁴. Estonia had already begun work on a national legislative system while no pre-existing legislation was in place in Latvia and Lithuania. In addition, a leading credit institution in the Baltics (and EBRD's client) sought the alternative sources of funding.

The EBRD provided policy expertise and supported the alignment of covered bond laws across the three countries. This assistance was enabled by TC supported by SSF and SRSS⁶⁵. Subsequently, Estonia adopted covered bonds legislation in February 2019, Latvia in May 2021, and Lithuania in July 2022. Alongside policy work that aligned national legislation with the EU directive, the EBRD acted as an anchor investor in inaugural transactions under the framework.

Since 2020 and up to end-2024, eleven covered bond issuances have taken place under the pan-Baltic framework namely, three by Luminor bank for the total amount of €500 mln, two by LHV Bank for €500 mln in total and one €250 mln bond by Coop Pank. The EBRD acted as anchor investor in seven of these issuances.

Overall, the Bank played a vital role in coordinating the introduction and operationalising of a new harmonised regime to the region, which is considered appropriate on the international stage. The EBRD helped to prove viability both to investors and issuers by supporting benchmark transactions, which interviews confirm had an important signalling effect⁶⁶. The framework has made covered bonds a normalised funding choice and has been a positive step in Baltic capital market development and harmonisation.

A dedicated legal securitisation framework was developed and tested only in Lithuania so far. But it allowed a first landmark transaction in 2025, with likely demonstration effects. Since as early as 2017, the EBRD has supported the development securitisation frameworks in all three states. Lithuania adopted a new Law on Securitisation and Covered Bonds in 2022⁶⁷. And in 2025, ILTE completed the first true-sale green public securitisation of €164 mln in the Baltic region⁶⁸ broadly seen as a landmark transaction. It will finance renovation of 10,000 multi-apartment buildings by 2030. Artea Bank in Lithuania uses a securitisation framework from 2022 through Renovation Fund 1 and Fund 2 (EBRD taking part in Fund 2).⁶⁹ Yet, Latvia still has not introduced a comprehensive, dedicated securitisation law comparable to Lithuania, and Estonian legislation still needs to be revised to ensure full implementation of the principles foreseen in EU securitisation *acquis*.

A Commercial paper framework was successfully established in 2021, but the market has not yet taken off. The EBRD, based on a MoU signed in 2020 with three central banks and the Nordic Investment Bank (NIB) amid COVID-19 pandemic, played a leading role in creating the legal framework. Subsequently, together with the NIB, the Bank also supported the inaugural issuance of the €40 mln commercial paper by retail chain Maxima in 2021 by investing €4.2 mln. The offering achieved x 2.5 oversubscription⁷⁰. Maxima's second €35 mln commercial paper placement with the Bank's investment of €5 mln followed in 2022. However, there were eventually no further issuances in the Baltics since then, and the Bank's intention to establish a deeper self-sustaining market did not materialise. This was likely due to lower demand by corporates since 2022 for products like commercial paper – designed to manage short-term liquidity needs, and lower demand from banks' treasuries for Baltic issuances – which may lack sufficient size and liquidity.

⁶⁴ National rules had to apply from 8 July 2022, but the legal transposition deadline itself was 8 July 2021

⁶⁵ Both a Lithuania-specific TC 6546 and the overarching SRSS - Local Currency and Capital Markets Initiative TC FW (8347), which is a group of TC projects across countries all supported by the EU SRSS.

⁶⁶ Including with the European Council on Covered Bonds and reflected by sustained interest by other governments in requesting EBRD support to developing similar regimes.

⁶⁷ The law introduced true-sale securitisation mechanics and clarified how assets can be transferred to a special purpose vehicle (SPV), removing previous limitations on the transfer of claim rights under credit agreements when the buyer is a SPV or non-bank entity

⁶⁸ The deal pooled performing energy-efficiency loans as the underlying assets and issued AAA-rated securities, supported by major investors including the EBRD (€50 mln), NIB and Swedbank. The securities were listed on the Nasdaq Baltic exchange (Vilnius).

⁶⁹ More details provided in Sustainable Infrastructure in Lithuania chapter/case

⁷⁰ NIB, 2021. NOB participates in Maxima's inaugural commercial paper issuance. Available at: <https://www.nib.int/news/nib-participates-in-maximas-inaugural-commercial-paper-issuance>

Lastly, the EBRD's capacity building delivered to ILTE (formerly INVEGA) over 2016-19 was instrumental in its entry into equity markets. Over 2016-19, the Bank provided an extensive programme of training and expertise to set-up a qualified team within the agency and to allow it to roll-out equity instruments⁷¹. The initiative has had a profound and lasting impact. It subsequently resulted in ILTE's investments in a number of local PE and VC funds, with the agency now being a significant LP in the region. Finally, related to capacity building, EBRD equity funds team, in collaboration with local PE & VC associations, played a leading role in designing and organising a series of bespoke capacity building training programs in Baltics⁷², including for the local fund managers, national development institutions, and institutional investors, over 2015-17.

⁷¹ ILTE, 2016. EBRD and INVEGA join forces for risk capital funds in Lithuania. Available at: <https://ilte.lt/en/news/108/ebrd-and-invega-join-forces-for-risk-capital-funds-in-lithuania:1018>

⁷² Some trainings brought together global experts including Tim Jenkins (Oxford University), Jonathan Blake (lawyer), Humphrey Battcock (investor), generated substantial interest among local fund managers and institutional investors

Capital Markets and Equity Funds Data Annex

Table 9: Equity Funds active in three Baltic countries in which EBRD invested during 2016-2024

#	Fund/ Client name	Signing date	Expected EBRD's ABI Initially allocated in Baltic states, €	Expected EBRD's ABI share Initially allocated in Baltic states, %	First-time fund
1	AMC CAPITAL IV SCSP	2017	6M	15%	No
2	ALMAZ CAPITAL FUND III LP	2019	8M	17%	No
3	ALPHA CEE OPPORTUNITY IV LP	2017	1M	3%	No
4	AMC V SCA SICAV-RAIF	2023	4M	10%	No
5	USALDUSFOND BALTCAP INFRASTRUCTURE FUND	2018	20M	100%	No
6	BALTCAP PRIVATE EQUITY FUND III	2019	35M	100%	No
7	BPM MEZZANINE FUND II	2021	13M	85%	No
8	CVI CEE PRIVATE DEBT FUND SCA SICAV-RAIF	2022	5M	20%	No
9	CVI PRIVATE DEBT FUND II SCA SICAV-RAIF	2024	6M	15%	No
10	CHANGE VENTURES FUND II USALDUSFOND	2021	8M	100%	Yes
11	INNOVATION NEST II SCSP	2019	2M	30%	Yes
12	REVO CAPITAL FUND II BV	2019	2M	12%	No
13	500 STARTUPS ISTANBUL FUND II COOPERATIEF UA	2023	1M	15%	Yes
14	PRACTICA VENTURE CAPITAL III KUB	2023	10M	100%	No
15	DIGITAL EAST FUND III SCSP	2024	2M	15%	No
16	REVO CAPITAL FUND III CV	2024	1M	4%	No

17	COGITO FUND II SCA SICAV-RAIF	2024	5M	30%	No
18	DIGITAL EAST FUND II SCSP	2020	3M	9%	No
19	ENTERPRISE INVESTORS FUND IX SCSP	2023	12M	15%	No
20	INNOVA 7 SCA SICAV RAIF	2022	5M	10%	No
21	LIVONIA PARTNERS FUND II AIF LP	2021	24M	100%	No
22	MID EUROPA FUND V LP	2018	12M	15%	No
23	POLISH ENTERPRISE FUND VIII LP	2017	2M	6%	No
24	RESOURCE EASTERN EUROPEAN EQUITY PARTNERS II LP	2016	4M	10%	No
25	TAALERI SOLARWIND II SCSP-RAIF	2020	30M	38%	No
26	TAALERI SOLARWIND III	2023	50M	50%	No
27	V4C POLAND PLUS FUND II SCA SICAV-RAIF	2024	4M	15%	No
28	USALDUSFOND EFTEN REAL ESTATE FUND 4	2019	31M	100%	No
29	EFTEN SPECIAL OPPORTUNITIES FUND USALDUSFOND	2024	20M	100%	No

Table 10: TC-funded Policy Dialogue workstreams in the Capital Markets sector

No	Workstream / project Title	Start date	End-date	Budget in €
1	Lithuania: Support and Development of Fintech Ecosystem in Cooperation with "Rocket"	February 2020	March 2020	200,000
2	Lithuania: The Lithuanian Strategy and Action Plan on Sustainable/Green Finance (Green Capital Markets)	July 2019	August 2023	764,000

No	Workstream / project Title	Start date	End-date	Budget in €
3	Lithuania: Local Legal Consultant - Development of a Legal and Regulatory Framework for Securitisation in Lithuania	May 2018	March 2023	164,000
4	Lithuania: Improvement of Investment Environment for Institutional Investors - International Consultant	July 2017	January 2019	141,000
5	Lithuania and Estonia: SME Equity Support Instrument	June 2017	June 2020	123,156
6	Estonia: Developing a Legal and Regulatory Framework for REIT in Estonia	November 2019	October 2022	50,000
7	Estonia: Legal Counsel - Development of a Legal and Regulatory Framework for Derivatives in Estonia	September 2022	February 2026	74,441
8	Estonia: Capital Market Diagnostic	July 2017	December 2018	95,000
9	Estonia and Latvia: Development of a Legal And Regulatory Framework for Covered Bond and Securitisation (Local and International Consultant)	July 2017	June 2020	282,000
10	Estonia: Legal and Regulatory Framework for Innovative Technical Solutions (Fintech)	July 2017	November 2020	140,000
11	Latvia: State Ownership Policy Review	July 2017	March 2021	243,000
12	Latvia: Legal And Regulatory Reform for Enforceability of Hedging Instruments (Close-out Netting for Derivatives and Repos)	July 2017	May 2019	70,000
13	Latvia: Design of an EU Structural Fund Based SME Equity Listing Support Instrument	July 2017	February 2019	141,000
14	Latvia: Consultancy Services to Reach Frontier and, if Feasible at a Later Stage, Emerging Market Status	July 2017	May 2019	95,000
15	Regional: Knowledge Sharing for Coos: Pan-Baltics CM Development Accelerator Fund (CMDAF) Capacity Building and Feasibility Study; SRSS - LC2 Initiative TC Framework CMDAF [KPMG Baltics]	April 2019	N/A	568,802
16	Regional: Support and Development of Regional Fintech Ecosystem Startup Wise Guys Estonia: Development of CEE Fintech Ecosystem in Cooperation with Startup	May 2020	2023	550,000

No	Workstream / project Title	Start date	End-date	Budget in €
	Wise Guys			
17	Regional: Market Feasibility Study to Evaluate the Potential of Leveraging Green and Sustainability-Linked Bonds for Municipalities in Croatia, Czech Republic, Estonia, Latvia, Lithuania, Poland, and Romania under the EU Cohesion Policy (2021-27)	June 2024	2025	905,000
18	Estonia & Latvia: EU Taxonomy Implementation and Sustainable Finance Roadmap	September 2021	March 2023	568,416

Source: EBRD PD database

Annex 7. Municipal infrastructure and transport in Lithuania case

Key messages

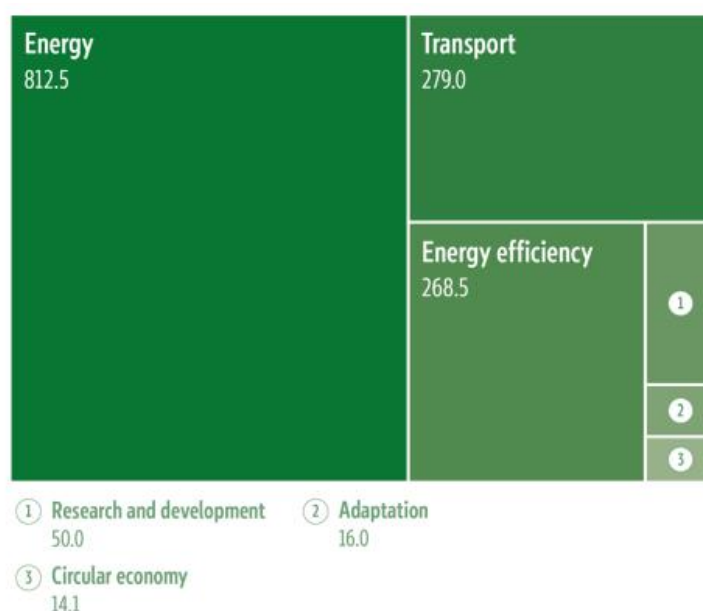
- **Over evaluation period majority of EBRD's operations (80% of ABI) in the municipal and environmental infrastructure (MEI) and transport sector were in Lithuania.**
- **Many objectives of the first strategic period (CS1) were not delivered**, while second strategic period (CS2) set a greater range of objectives, with a majority of these having associated activities in recent years.
- **In line with the EU's vision of "do more with less" there is increasing shift from grants to loans, equity, and guarantees in delivering EU policies, including in the infrastructure and transport sector of Lithuania.** Greater pressure on public spending is affecting the allocation of funds and increases urgency of attracting private capital to the sector. The role of IFIs, including EBRD, is growing.
- **EBRD has a strong track-record in supporting innovative financial solutions unlocking at-scale financing of decarbonisation of the built environment.** Lithuania is an example of significant advancement in this area, both in the public space, through multi-annual engagement with the National Development Institution ILTE (previously VIPA) and more recently with the 4th largest commercial bank Artea (previously Šiauliai Bank). Both have launched securitisation financial instruments, with EBRD's financing, that allow scaling up of the modernisation of the housing stock that represents one of the greatest challenges on the path of achieving country's Net Zero goal.
- **EBRD is appreciated for its subject matter knowledge that supports clients in the design and implementation of innovative investment projects, at times with first-of-kind structures and instruments.** Bank's technical excellence is notable in the areas of procurement rules and procedures; (re)development of the Public Sector Contracts for municipal services; capital market development and capacity building. Currently this expertise is applied in relatively modest segments of infrastructure and transport and can be expanded in the segments where bankability and governance challenges persist.
- **The Bank's impact in MEI and transport was enabled through long-term policy engagement.** It led to legal/ regulatory harmonisation in securitisation and covered bonds which paved way towards integrated Baltic market for these financial instruments. EBRD's contribution towards developing Lithuania's sustainable finance framework is also impactful and prompted regulatory and institutional changes aimed at strengthening green capital market infrastructure.
- **Vilnius is the first Green City in the Baltic region which progressed in delivering both GCAP and aligned investment projects since the launch in 2023. But it is too early to evaluate the actual results.** Vilnius had approved GCAP in June 2025 and is implementing three investment projects financed by EBRD, along with EIB, NIB and private investors. These projects are on track to deliver several GCAP strategic objectives in the areas of public transport and decarbonisation of built environment.

Going forward, the additionality of EBRD's Green Cities Programme in Lithuania and other Advanced Transition Economies must be sharpened. The Bank should leverage the capabilities of GCAP matrix for issuing municipal green or sustainability-linked bonds (SLB). Current Lithuanian legislation does not allow cities to issue bonds. The EBRD's engagement with central and municipal authorities can focus on exploring the opportunities for accessing private capital through sub-sovereign debt market.

Context

Infrastructure and transport are the engines of economic growth and connectivity for relatively small countries like Lithuania.⁷³ The country have advanced significantly in this area since the collapse of the Soviet Union in 1991 and joining the EU in 2004. Sustainability, decarbonisation, energy and resource efficiency, as well as green solutions and circularity are increasingly at the heart of building reliable and resilient infrastructure. The strongest impetus comes from the EU Green Deal and its affiliated strategies, legislation and action plans, which are transposed in Lithuanian national legal and regulatory frameworks. The new momentum was created in post-pandemic environment through EU's Recovery and Resilience Plan approved in 2021, and then through RePowerEU Plan approved in 2022 in response to the Russian war on Ukraine. The total value of Lithuania's National RRF Plan (NRRP) is € 3.85 billion of grants and loans, supporting 48 measures and reforms, of which 38% are in the climate dimension. (Figure 43)

Figure 43: Lithuania NRRP climate dimension (EUR million)



Source: [Lithuania's Climate Action Strategy](#)

Lithuania RRF plan includes several key measures for the green transition, specifically (i) reforms and investments of €307 million in energy efficiency renovations of buildings; (ii) € 335 million in sustainable mobility supporting the replacement of polluting vehicles, improving public transport services, charging/refilling infrastructure for vehicles using alternative fuels, and developing alternative fuels sectors.⁷⁴

The gap between the available financing and the needs of decarbonisation of infrastructure and transport in Lithuania is significant. According to the National Energy and Climate Action Plan (NECP) €17.5 billion is needed in 2021-2030 alone to comply with 2050 net zero target.

⁷³ For the purposes of this report infrastructure includes heating and cooling, built environment in public and residential segments. Private built environment is included in the Industry, Commerce and Agribusiness sector (ICA)

⁷⁴ Lithuania RRF Plan

Increasingly EU funding is shifting from grants to lending and guarantee instruments to deliver “do more with less” vision and mobilise more private sector capital. Data annex provides information on key sources of public funding of energy efficiency (EE) measures across sectors.

Without increased private sector participation the pace required to achieve Lithuania’s climate neutrality by 2050 and reduce GHG emissions by 55% by 2030 will be inadequate. Majority of companies in the sector are publicly owned, and only minority of them participate in public equity and debt markets. Due to changed geopolitical and geoeconomic profiles and elevated risks, private sector financing through those instruments is not growing dynamically and requires participation from the EC and IFIs. Additional pressure is emerging from the ongoing pension reform in Lithuania which will see significantly decreased volumes of resources available through local institutional investors.

Energy efficiency (EE) is in the cornerstone of Lithuania’s national security, including energy security. By implementing rigorous EE solutions, the country reduces its demand for energy while maintaining the pace of economic growth and output across all sectors of economy. Among fundamental events that have reshaped Lithuania’s energy mix is shifting from Russian gas to LNG, with total ban on imports of gas from Russia in 2022, as well as closure of the Ignalina Nuclear Power Plant (NPP) in 2009 which supplied 70% of country’s electricity.

The demand side of energy system experienced dramatic changes across industry, services, housing, and transport. It resulted in 40% reduction of the economy’s energy intensity between 2000-2022, to 0.07 koe/EUR2015p, which is 5.6% below EU average.⁷⁵ According to the global technical energy efficiency index ODEX Lithuania’s score was 75.8, which represents 24.2% improvement comparing to 2000. Most of efficiency progress was in the industry sector (62%), transport (31%) and households (30%), At the same time total energy consumption in the same period was increasing by 1.7% annually, due to the dynamic economic growth. In 2022 total energy consumption reached 5.38 Mtoe and energy savings compared to 2000 reached 2.21 Mtoe, where transport and households (mostly housing) each contributed 25% of savings, and industry contributed 50%.

In the period between 2016 and 2024 Lithuania adopted and implemented core energy efficiency (EE) legislation, anchoring itself to ambitious long-term EU targets, and making significant progress. The legal basis for state management, regulation, and supervision of energy efficiency improvement was established by the Law on Energy Efficiency, adopted in 2016. By 2018, Lithuania had set a major EE priority: to continuously and consistently increase energy efficiency across the energy chain, aiming for the country’s energy intensity indicators to reach the EU average by 2030, representing a 1.5 times reduction compared to 2017. The National Energy Independence Strategy (NEIS) updated in 2024 sets the long-term EE targets, aiming for final energy consumption not exceeding 51 TWh in 2030. The National Energy and Climate Action Plan (NECP) assumes that the cumulative energy savings target for 2030 will be achieved through 34.5 TWh from existing EE measures and 11.9 TWh from planned savings.

Similarly, Lithuania has strong climate action and decarbonisation objectives aligned with the EU 2050 net zero target. They are transposed in the National Climate Change Management Agenda (NCCMA, 2021) and NECP (2024). Lithuania committed to reduce GHG emissions by 70% by 2030 (1990 level) and by 85% by 2040. Comparing to 2005 it committed to reduce its GHG emissions by 30%.⁷⁶ As of 2023 it achieved 31.5% GHG emission reduction vis-à-vis 2005 level, averaging -1.06% per year in the last ten years, being largely within national targets. Figure 44:

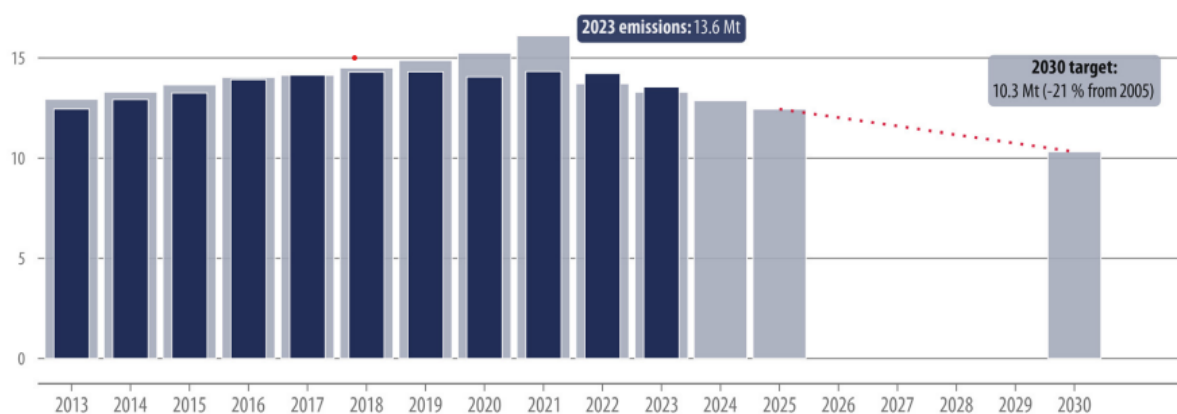
⁷⁵ Energy Efficiency Trends and Policies in Lithuania (December 2024), ODYSSEE-MURE database, koe – kilogram of oil equivalent, EUR2015p – Euros in 2015 PPP

⁷⁶ The National Energy and Climate Action Plan (2024)

Lithuania's emissions under the Effort-sharing Decision/regulation Sectors that progressed the most in GHG emission reductions are within EU Emission Trading Scheme (ETS): energy (57%) and industry (36%).

Transport sector represents the greatest opportunity for reducing GHG emissions in the period until 2030. Transport sector emissions grew by 46% compared to 2005 due to modal shift towards automotive transport and away from rail and public transport. Lithuania NECP includes commitments to reverse modal shift through better provision of public transport, intermodal transport systems, greater electrification and use of alternative fuels in road, rail and municipal transport, reduction of fossil fuel use.⁷⁷

Figure 44: Lithuania's emissions under the Effort-sharing Decision/regulation



Data source: [EEA, 2024](#).

Source: [Lithuania's Climate Action Strategy](#)

The built environment is critical for EE, accounting for 40.7% of final energy consumption in 2022. Lithuania is seeking to accelerate the energy renovation of its building stock, as 75% of its building surface was built before 1992 under less stringent building code requirements. Also, currently it is at the bottom of EU countries' ranking of reductions in GHG emissions from energy use in buildings in the period 2005-2023, as illustrated in Figure 48: Past and projected greenhouse gas emissions from energy use in buildings by country, changes in 2005-2023 in the data annex. The Long-Term Renovation Strategy (LTRS), approved in 2021, aims to reduce primary energy consumption in buildings by 60% by 2050 and eliminate fossil fuel use in this sector. Multi-apartment buildings are in the focus of the attention. However, at the time of evaluation the renovation pace was behind the target, with main reasons being lengthy and complex procedures, and lack of instruments/ tools for scaling up renovation pace. Although most recent developments, as presented in this case, might support reversal of this trend.

Energy poverty of population is a serious and persistent challenge in Lithuania. Despite improvements since 2015, in 2023 20% of the population reported being unable to keep their homes adequately warm, which is the fourth-highest rate in the European Union. Measures to address this include promoting energy efficiency improvements, providing financial support, and ensuring appropriate consumer awareness.

⁷⁷ ditto

Bank operations in MEI and transport sector in Lithuania

Lithuania has the greatest concentration of operations in the Baltic MEI and transport sector. The ABI of the Baltic infrastructure more than tripled between CS1 and CS2 from EUR 68m to EUR 217m (Project Sigma excluded). Lithuania's ABI accounts for 80% of the total Baltic ABI in MEI and Transport over both strategic periods (including share in regional operations). In 2016-2025 EBRD signed 9 projects in MEI and transport, including two regional projects.⁷⁸ Only three projects were signed in CS1, one in each country, one in transport and two in decarbonisation of buildings. Further six projects were signed in CS2.

This case study focusses on the six MEI and transport sector operations in Lithuania. One of them, Project SIGMA 2025, is classified as Financial Institutions (FI) operation, however it is a repeat operation with the long-term client, ILTE/ VIPA, with the specific objective of scaling up financing for decarbonisation of built environment. Figure 45 presents Bank's ABI across the class and financing instruments and data annex contains specific project information.

Figure 45: ABI in MEI & transport in Lithuania by class and instrument, 2017-2025, € million

		CS1 2017	CS2 2021	CS2 2023	CS2 2024	CS2 2025
PRIVATE	Senior Debt	50	68			
	Subordinated Debt				25	
	Senior Notes					50
STATE	Senior Debt			31	29	

Note: CS1 – 2016-2020; CS2 – 2021-2025

Source: IEvD elaboration based on DTM and project data in Tableau

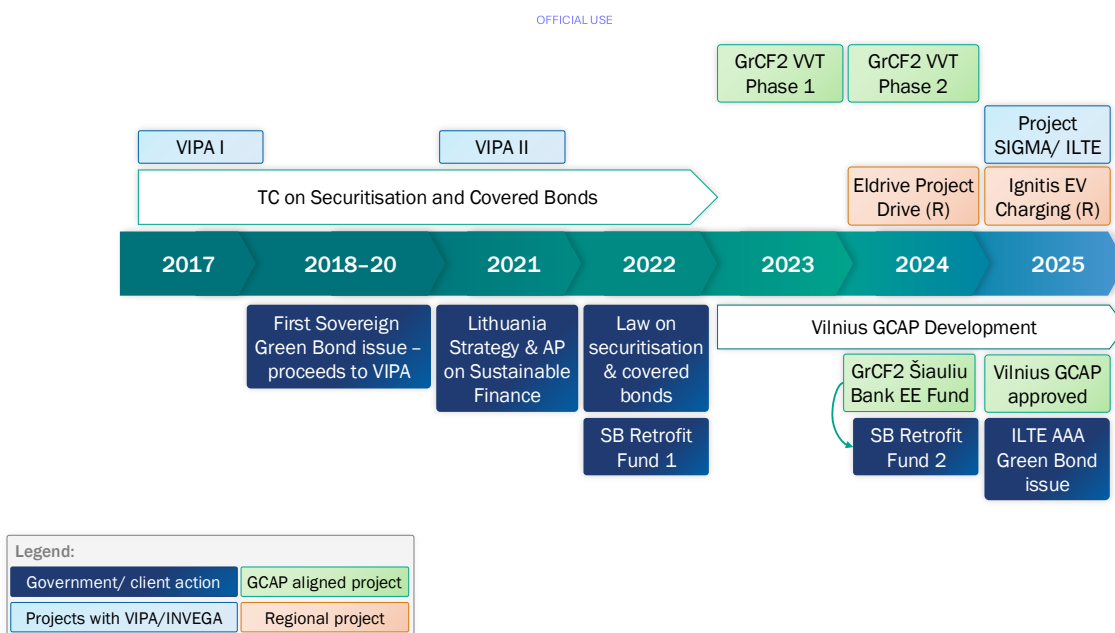
EBRD has two clusters of activities in MEI and transport sector of Lithuania: (i) three operations on decarbonisation of Multi-apartment Buildings (MABs) with ILTE/ VIPA, two of which are in the

⁷⁸ Two regional projects in transport segment focus on expanding EV charging infrastructure, thus facilitating a more dynamic adoption of EVs in the region. Eldrive Project Drive (OpID 54542) approved in 2024 includes investments in Greece and Lithuania, while Ignitis EV Charging project (OpID 55637) covers all three Baltic countries.

MEI sector and a third one in FI, underscoring the growing sophistication of financial instruments in the SI sector; and (ii) three projects under Vilnius Green City Programme, two of which are in the municipal transport and one in the decarbonisation of MABs. Each cluster has anchoring technical assistance programme and capacity building activities aimed at contributing to systemic change at the market level. Additionally, EBRD provided several TC projects aimed at enhancing sustainable financing system, including development of Lithuania Green Finance Strategy and Action Plan in 2021.

Figure 46 provides timeline of EBRD's engagements in the MEI and transport sector in Lithuania and key events in the domestic policy and financing space. The analysis below focuses on the delivery and results of the projects and accompanying policy dialogue and capacity building in these two clusters. It partly builds on evaluative evidence and results of IEvD's Cluster Evaluation "EBRD's Operations in Decarbonisation of Built Environment" which includes ILTE/ VIPA case.⁷⁹

Figure 46: Timeline of EBRD's investments in Lithuania SI sector and significant domestic events



Source: IEvD based on Bank sources

⁷⁹ IEvD (2024) Building a Green Future: EBRD's Investments in the Decarbonisation of the Built Environment (2016-2022)

Strategic Relevance and coherence

Strategic priorities in Lithuania's Sustainable Infrastructure sector that includes MEI and transport expanded from first to second cycle, matching evolving country's needs and Bank's own green ambition.

EBRD's strategic priorities evolved from first to second cycle, with many activities identified in CS 2016-2020 not delivered (Table 11). In green and EE priority Lithuania CS 2016-2020 only EE investments were delivered with no activity/ progress in the areas of energy service company (ESCO) financing and enhancing regulatory structure for Energy Performance Certificate (EPC).⁸⁰ In Private sector competitiveness priority, the focus on PPP in transport sector didn't materialise.

Lithuania's second strategic period has a much wider range of specific objectives under Energy and Green Priority. It includes green transport and infrastructure, Green Cities, sustainable urban development, district heating and cooling– all areas where Bank's operations in Lithuania are currently focused, except for heating and cooling. In Access to Finance and Capital Markets Priority the list of activities changed from CS1 to CS2, with inclusion of green financial instruments, commercialisation and corporate governance improvements in SOEs, while PPP goal was dropped.

Table 11: EBRD strategic priorities in the Sustainable Infrastructure in Lithuania

	Priority	Objective	Activity
CS2016	1/Bolstered energy security and increased energy efficiency	Energy and Resource efficiency	(i)EE investments; (ii) access to finance for ESCOs; (iii) regulatory structure for EPCs
	2/Enhancing private sector competitiveness through innovation	Increase use of private sector-led solutions to enable sustainable funding and efficient management of transport infrastructure	(i)private sector participation and use of PPP structures in transport infrastructure via finance and policy infrastructure; (ii) developing and structuring PPP projects
CS 2021	1/Green Economy Transition	Improved Energy and Resource efficiency Reduced GHG emissions	(i)EE improvements in the built environment (inc. through ESCOs); (ii) sustainable urban development and regeneration projects; (iii) green inclusive and sustainable transport & infrastructure solutions; (iv) district heating and cooling infrastructure; (v) Green Cities
	2/Foster knowledge economy through more diversified sources of private finance	Deepened and diversified debt and equity capital markets	(i)financing and introduction of new and green instruments

⁸⁰ Lithuania did progress in this area, however it was outside the scope of EBRD's operation with VIPA

Relevance of EBRD's projects in Lithuania remained strong and their design and structuring were responsive to the dynamic changes of context due to crises

Over the evaluation period EBRD's activities in Sustainable Infrastructure were relevant to Lithuania's strategic priorities and Bank's own country strategic objectives, albeit only partially as mentioned above. Operations were aligned with key EU strategic directions in green space, national priorities in energy efficiency and climate change, city strategic commitments, as presented in the Context chapter above. They are also aligned with the EBRD's Strategies in Lithuania both in 2016-2020 and 2021-2026 cycle.

Relevance of all projects remained strong and increased since 2021 due to Covid-19 pandemic and then the Russian war on Ukraine. The war elevated challenges of energy security and increased the urgency of greater sustainability, energy efficiency, and climate resilience, as defined in the National Energy Independence Strategy 2024 and Vilnius GCAP approved in 2025.

EBRD consistently invested in Lithuania's strategy of decarbonisation of built environment, the second most energy-intensive and emission-intensive sector in country. Four projects – VIPA I (2017), VIPA II (2021), GrCF2 Šiauliai Bank EE Fund (2024) and SIGMA Project (2025) demonstrated strong relevance to EBRD's strategic frameworks and to Lithuania's priorities in this sector (Data annex includes details of financing). They were consistent with the Bank's Strategy for Lithuania which prioritised both energy and resource efficiency, as well as the use of innovative financial instruments to better leverage EU structural funds to achieve greater EE.

Vilnius Green City projects in transport and decarbonisation of MABs from 2023 onwards delivered on Lithuania country strategy 2021-2026 priority of "Support country's Green Economy transition", with the specific objectives of "support green transport and infrastructure", "support and finance sustainable urban development and regeneration projects", "Support EBRD Green Cities in Lithuania". They are also consistent with EBRD MEI sector strategy 2019-2024 which prioritises in Central Europe and Baltic region (CEB) operations in the EE areas, including measures in public and residential buildings, Green Cities, and electrification of transport. It also prioritises implementation of innovative financing schemes, including "securitisation to attract institutional investors". They were consistent with both original GET Approach and GET 2.1 2021-2025 that promote "green buildings" by accelerating "the decarbonisation of buildings" through "deep energy efficiency renovation".⁸¹

The Bank's expertise in innovative financing was relevant for the construction and building industry that saw significant progression in the scale and speed of operations

EBRD's technical expertise was limited to supporting the clients in developing increasingly more sophisticated and novel financial products that help leveraging a greater amount of funding, including most recently from the private sector. EBRD's engagement concentrated on developing innovative financing instruments as Lithuania's well-established national ecosystem for MAB renovation has relied on domestic and EU-supported capacity (Box 8:). The clients' advanced capacity and capacity of associated institutions has greatly benefited from the EU programmes

⁸¹ Lithuania country strategy 2021-2026. MEI sector strategy 2019-2024 (BDS19-069 (F)), GET Approach (BDS15-196 (F)), GET Approach 2.1 2021-2025 (BDS20-082 (F))

and structural funds, as noted in several previous evaluations.⁸² The EBRD's contributions in actual subject matter of decarbonisation of buildings, specifically MABs, was limited.

Box 8: The Evolution of Renovation of Multi-apartment Buildings Programme in Lithuania

Renovation of Multi-apartment Buildings Programme in Lithuania was launched shortly after the country joined the EU in 2004, and initially it was funded through grants only. In 2015 major revamp of the programme was aimed at scaling up and speeding up the renovation process. New financial product "Modernisation loan" was designed, integrated project delivery concept was developed and implemented through single government agency BETA (renamed APVA). Jessica II Fund of Funds was created as the main financial vehicle, implemented by the Ministry of Environment and managed by EIB with EUR 138 million contribution from ERDF and Šiaulių Bank (renamed Artea) being financial intermediary that contributed EUR 255 million of its own funds.⁸³

VIPA was mandator/ manager of transition programme of Modernisation loans for MABs with ERDF's contribution of EUR 74 million. This element was combined with the EBRD financing in 2017. VIPA further scaled up its participation in the programme through issuance of the first sovereign green bond by the Ministry of Finance in 2018 where all proceeds (EUR 68 million) were allocated to VIPA for Modernisation loans.⁸⁴

According to the European Environmental Agency the Programme's budget in the period of 2013-2021 amounted to € 1 billion, with 3,445 multi-apartment buildings (MABs) renovated, saving 955 GWh of energy.⁸⁵ EU Emissions Trading Scheme (EU ETS) auction revenues supported the delivery of the programme, contributing between 4% to 42% on average per year. The programme also raised public awareness of energy performance and savings issues.

Additionality

Financial additionality is strong at times of crisis due to Bank's counter-cyclical lending.

Additionality of EBRD's activities in Lithuania's sustainable infrastructure sector is high along certain dimensions. Financial additionality stems from (i) offering terms and conditions that are not available at the market, mostly tenor and grace period, but also the ticket size; (ii) providing riskier financial instruments that are not available, are first-of-kind on the market, or blended with other financial instruments leading to enhanced risk profile, expanded capital base and increased liquidity of clients.

For example, for both Vilnius municipal transport projects with VVT the EBRD offered 12 years tenor with 2 years grace period, which is not available from the commercial financiers. Client noted that EBRD first provided financing in 2023 when no other financier which company approached was willing to take the risk. This operation opened the gate and other financiers followed, including NIB in VVT Phase 2 project.

For VIPA II project (2021) there was intention to syndicate €10-15 million from private banks on A/B loan basis, however this didn't materialise as this ticket was perceived as too small by private banks. EBRD did secure €10 million from Liberty Mutual Insurance Europe SE through Unfunded

⁸² See for example ECA "Energy Efficiency in buildings: greater focus on cost-effectiveness still needed" (2020)

⁸³ European Commission, EIB (2021) Residential energy efficiency financial instruments in Lithuania. Case study.

⁸⁴ Ministry of Finance of the Republic of Lithuania (2022) Lithuanian Government Green Bond: Final Impact and Allocation Report

⁸⁵ Renovation of multiapartment buildings programme in Lithuania

Risk Participation (URP), thus reducing Bank's overall exposure at implementation stage. URP instrument is also used in both operations with VVT.

In case of GrCF2 Šiauliai Bank (SB) EE Fund Project (2024), EBRD's participation in the structure with the total value of €200 million was crucial for attracting and securing firm commitment of Swedbank and private pension funds. EBRD is providing loan to the well-established financial platform: First Fund was established in 2022 for the total amount of €275 million, jointly with EIB which contributed €90 million from Jessica II Programme, as well as CEB, NIB, and the Lithuanian Government.⁸⁶ Initially planned participation of private sector didn't materialise. The novelty of SB Retrofit Fund 2 is structure that includes junior and FLC tranches with EBRD participating in riskier junior tranche with much longer tenor. Šiauliai Bank (now named Artea), ring-fenced sub-loans with repayment flows to create asset-backed structure. It means that *“transferred assets cannot be diverted to the claims of unsecured creditors, which is particularly relevant in the event of the seller's insolvency”*.⁸⁷

Financial additionality of the Bank for the repeat clients persists as their capitalisation and risk profile changes and the demand for financial volumes increases. EBRD offers more advanced/innovative financial instruments to match client's growing capabilities to expand their capital base. For example, stated additionality in the most recently approved Project SIGMA (2025) *“Innovative financing structure, capital market and risk mitigation”* was realised through successful issuance of ILTE's green bonds in December 2025. It was first true sale assets backed securitisation in Baltic countries, issued on Nasdaq Vilnius, which attracted €31 million from private sector investor, along with EBRD's and NIB's anchor investments. At times Bank's lending is treated as *“bridging lending”* in the build-up towards launching new financial instrument, which was the case of VIPA II project.

This dimension is especially important at the time of crisis, geopolitical instability, elevated political risks and outflow of international capital. Many stakeholders during interviews noted that largest local banks, although very liquid, are risk-averse and would not be able/ willing to provide necessary level of financing for substantial period, especially to socially oriented projects, such as renovation of MABs or municipal transport.

Non-financial additionality largely stemmed from on Bank's expertise in financial and capital markets, designing financial instruments that enhance capacity to attract private capital, providing advice and capacity building for clients in these areas

The EBRD has solid sources of non-financial additionality in advanced markets through providing advice in designing and delivering more advanced financial and capital instruments. Artea's Renovation Fund 1 launched in 2022 was the first case of securitisation of housing assets under the dedicated SPV. EBRD didn't take part in this Fund but had an indirect contribution to its operation through long-standing policy dialogue in developing and approving Lithuania's Law on Securitisation and Covered Bonds with amendments to associated legal and regulatory acts, which came into force in 2022.

Other important attributes of non-financial additionality include supporting public companies in public procurement, corporate governance and financial strategic planning, including through Public Service Contracts (PSC), that enhance bankability of projects and ensure wider base and higher quality of assets, thus supporting clients in building up their capitalisation. Equally

⁸⁶ Lithuania: Total financing for energy efficiency loans with Šiauliai Bankas reaches €1 billion
⁸⁷ Securitisation Guidelines, Lithuanian Banking Association (2024)

important are standard setting activities in the strategic planning, prioritisation and costing of green projects at municipal level through Green Cities Programme, planning and delivering on corporate environmental and social objectives (preparation/ implementation of company's ESAP), and inclusion and gender equality (creating job opportunities for women and vulnerable groups, greater access to municipal services).

Here are some illustrative examples of non-financial additionality validated by this evaluation:

- i. Non-financial additionality of GrCF2 Šiauliai Bank EE Fund Project (2024) was in *supporting the acceleration of the pace of decarbonisation of the built environment*, which remains inadequate to meet 2030 and 2050 commitments. IEVD's cluster evaluation of the EBRD's Operations in Decarbonisation of Built Environment (2023) noted that slow pace remains the main impediment for achieving Paris aligned goals in this sector.⁸⁸
- ii. Board Approval document for Project SIGMA (2025) notes that "*Lithuania's capital markets remain shallow relative to EU standards, with a limited range of available financing instruments, low private sector credit penetration (just 39% of GDP), and public equity market capitalisation among the smallest in the EU*".⁸⁹ Launch of the first publicly placed and AAA rated green bond in Lithuania with true sale assets-backed security in December 2025 is a good example of innovative financing structure enabling significant scale-up of financing for critically important area.
- iii. Client noted that approval of Vilnius GCAP was a positive step towards "*helping to prioritise which green investments have to be done first*" which is important in the situation when capital expenditure programme is extensive but resources are limited.
- iv. The client's bankability was enhanced through EBRD's willingness to support company in revising its existing PSC. Bank experts helped with the amendments that made financial flows and structuring beneficial for both city and VVT, which depends on municipality for 60% of its revenues. Successful implementation of first project opened opportunity for Phase 2 project, also with the attraction of another IFI as co-financier and sale down through URP, thus reducing Bank's exposure.
- v. Use of EBRD procurement standards for fast and efficient purchase of the new trolleybuses enabled quicker decommissioning of high-polluting diesel buses and dated trolleybuses, thus contributing to achieving city's ambition of having a climate-neutral public transport system by 2030.

EBRD's activities are additional to the activities of other financiers. Private sector stakeholders noted that there were no overlapping objectives or activities, and good collaboration in several landmark operations where significant investment package could not be delivered without EBRD's leverage. Equally EIB/ EIF and NIB counterparts noted that EBRD is active in the areas it knows the best. European Commission counterparties noted that the Bank has top notch expertise in the capital and financial markets, also through first-hand experience as a financier, that makes it a very effective partner in delivering some of the more sophisticated products which otherwise would not go ahead. EBRD's role in developing and delivering green specific policies and corporate processes was less relevant due to country's strong internal capacity and availability of EU expertise. Also, EU-backed lending instruments are usually cheaper and EBRD's competitiveness is rooted in above mentioned expertise and skills.

⁸⁸ IEVD (2024) *Building a Green Future: EBRD's Investments in the Decarbonisation of the Built Environment (2016-2022)*

⁸⁹ BDS25-172

Programmatic approach to delivering green projects in Vilnius through GCAP is adding value with further potential still untapped

Vilnius was the first Green city in the Baltic region. Programme was launched in response to significant environmental and sustainability challenges facing municipality and increasing deficit of at-scale financing for timely delivery of city's sustainability and climate objectives aligned with Net Zero Agenda. Programmatic approach is additional at time of growing fiscal pressures and limited investment capacity of municipality and its companies.

Looking forward, Vilnius and potential other Green Cities in the Baltic countries should benefit from programmatic financial additionality. Project-by-project investments through lending have limited potential for upscaling and underuse capital market infrastructure that exist in Advanced Transition Economies. EBRD's Green Cities Programme has an objective of leveraging the capabilities of GCAP matrix for supporting cities in issuing green or sustainability-linked bonds (SLB). Current Lithuanian legislation does not allow city of Vilnius, or any other city, to issue bonds. Policy dialogue with the government and municipal authorities can prompt changes when cities and their municipal companies can tap into private capital through sub-national debt market. It will require substantial build-up in expertise and capabilities, which are currently lacking, as confirmed by the recent EBRD-led Feasibility study of municipal bond market in several EU countries, including Lithuania.⁹⁰

Efficiency of delivery

The on-the-ground presence enables efficient delivery of investment projects through close relationships with the clients and policy engagements with the government and municipal authorities. While there is no direct causality, the Vilnius Resident Office and its effective connections with the regional hub in Warsaw and headquarters in London ensure timely and largely on-target delivery of all six MEI and transport projects in Lithuania.

Vilnius Green City Programme: dynamic start with most activities on track of delivery after three years of operations

Vilnius joined EBRD's Green City Programme in 2023 and the initiation was through the trigger investment project in municipal transport sector. VVT Trolleybuses Fleet Renewal Project was signed in April 2023 and included Vilnius municipality's commitment to develop and approve Green City Action Plan (GCAP) according to the existing methodology and with the support of international and local consultants. EBRD has a well-established process for Green Cities Programme, where Technical Co-operation (TC) project is launched to support the preparation of baseline assessment, public consultation, development, and approval of GCAP. TC for the total amount of €300,000 was funded by TaiwanBusiness-EBRD TC Fund and delivered by Arup.

Unlike in other Green Cities, Vilnius GCAP governance process is led from outside the municipal administration, by a municipally owned company. The focal point for GCAP preparation was not one of the departments within the municipality, but a stand-alone Climate Neutrality Company established in 2022 and is fully owned by Vilnius municipality. Its activities pursue two main

⁹⁰ EBRD implemented TC project by DG Region "Market feasibility study to evaluate the potential of leveraging green and sustainability-linked bonds for municipalities in Croatia, Czech Republic, Estonia, Latvia, Lithuania, Poland and Romania under the EU Cohesion Policy"

objectives: (i) to ensure that Vilnius adapts to the climate change and (ii) to provide support in city's ambition to become climate neutral city by 2030.

Vilnius is the first city to combine EBRD's GCAP with the EU's Climate City Contract (CCC).⁹¹ In 2022 Vilnius was chosen as one of EU's 100 Climate Neutral and Smart Cities and committed to develop CCC in collaboration with the Net Zero Cities (NZC). This is aligned with the European Green Deal and EU Policy Agenda for Cities. Company is responsible for both CCC and GCAP preparation, thus ensuring synergies and reducing duplications between two workflows. The specificity of Vilnius GCAP is that the document is closely co-ordinated with CCC where main objective is to cut city's greenhouse gas emissions (GHG) by 80% by 2030.

Approval of Vilnius CCC and obtaining of the EU Mission Label open access to additional financial and expert resources. The city can take advantages of the Climate Capital Hub, an international finance resource setup by the European Commission in 2024 with focus on engaging the private capital. The Hub offers advisory services and access to lending envelope of €2 billion through European Investment Bank (EIB).⁹² This capability is of high significance considering the range of priority investment projects and actions identified in Vilnius GCAP (Box 9: includes key challenges and main GCAP priorities).

Box 9: Vilnius Green City Action Plan (2025)⁹³

Top Three Challenges of Vilnius City:

- (i) mitigation of GHG emissions (particularly in transport sector which represents 38% of total city GHG emissions)
- (ii) green spaces, biodiversity and ecosystems
- (iii) resilience and adaptation.

Top-3 GCAP Actions across key sectors:

- **Energy:** 1) use of RE in district heating and 2) non-centralised heating systems, 3) reconstruction of heating networks
- **Transport:** 1) renewal/ modernisation of public transport fleet and infrastructure, 2) enhancing efficiency of public transport routes, 3) Expanding/ integrating cycling infrastructure and pedestrian pathways
- **Buildings:** 1) Upgrading municipal buildings and their systems, 2) promoting modernisation of multi-apartment buildings, 3) integrate and enhance building condition and energy efficiency data
- **Solid Waste:** 1) preventing waste generation through awareness raising& education, 2) expanding the network of DEK UI stations, 3) further introduction of bulky waste collection sites
- **Water:** 1) strengthen city's resilience to surface water runoff, 2) power generation installations for water and sewage infrastructure facilities, 3) resilience of water supply system
- **Land use:** 1) Green streets and heat island – decreasing perceptive temperature in the summer, 2) protection and restoration of vulnerable green spaces, 3) development of local plans and land use standards

Ex-ante estimates GCAP implementation:

- Reduction of CO2 emissions: 598,868.89t
- Job creation: 1,463-3,190 FTEs
- CapEx: EUR 2.7 billion
- Annual OpEx: EUR 34.18 million
- Cost saving: EUR 101.2 million

⁹¹ ARUP website

⁹² European Commission

⁹³ Vilnius Green City Action Plan (2025)

Developing and implementing GCAP by the arms-length municipal company has its advantages, but long-term effects might be mixed due to lack of authority

There are benefits to having an arms-length company managing the GCAP process, but there are also potential vulnerabilities, especially at implementation stage. Vilnius Climate Neutrality Company co-ordinated GCAP development process, facilitates stakeholder engagement, it also oversees planning and implementation, and supports reporting. Its independent status enables focused activity, facilitated building trust and greater collaboration with a wide range of non-governmental stakeholders, municipal companies and agencies involved in the process. It was noted that unique model of GCAP preparation and available funding for preparation activities and meetings/ discussions played crucial role in *“bringing different stakeholders together and creating platform for conversations, which is rarely the case in other consultative processes”*.⁹⁴ Established connections are now being used for the delivery stage. Local experts also noted that GCAP development supported building bridges across departmental silos within municipality and prompted positive behaviour changes. However, distance from the municipality and lack of authority limits Company's ability to engage with the municipal departments and municipality-owned companies responsible for implementation of GCAP priorities.

Local capacity to develop and implement GCAP requires special attention. Internal capacity of the relatively new and small organisation was a challenge at the beginning. Bank along with the external consultants invested significant efforts in strengthening Company's capabilities. Support from local GCAP consultant was important in this process, as recognised by the Bank and Company's staff, including adopting international methodology to Lithuania context (and language). Vilnius benefited from the horizontal activity stream of Green City Programme, which in earlier IEvD evaluation of the programme was noted as its significant asset.⁹⁵ It established initial partnership with the city of Warsaw which developed GCAP earlier, which boosted confidence and understanding of the process. Vilnius continues dialogue and exchange of lessons with other Green Cities in the EU region, specifically Warsaw and Split.

It remains to be seen how the Company will be able to deliver on its monitoring and reporting commitments under GCAP process. It is yet to prepare the first progress report on GCAP implementation and have limited knowledge and capacity at this point, so further support is needed to ensure high quality monitoring and reporting. Company's expert is a designated Green City Officer (GCO) for Vilnius and takes part in the activities of EBRD-facilitated network of GCOs, that includes several horizontal learning events.

City of Vilnius will require further expertise and capacity building to ensure that GCAP implementation is efficient and effective. Local stakeholders noted limited capabilities of municipal departments and novelty of investment projects identified in GCAP for municipal companies. Skills and knowledge must be strengthened, including through available expertise, such as Climate Capital Hub mentioned above. IEvD noted in its previous evaluation of Green City Programme (2023) that capacity building activities must be extended from GCAP development stage to the implementation stage to achieve full ambition of the programmatic approach.⁹⁶

⁹⁴ Interview with local stakeholder

⁹⁵ IEvD (2023) Interim Evaluation of EBRD's Green Cities Programme

⁹⁶ IEvD (2023) Interim Evaluation of EBRD's Green Cities Programme

EBRD internal processes require enhancement

Clients have provided feedback that included positive estimation of EBRD's efficiency and good relations with the banking team. It was however noted that the Bank has a lot of heavy bureaucratic processes which led to delays and higher administrative burden. In the opinion of clients that have experience of engaging with other IFIs EBRD is less efficient comparing to other IFIs, specifically EIB Group, NIB and CEB. EBRD strength is flexibility of its approach, listening to client and incorporating necessary changes in the planning and delivery.

Results, their sustainability and contribution to systemic change

EBRD's long-term engagement along other stakeholders in enhancing Lithuania's legal and regulatory framework for green capital markets, securitisation and covered bonds contributed to building robust and resilient system

Lithuania's approach to sustainable financing system and instruments was enhanced through developing and implementing Green Finance Strategy and Action Plan. The EBRD was crucial in supporting this work, while EU provided financing for TC project. Strategy was prepared in response to the European Climate Law which required all member countries to prepare their national strategies and action plans in this domain. The document included 11 specific policy recommendations in public and private segments of sustainable finance.

Adoption of Strategy and Action Plan had a positive impact on country's regulatory and policy landscape, promoting changes that allow greater alignment of public spending priorities with the green transition and climate action priorities. The implementation is ongoing. Among results already achieved are: (i) institutional changes in the national development financing architecture through merger of four national development institutions under one roof of ILTE; (ii) creation of the Green Growth Institute within ILTE, which is responsible for the implementation of Strategy and AP and is a centre of excellence and bridge between the public and private segments of sustainable finance system; (iii) creation of public sustainable bond issue plan, including for SOEs. Bank's help was especially noted in the areas of understanding sustainable reporting requirements and legislation/ regulations that should underpin effective functioning of sustainable finance system in the country. Many other actions are still ongoing including creation of a single pipeline of sustainable projects financed by PPP.

In Lithuania the Securitisation and Covered Law was approved with significant delay in 2022 rather than in 2018 as initially envisaged.⁹⁷ The initial TC project for developing the Law in 2017 was anchored to the VIPA I project and financed by Bank's own SSF and Ministry of Finance of Lithuania (in proportion 80:20). Law's enactment along with the relevant changes to associated legal and regulatory acts was crucial for ensuring that private and public financial institutions can securitise repayment cashflows and expand its capital base. It led to designing and launching truly asset-backed securitisation products, first by Šiauliai Bank (Artea) in 2022 through Energy Efficiency Fund 1 and then Fund 2 in 2024, and more recently by ILTE. EBRD's support in

⁹⁷ Annex in main report provides details on EBRD's activity in building unified regional legal and regulatory environment for securitisation and covered bonds.

developing and enacting this legislation was instrumental for two decarbonisation projects signed in Lithuania since 2022.

Long-term engagement with Lithuania's national development institution (ILTE) based on the Bank's unique knowledge and expertise in capital markets development has delivered tangible and sustainable results.

EBRD supported pioneering investment in secure notes of Lithuania's National Development Institution Bank ILTE through multi-year engagement. ILTE issued first publicly rated AAA green bonds in December 2025 at NASDAQ Vilnius and raised €112 million, including €50 million from EBRD, €31 million from NIB and €31 million from Swedbank. It is first true sale assets-backed securitisation structure that enables a significant scaling-up of financing of decarbonisation of buildings, specifically MABs, which will lead to significant energy savings and reduction of GHG emissions.

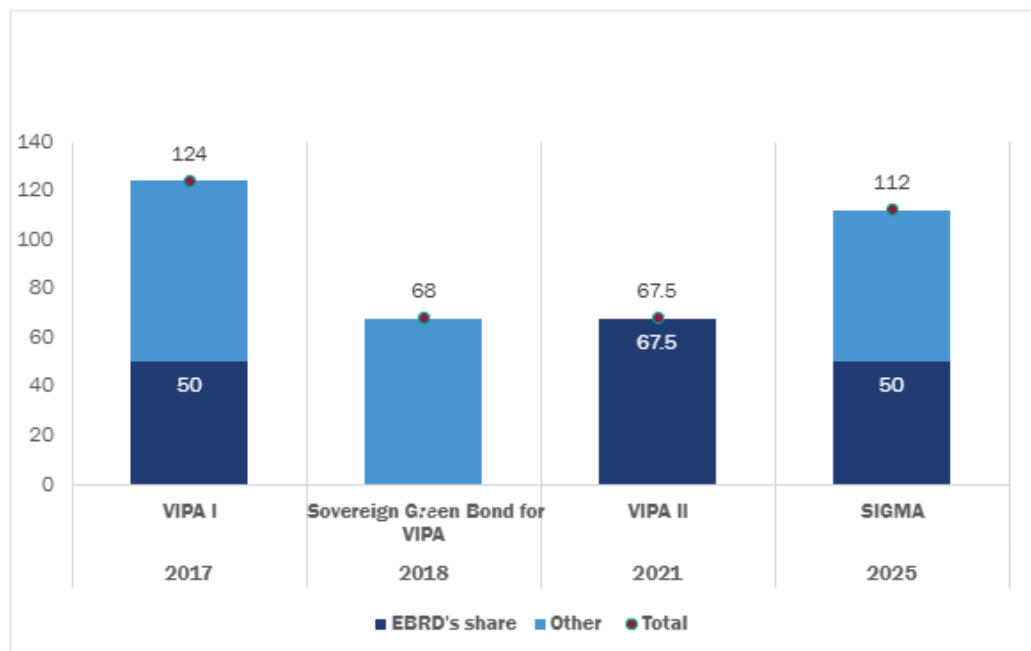
This issuance is fundamental for the capital market of Lithuania and Baltic regional market. It deepens otherwise shallow market, demonstrates attractiveness of financial products for private institutional investors, signals about growing maturity of ILTE and potential further issuances (it plans to raise further €800 million for decarbonisation of buildings). ILTE green bond issue through SPV has a high demonstration effect and potential for replication in the countries with developed legal and regulatory environment and well-functioning institutions, like other EU member states.

The path towards AAA rated green bond was charted over two strategic periods. It was delivered through lending operations with condition of developing national regulatory environment and institution's internal capability, intensive policy dialogue and capacity development for ringfencing repayments from existing loans to MABs for creating solid pool of assets. The progress in achieving transition benchmarks for ILTE/VIPA projects (Data Annex) illustrates the gradual advancement of client's capability to manage financial instruments from largely grant-based to loans, to secure notes on fully asset-based securitisation through specially created SPV (Figure 47). It enabled client to build internal processes and systems that facilitate creation of homogeneous asset pool transferred to SPV on the true sale basis, with significant risk isolation.

ILTE greatly benefited from the expertise of EU stakeholders, as a mandator of ERDF funding for two strategic cycles. It is also part of the governance structure that includes several government institutions with one-stop shop for ultimate beneficiaries, co-owners of MABs, at APVA.

ILTE also had an opportunity to test the green lending model directly, by utilising €68 million from issuance of the first sovereign green bonds by the Lithuanian Ministry of Finance on NASDAQ Vilnius in 2018. It was done without EBRD's direct support and bond was rated as Excellent by Moody. This required building up skills in creating adequate processes, matrix, monitoring tools for key KPIs, and producing annual reports that are aligned with ICMA standards. It should be noted that the number of MABs that see EE renovation under 2018 green bond and 2025 green bond increased x5 times, from 178 to 934 MABs. It means significantly increased energy/ heat savings and reduced GHG emissions.

Figure 47: ILTE / VIPA investments through EBRD-funded projects and Sovereign Green Bond, € million



Source: EBRD; Green Bonds - Ministry of Finance of the Republic of Lithuania

EBRD's more recent engagement with another major investor in MABs deep renovation means that the Bank now has the opportunity to contribute to the transformation of the entire sector. In 2024 EBRD provided subordinated loan to the Investment platform managed by Artea Bank, as part of Vilnius Green Cities Programme. Together Artea and ILTE are custodians of the entire Modernisation loans' programme of Lithuania, with 2/3 and 1/3 market share respectively. Investments with these two clients strengthen Bank's position in contributing towards systemic change in the sector that contributes the most to the energy use and GHG emissions. While VIPA I and VIPA II projects largely delivered on its green objectives, it is too early to validate the ex-post results of two most recent operations (see Data annex for details of progress in TI benchmarks).

Green City aligned investment projects have potential to deliver substantial decarbonisation and energy savings indicated in GCAP

Vilnius GCAP was approved by City Council in June 2025. Its priorities and costing of necessary capital and operational expenditures are grounded in comprehensive baseline assessment⁹⁸ and public consultations. However, it was noted by local stakeholders that GCAP priorities are not transposed into the municipal budget, due to political considerations and limited budget resources. City leadership is committed to invest €2.7 billion in GCAP projects and thus raise investment attractiveness and quality of life for Vilnius residents.

⁹⁸ Assessment employed several EBRD tools, including risk and vulnerability assessment, and smart maturity assessment, gender, social equality and inclusion assessment. GCAP is aligned with the key municipal strategic documents, including Vilnius Strategic Development Plan 2021-2030, Comprehensive Plan of Vilnius 2021-2036, and Vilnius Municipality's Environmental Monitoring Programme 2023-2028.

At the time of evaluation EBRD signed three investment projects under Vilnius GCAP. Relatively rapid deployment of financing, including with mobilisation of private capital in one case, delivers of Green Cities Programme's ambition of contributing to systemic change in urban sustainable development through multiple investment projects in one city. All three projects are 100% GET finance. Part of their transition objectives are associated with the Green Cities Framework 2 and development and implementation of GCAP, while others are project specific.

Two projects are with the same client, municipally owned transport company Vilnius Viesasis Transportas (VVT), and another project is with the long-standing client where EBRD holds 7.25% stake, 4th largest bank of Lithuania Artea (formerly Šiauliai Bank). All of them are recent and it is realistic to assess short-term results only in case of trigger project. Data Annex provides key facts for each of three projects,

1. **The trigger project VVT Trolleybuses Fleet Renewal** is a senior secured loan of up to €38.23 million to Vilnius Viesasis Transportas (VVT). Bank's exposure was reduced through subsequent URP that covers 65.4% of the Bank's financing. **The project's main objective is modal shift toward cleaner modes of public transport in Vilnius and is aligned with the GCAP priority in transport sector.** The Project is largely on track of delivering on its core green and inclusive transition objectives. VVT progressed with the procurement and deployment of all 91 trolleybuses, leading to positive environmental changes and enhanced access; it also completed required training programme aimed at enhancing skills and greater inclusion of women in company's labour force. At the time of evaluation, it was too soon to evaluate the shift in use of private vehicles due to shortness of time since the full deployment of new trolleybuses (2025). Company uses in-house modelling for calculating the number of people who shift from private car to public transport. Also, Municipal Transport Authority is responsible for the overall impact assessment of public transport use in Vilnius, while VVT manages 50-60% of city public transport mileage. CO2 calculations are made in-house while air quality is monitored externally.⁹⁹
2. **The follow-up operation, VVT Fleet Renewal Phase 2**, was signed in December 2024 and includes a secured loan of up to €40 million to VVT. The proceeds are used to finance the purchase of up to 73 new articulated IMC trolleybuses and up to 71 standard battery / electricity powered buses, to renew part of VVT's ageing fleet. Project continues to implement Vilnius GCAP priorities in the transport sector. NIB provided parallel loan for €40 million for purchase of 80 electric buses. At approval project was meant to receive Climate Change Grant from the Environmental Project Management Agency, however client noted that this grant is no longer available, and VVT is in negotiations with the Council of Europe Bank (CEB) to receive substitute funds to ensure project is fully delivered. Bank reduced its exposure in this project to 31.5% by selling down through URP. **When fully implemented, the two projects with VVT will deliver almost a quarter of anticipated CO2 emission reduction envisaged in Action T1 of Vilnius GCAP** (renewal and modernisation of public transport fleet and related infrastructure) and will also deliver €182.65 million of CapEx (from all financiers) out of total envisaged €317.33 million CapEx for Action T1. This will contribute to addressing the challenge of growing emissions from transport, as identified in country's NECP and EBRD diagnostics in 2021.
3. **Project GrCF2 W2 - Šiauliai Bank (new name Artea) Energy Efficiency Fund (renamed Securitisation Vehicle UAB Artea Retrofit Fund 2 in June 2025) was signed in March 2024 as first follow-on project of Vilnius GCAP.** It provides a junior loan of up to €25 million in favour of UAB SB Modernizavimo Fondas 2, a special purpose securitisation vehicle (SPV), incorporated in Lithuania and managed by Artea Bank. Total fund value is €200 million and it is second fund dedicated to decarbonisation of buildings managed by Artea. It consists of

⁹⁹ According to local stakeholders there are 4 air quality monitoring stations in Vilnius managed by the Ministry of Environment plus there are 50 small monitors with real-time data, which is used for modelling

3 tranches: 1) €100 million Senior tranche for 7 years subscribed by Swedbank (95%) and Artea (5%); 2) €50 million Junior loan for 14 years subscribed by EBRD (50%) and Artea (50%) with repayment after senior tranche is fully repaid; and 3) €50 million First Loss Cover Tranche for 21 years subscribed by EIB (80%), local pension funds (15%) and Artea (5%) with repayment after junior tranches is fully repaid. SPV instrument allows true sale asset-backed securities financing of energy efficiency loans to the administrators of MABs. Financial structure represents blending the individual loans with the climate change grant from APVA (Environmental Project Management Agency under the Ministry of Environment) that compensates 30% of costs of deep renovation. The project's objective is to support an innovative approach to accelerated renovation of existing MABs through a combination of long-term debt financing, technical assistance, and support for private households. It contributes to delivering Vilnius GCAP's Action B2 "Promoting the modernisation of multi-apartment buildings"¹⁰⁰ thus addressing the challenge of highly energy inefficient residential housing stock of the city and enhancing energy security on demand side in the face of ongoing volatility of energy prices and geopolitical challenges. At approval the project was categorised as first private sector operation in energy efficiency of multi-apartment buildings, which is not factually correct. Artea is a true private sector client, however both energy efficiency projects with ILTE (previously VIPA) were classified by EBRD as private sector operations as the ultimate sub-borrowers are private households.

100 Vilnius Green City Action Plan (2025)

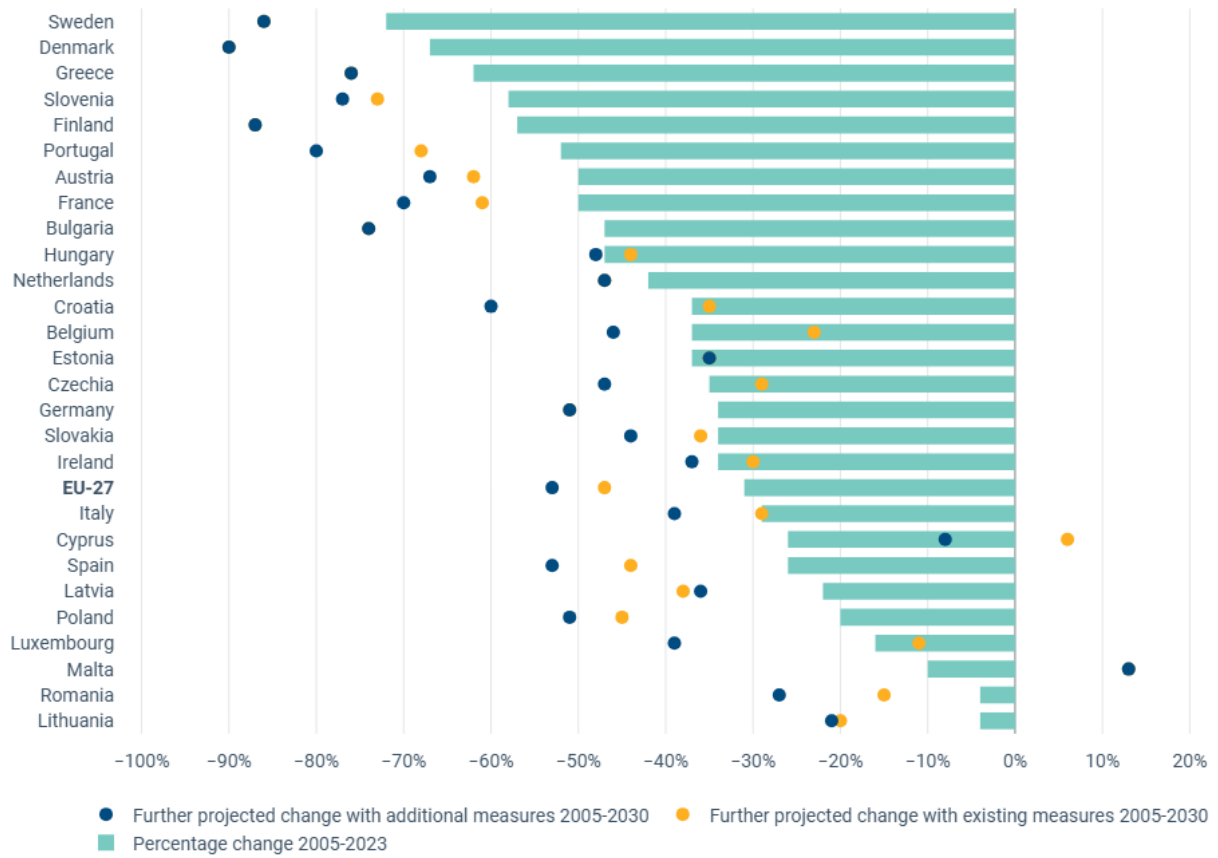
Lithuania MI and Transport Data Annex

Table 12: Sources of financing for energy efficiency programmes in Lithuania

Instrument	Envelope / timing	What it funds	EE relevance / examples
Recovery & Resilience Facility (RRF)	€2.2bn grants (≈4% of 2021 GDP)	Decarbonisation measures incl. building renovation; supports a slow take-off of public-sector EPC in 2022–2024	Deep retrofit of public/residential buildings to up-to-date standards; supports EPC pipeline in municipalities
Cohesion Policy / ERDF 2021–2027	€7.8bn total CP; €4bn earmarked for green transition	EE/renovation of >100,000 households and >200 public buildings	Large-scale residential & public-building renovation programmes
ERDF 2014–2020 – JESSICA II (Residential EE Fund of Funds)	€250m ERDF into loans	Soft loans for multi-apartment building renovation; leveraged private finance	Claimed leverage: €1 public → ~€5 renovation activity; strong residential focus
Other EU funds (incl. Modernisation Fund)	n/a (amount not specified)	NEIS/NECP implementation across sectors	Pipeline support for future EE & climate objectives
National – Energy bill support (2023)	0.7% of GDP (proj.)	Temporary compensation to households & companies due to energy price spikes	Limited EE incentive (weakens price signal)
National – Sustainable Mobility Fund (to 2030)	n/a	Alternative-fuel vehicles; charging/refuelling infrastructure	Transport-sector EE & electrification
National – Household support (Jun 2022)	€118m	Partial compensation for heat pumps, battery storage, home EV chargers; subsidies for rooftop PV	Speeds residential electrification & demand-side efficiency

Source: ODYSSEE 2023 Lithuania Country Report

Figure 48: Past and projected greenhouse gas emissions from energy use in buildings by country, changes in 2005-2023



Source: Greenhouse gas emissions from energy use in buildings in Europe | Indicators | European Environment Agency (EEA)

Table 13: MEI and transport operations in Lithuania, 2016-2025

Year Signing	Op Id	Operation Name	Client Name	Instrument	Portfolio Class	Status	ABI, € million	Co-financing/ risk sharing, € million
2017	48417	VIPA Energy Efficiency Structured Loan	ILTE UAB	DEBT	PRIVATE	Completed	50	30 /Government of Lithuania /equity 74/ EU /equity
2021	52097	VIPA Energy Efficiency Loan II	ILTE UAB	DEBT	PRIVATE	Completed	68	10 /Liberty Mutual Insurance /URP
2025	55315	Project SIGMA	ILTE UAB	DEBT	PRIVATE	Disbursing	50	60 /ILTE /equity 31.75 / NIB /parallel loan 31.75 /Swedbank /parallel loan
2023	54153	GrCF2 W2 E2 - VVT Trolleybuses Fleet Renewal	VILNIAUS VIESASIS TRANSPORTAS UAB	DEBT	STATE	Repaying	30.58	7.65 /HIPCA /concessional loan 10 /Govern. /invest grant 10.12 /VVT /equity 10 /Euler Hermes SA London /URP 10 /SCOR Europe SE /URP
2024	54940	GrCF2 W2 - VVT Fleet Renewal - Phase 2	VILNIAUS VIESASIS TRANSPORTAS UAB	DEBT	STATE	Disbursing	29.2	40 /NIB /parallel loan 19.54 /VVT /parallel loan 25.1 /Vilnius City /grant 8 /Axis Speciality Europe /URP 8 /HDI Global Speciality /URP 4 /Scor Europe SE /URP
2024	55147	GrCF2 W2 - Šiaulių Bank Energy Efficiency Fund	SB MODERNIZAVIMO FONDAS 2 UAB	DEBT	PRIVATE	Disbursing	25	175 /EIB, Swedbank, local pension funds

Table 14: Overview of delivery on transition benchmarks in MEI and transport projects in Lithuania

Op Id	Name, year of signing	Progress in achieving Transition objectives ¹⁰¹
48417	VIPA Energy Efficiency Structured Loan, 2017	<p>Green</p> <ul style="list-style-type: none"> • CO₂ emissions avoided – 12,987 tonnes per year by 2018 – ex-post data is not available to verify, however all MABs loans were disbursed and implemented. Cluster evaluation in 2023 demonstrated full compliance with the deep renovation plans and therefore final effect should be commensurate with ex-ante estimations • Annual energy savings of 42,918 MWh per year – ex-post data is not available to verify, see comment above <p>Competitive</p> <ul style="list-style-type: none"> • Demonstration of commercially viable financing for EE to private banks: meaningful expansion of residential energy efficiency lending (5-10 loans) from commercial banks by end-2022 - . Evidence suggests that attraction of private sector lending remains challenging and the only other operator offering loans to MABs is Šiaulių Bank (Artea), another EBRD client. • Demonstration of further conversion of preliminary grant schemes into self-sustainable financial instruments: securitisation of VIPA's repayment cash flows and issuance of green bond – achieved, although with the delay (see Project Sigma)
52097	VIPA Energy Efficiency Loan II, 2021	<p>Green</p> <ul style="list-style-type: none"> • CO₂ emissions avoided – 4,523 tonnes per year by December 2024 – ex-post data is not available to verify • Energy saved – 45.23 GWh per year by December 2024 – ex-post data is not available to verify <p>N.B.: In order to validate the CO₂ emissions and energy savings at the end of 2024 documentation must be provided on the calculation methodology for the ex-ante estimates as well as for the ex-post numbers, and it needs to be clear whether the numbers are an average for 156 buildings and how this equates per m² in order to be able to compare in case a smaller number of buildings are renovated in the end.</p> <p>The loan was prepaid to comply with the requirements of Project SIGMA</p>
55315	Project SIGMA, 2025	<p>Resilient – all benchmarks were achieved at the issuance in December 2025</p> <ul style="list-style-type: none"> • The issuance will be publicly offered and listed on a national exchange and have at least one credit rating from "Big Three" international credit rating agencies (S&P, Moody's and Fitch) • The transaction contributes significantly to capital market development by introducing first true sale ASB securitisation in Lithuania and Baltics • Less than 60% of the issuance is expected to be placed with private non-IFI investors. <p>Green</p> <ul style="list-style-type: none"> • Establishment of a new green business model by securitising loans dedicated to energy efficiency – ILTE's green bond issuance in December 2025 launched a new financial instrument that can be replicated further

¹⁰¹ Based on the latest TIMS reports and IEvD validation when plausible, including use of evidence from 2023 Cluster Evaluation of EBRD's Investments in Decarbonisation of Built Environment

Op Id	Name, year of signing	Progress in achieving Transition objectives ¹⁰¹
		<p>both by the client and other financial institutions that are providing financing for energy efficiency projects across sectors and different final beneficiaries</p> <ul style="list-style-type: none"> • Commitment to allocate 150% of EBRD investment proceeds to finance new loans for MABs energy-efficiency renovations, achieving at least 40% of energy savings and minimum 'B' EPC rating – too early to assess
54153	GrCF2 W2 E2 - VVT Trolleybuses Fleet Renewal, 2023	<p>Green</p> <ul style="list-style-type: none"> • Policy: Vilnius GCAP sent to the City Council (or equivalent) for approval including an implementation and monitoring strategy – achieved with GCAP approval in June 2025 • Policy: Trigger Project will support the development of GCAP that sets verifiable targets - achieved with GCAP approval in June 2025 • Improved environmental standards: Annual reductions of 2,240t Co2 per year (or 70% of baseline) through the modal shift towards public transport, the relevant environmental improvements will not be monitored at project level – ex-post data is not available, but assumption of positive result is high as all trolleybuses were now deployed • Improved service quality and reliability leading to higher ridership and modal shift from private cars – too early to assess <p>Inclusive</p> <ul style="list-style-type: none"> • Improved public transport accessibility and safety for women and people with limited mobility – too early to assess • Training for 220 workers (30% women) – on track with 60% delivery rate at the time of evaluation • Inclusive infrastructure design for targeted groups - Vilnius GCAP includes a gender assessment – achieved • Commitment to higher inclusion standards (Diversity Charter) – on track but not yet achieved
54940	GrCF2 W2 - VVT Fleet Renewal - Phase 2, 2024	<p>Green</p> <ul style="list-style-type: none"> • Annual reduction of 8,163t of CO2 emissions (~74% of baseline, considering modal shift) or 4,072t of CO2 (~60% of baseline, not considering impacts of modal shift) – too early to assess • Modal shift from private cars due to enhanced frequency, reliability, accessibility – too early to assess • Follow-on investment under the GCAP, addressing priority environmental challenge of climate mitigation and by supporting greener public transport - achieved • Delivery of GCAP priorities. Project addresses 2 GCAP strategic objectives in Transport sector: 1) Boosting use, quality and safety of walking, cycling and zero emission public transport; 3) Increase supply, frequency, speed and reliability of public transport by using new means of urban mobility. It will support the implementation of the expected GCAP Action T1: replacing public transport vehicles with low emissions ones – achieved <p>Competitive</p>

Op Id	Name, year of signing	Progress in achieving Transition objectives ¹⁰¹
		<ul style="list-style-type: none"> • Combined use of electric busses and articulated IMC trolleybuses (18m long), which is first of its kind in Lithuania and will enable VVT to be more competitive, also due to efficiency gains of operating significantly modernised fleet – too early to assess • Cost saving: improve cost-efficiency as it will replace ageing fleet and therefore reduce operational costs, energy cost and maintenance spare parts and penalties related to service quality) – too early to assess <p>Additional inclusive:</p> <ul style="list-style-type: none"> • Reducing gender-based violence via public awareness campaign – too early to assess • Creating safer transport environments for women and LGBTQ+ users – too early to assess
55147	GrCF2 W2 - Šiauliai Bank Energy Efficiency Fund, 2024	<p>Green – too early to assess</p> <ul style="list-style-type: none"> • Enabling EE renovations of MABs with minimum 40% energy savings (estimated 60%) • Modernisation of up to 300 MABs contributing to Lithuania-wide targets • Improving resilience of residents to extreme temperatures <p>Resilient – too early to assess</p> <ul style="list-style-type: none"> • Decreasing homeowners' energy bills, enhancing their financial resilience.