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Annual Report
Eastern Partnership Technical Assistance Trust Fund – EPTATF

2012

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Overview



The Eastern Partnership Technical Assistance Trust Fund (EPTATF) was established in December 2010 as a multi-donor, multi-sector Trust Fund to enhance the quality and development impact of the EIB's operations in the Eastern Partnership countries¹.

¹ Eastern Partnership – Azerbaijan (subject to Framework Agreement), Armenia, Belarus (subject to political go-ahead by EU), Georgia, Moldova and Ukraine



The Trust Fund, managed by the EIB, started supporting operations in 2011 on the basis of the initial contributions of EUR 6.3 million made by Austria and Sweden. France, Poland and Latvia made further contributions of EUR 1.85 million to the Trust Fund during 2011. With an additional contribution from Sweden of EUR 1.15 million, the fund reached a total amount of EUR 9.33 million at the end of 2012.

The EPTATF is complementary to other available funding instruments in the region such as the NIF (Neighbourhood Investment Facility) and the E5P (Eastern Europe Energy Efficiency and Environment Partnership).

Armenia, Georgia, Moldova and Ukraine are currently eligible for EPTATF support.

The EPTATF is used for well-targeted Technical Assistance (TA) operations, either in direct relation to investment projects or upstream work. The Fund may also finance cross-border or regional studies or programmes closely linked to operations in the region.

The eligible sectors follow the general EIB external mandate objectives and include local private sector development, development of social and economic infrastructure, and climate change mitigation and adaptation.

In 2012

A total of **four operations** for an overall amount of **EUR 1.9 million** were approved in 2012 by the EPTATF Contributors' Committee.

Thus, by the end of 2012, the EPTATF Contributors' Committee had approved **nine operations** for a total amount of **EUR 5.8 million**.

Significant progress was made in the actual implementation of EPTATF-supported operations during 2012. With two operations started to be implemented and one of them completed, five op-

erations in an advanced stage of preparation and the internship programme successfully launched, the Trust Fund has already proven to be a useful and flexible instrument to the Bank and the beneficiary countries.

In terms of sector breakdown:

Of the total amount of operations approved so far, operations in the **environmental sector dominate with 59%** and transport is second with 33%. 69% of the TA operations under the EPTATF contribute to climate action relating to both mitigation (energy efficiency, sustainable transport) and adaptation (flood protection).

In terms of geographical distribution:

Operations have been approved in three of the four eligible countries with 43% in Moldova, 31% in Ukraine and 17% in Armenia. Horizontal/regional activities account for 9%.

Background



In 2010, the EIB's Board of Directors decided to enhance the existing activities of the Bank in the European Partnership Countries through the creation of the Eastern Partnership Technical Assistance Trust Fund (EPTATF).



Establishment of the EPTATF

The Fund's overall objective is to “provide upstream and project-related Technical Assistance (TA) services to support the quality and development impact of operations in the region”. The driving factors for setting up the fund were the slow uptake, attributed to poor project preparation and the limited implementation capacity of the promoters in the region, and the need for a flexible mechanism to fund smaller TA operations as well as upstream and horizontal activities.

The EPTATF “Rules relating to the establishment and administration of the EPTATF” and the “Rules of Procedure” were approved by the EIB’s Management Committee in November 2010 and by the Contributors’ Committee on 13 December 2010. In accordance with these Rules, the Annual Report is prepared for the Contributors.

EU Eastern Partnership

The Eastern Partnership is a specific, strengthened Eastern dimension within the European Neighbourhood Policy (ENP). It is a partnership between the EU and partner countries, which are the Eastern European and South Caucasus countries addressed by the ENP – i.e. Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova and Ukraine.

Within the EU Eastern Partnership’s multilateral track, the EIB follows in particular the 2nd platform on economic integration and convergence with EU policies and the panels for Environment and Climate Change as well as for Transport. In the

autumn of 2013 the EIB will together with the Lithuanian EU Presidency, organise a Business Forum in connection with the EU Eastern Partnership Summit in Vilnius.

The EIB can currently lend to support projects in Armenia, Georgia, Moldova and Ukraine. TA operations have so far focused on these countries. Subject to the signature and ratification of a Framework Agreement with Azerbaijan, lending and TA operations will also become possible in that country.

The EIB’s external lending mandate

The EIB’s operations in the Eastern Neighbourhood (Eastern Partnership countries and Russia) are governed by its external lending mandate², which is complemented by several financing facilities and own instruments.

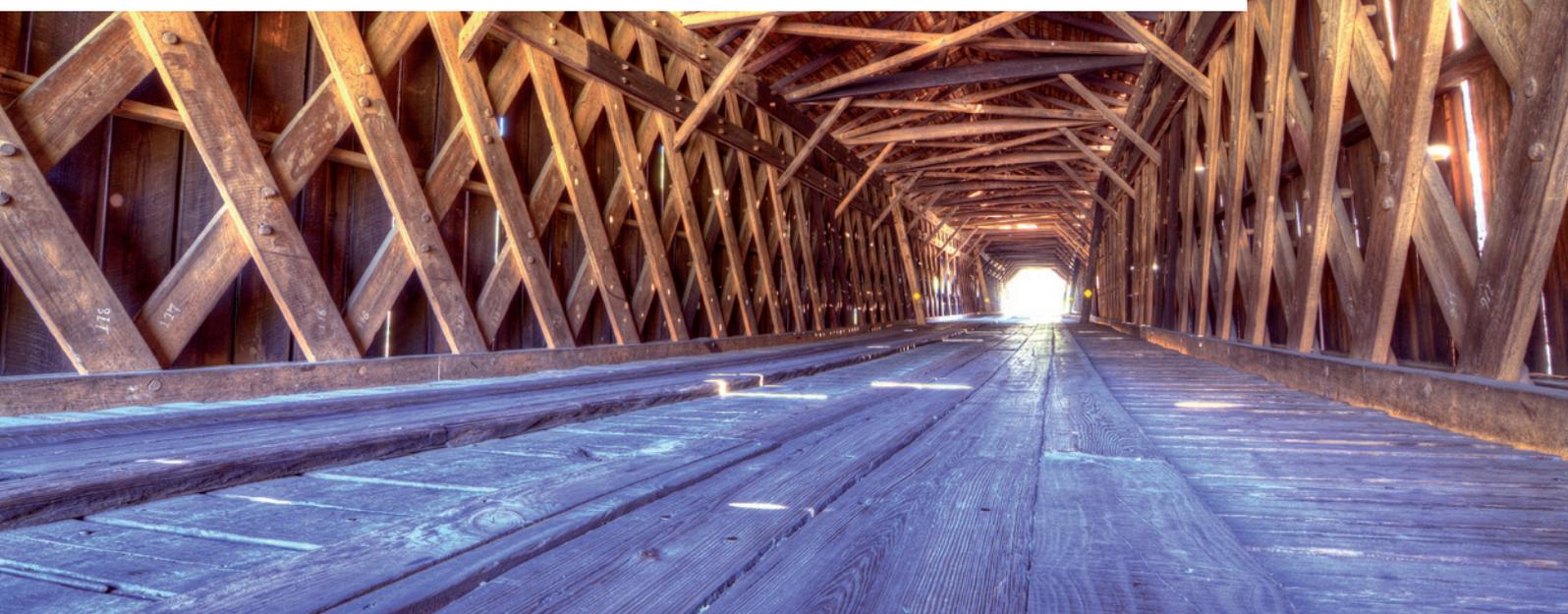
As a result of the mid-term review of the external lending mandate that came into force in November 2011, the overall ceiling for Bank lending to the Eastern Neighbours increased to EUR 3.85 billion for the current mandate. Further, the mid-term review streamlines the objectives of EIB lending and provides for additional resources to address climate change and to support the EU’s neighbours, which means a significant broadening of the sector remits in the Eastern Neighbours.

The objectives for the Bank’s activities are:

- local private sector development, in particular support for SMEs,
- social and economic infrastructure,
- climate change mitigation and adaptation.

² Currently the 2007-2013 External Lending Mandate Decision of the European Parliament and of the Council granting an EU guarantee to the European Investment Bank against losses under the loan and loan guarantees for projects outside the Community

Overview of contributions and financial status of the **EPTATF**



The following table shows the detail of contributions received as at 31 December 2012:

	Contributors		Committed (EUR)	Paid in (EUR)
	Austria	Ministry of Finance	3 000 000	3 000 000
	France	Ministry of Finance	800 000	800 000
	Latvia	Ministry of Foreign Affairs	50 000	50 000
	Poland	Ministry of Foreign Affairs	1 000 000	1 000 000
	Sweden	Ministry for Foreign Affairs/Sida	4 481 000	4 481 000



The following provides an overview of the financial situation of the fund:

Contributions	EUR	9 331 000
Committed	EUR	5 800 000
Fees	EUR	374 000
Available funds	EUR	3 157 000

The Contributors' Committee

The EPTATF is governed by a Contributors' Committee that meets at least twice a year. Contributions can be provided by Member States of the European Union, the European Commission, beneficiary countries and interested third parties. So far, contributions have been provided by Austria, France, Latvia, Poland and Sweden.

The Contributors' Committee met twice during 2012: on 25 May in Vienna and on 17 December in Luxembourg. The Bank reported on the outcome of previously approved allocations, and presented new ideas for possible future proposals. The Contributors approved proposals and used the opportunity to exchange views ranging from strategic orientations to operational plans and methodologies.

The Contributors' Committee also constitutes a forum for Contributors to share their strategic thinking with the Bank in its undertakings to respond to the challenges in Eastern Partnership Countries.

Statement from Sweden, one of the major contributors to the EPTATF

"Sweden is a strong supporter of the EIB's operations in the Eastern Neighbourhood. We find it important that the EIB, as the bank of the European Union, can actively contribute to the development of key sectors in Eastern Partnership countries, thus facilitating reforms, economic growth and a better environment. Through the Eastern Partnership Technical Assistance Trust Fund (EPTATF), financing can be provided to support investment preparation and implementation. EPTATF is also an important vehicle for supporting upstream studies and sector development strategies as well as policy and institutional reforms."



Results



Two years of operation

For the first two years of operation the following results are reported (see also the box page 9 with the logical assessment framework for the EPTATF):

- The EIB has increased its use of TA and blending instruments in the Eastern Neighbourhood.
- EPTATF has proven to be a useful instrument for the EIB to strengthen its operations, project preparation and implementation as well as upstream studies with a fair sector and geographical distribution.
- EPTATF is a flexible instrument for the Bank, complementing other sources of TA and blending, such as the NIF (Neighbourhood Investment Facility) and the E5P (Eastern Europe Environment and Energy Efficiency Partnership). It is catalytic as it will help mobilise further financing through other mechanisms.

Internship programme – Irina Capita, Moldova Testimonial

“Looking over my last six months of internship at the EIB, I can assuredly say that it was a great experience.

The atmosphere at the EIB is unique: international, friendly and hard-working. This working environment, combined with its location in Luxembourg, makes the EIB experience truly unforgettable. I had a great chance to work with a team of professionals, where I could apply my knowledge and at the same time learn. In addition, the EIB trainees community is very friendly and supportive, composed of young people from all over the world. Being exposed to different nationalities, led me to reshape my thoughts and improved significantly my interpersonal skills.

To sum up, I want to say that the internship at the EIB helped me prioritise my future goals in the area of economics and the public sector. I am very proud of being a part of the EIB family since EIB people, indeed, make a difference.”





- Five contributors have joined during the first years of operation and Lithuania has indicated its readiness and is expected to join in 2013.
- Nine operations have been approved amounting to EUR 5.8 million which means that 62% of the total funds have been committed. The sector breakdown shows a fair distribution, with the environment as the predominant area and transport as the second sector. 69% of the operations are related to climate change mitigation and adaptation. The geographical breakdown shows a fair distribution with operations in Armenia, Moldova and Ukraine, thus in three of the four eligible countries. Regional activities account for 9%.
- Two TA operations were contracted and started in 2012 (See 4. Operations and Annex 1) and one of these was completed (Study on New Facilities Supporting the Development of Energy Efficiency and Renewable Energy Investments in the Cities of EPC). Five operations are in an advanced stage of preparation and tender processes are expected to start at the beginning of 2013.
- The internship programme was successfully launched and five interns started their assignment during the summer and autumn of 2012. All have been granted an extension up to one year (see box on page 8 for a testimonial from one of the interns).
- The EPTATF has been presented in relevant contexts and meetings to make it known to other Member States and beneficiary countries, in particular in the EU Eastern Partnership Panels for Environment and Climate Change as well as for Transport.
- The first EIB Eastern Partnership Conference was held in Vienna in May 2012 with high level representation from the Eastern Partnership countries discussing relevant topics e.g. regional economic prospects and priorities, private sector development and infrastructure financing.

A Logical Assessment Framework for the EPTATF

This framework for the EPTATF uses the Logical Framework Approach (LFA) and includes overall objectives and outcomes.

The EPTATF is expected to contribute to the following **overall objectives**:

sustainable socio-economic development in Eastern Partnership Countries in line with the EIB's revised external lending mandate; and

capacity development in Eastern Partnership Countries (institutional, regulatory, organisational and individual) for preparation and implementation of infrastructure investments including urban development and climate change mitigation and adaptation.

The expected **outcomes** of the EPTATF are:

strengthened EIB operations in terms of quality and development impact through the Trust Fund instrument and its operations.

established well-functioning Trust Fund – e.g. works in a manner complementary to other instruments, is catalytic, flexible and supports the Bank's strategic orientations, supports beneficiary countries' national plans and policies, attracts new and engaged contributors.

selected and financed TA operations contributing to better prepared and strengthened implementation of investment projects, developed capacity with beneficiaries and promoters, etc.

Operations

By the end of 2012 a total of nine operations had been approved by the Contributors' Committee.

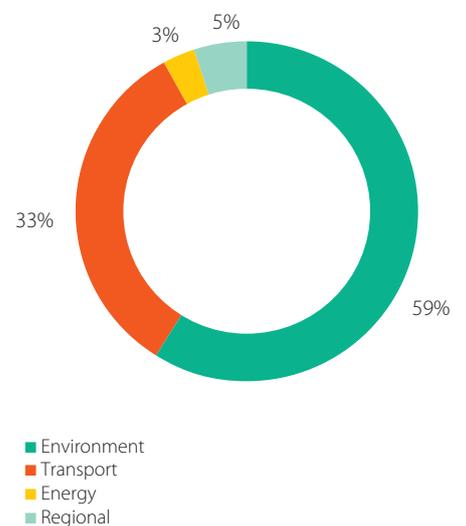


Sector breakdown

Environment is the major sector with 59%, followed by transport with 33%. 69% of operations contribute to climate action.

Sector	Operation	Amount (EUR)	Climate Action
Ukraine	Mykolayiv Vodokanal	1 400 000	1 400 000
Moldova	Flood Protection	2 000 000	2 000 000
TOTAL		3 400 000	
Moldova	Roads Technical Audit	500 000	
Ukraine	Railway Infrastructure	200 000	200 000
Ukraine	Dnipropetrovsk Metro	200 000	200 000
Armenia	FS, EIA DD for Interstate Road M6	1 000 000	
TOTAL		1 900 000	
Regional	Energy Efficiency Programme Study	200 000	200 000
TOTAL		200 000	
Regional	EPTATF Internship Programme	150 000	
Regional	Dissemination window	150 000	
TOTAL		300 000	
TOTAL Approved		5 800 000	4 000 000

Figure 1
Sector breakdown





New operations approved in 2012

In 2012, the second year of activity of the EPTATF, a total of four operations for an overall amount of EUR 1,900,000 were approved by the Contributors' Committee:

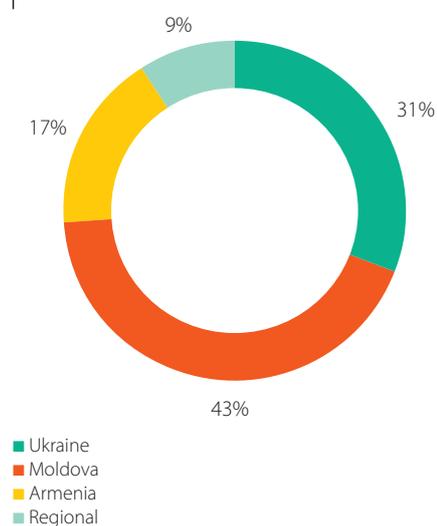
Railway infrastructure – project identification and preparation (Ukraine)	EUR	200 000
Dnipropetrovsk Metro traffic concept and marketing (Ukraine)	EUR	200 000
Technical audits in Roads Sector Programme (Moldova)	EUR	500 000
Feasibility study, environmental impact assessment, detailed design for rehabilitation and improvement of the M6 Vanadzor-Alaverdi-Georgian Border Interstate Road (Armenia)	EUR	1 000 000

Geographical breakdown

Of the total amounts, Moldova is the major recipient with 43%, followed by Ukraine with 31% and Armenia with 17%. In terms of numbers of operations, three are in Ukraine, two in Moldova and one in Armenia, and three operations are regional.

Country	Operation	Amount (EUR)
Ukraine	Mykolayiv Vodokanal	1 400 000
Ukraine	Dnipropetrovsk Metro	200 000
Ukraine	Railway Infrastructure	200 000
TOTAL		1 800 000
Moldova	Flood Protection	2 000 000
Moldova	Roads Technical Audit	500 000
TOTAL		2 500 000
Armenia	FS, EIA DD for Interstate Road M6	1 000 000
TOTAL		1 000 000
Regional	Energy Efficiency Programme Study	200 000
Regional	EPTATF Internship Programme	150 000
Regional	Dissemination window	150 000
TOTAL		500 000
TOTAL Approved		5 800 000

Figure 2
Geographical breakdown



Approved operations in 2012

Below the operations approved in 2012 are further described.

For more information on operations under implementation, see Annex 3 Operation Monitoring Sheet and Annex 4 Operation Completion Sheet.

Technical audits in Road Sector Programme (Moldova)

EUR 500 000

Moldova's road network totals about 16,800 km, of which less than 10% was in good to fair condition in 2006, according to the World Bank. The Government of Moldova, supported by the WB, has prepared a comprehensive Land Transport Infrastructure Strategy for the period 2008-2017 with a special focus on the road sector.



A first phase of the rehabilitation programme started in 2007 with the support of the EIB, WB and EBRD. The second phase started in 2011 with planned investments of almost EUR 300 million funded by EIB and EBRD loans as well as grants from the European Commission's Neighbourhood Investment Facility. Over the next five years, the EIB and other IFIs plan to continue supporting Moldova's roads sector with further financing in order to bring the roads' condition up to acceptable standards.

Moldova has committed to devoting adequate state budget funding to ensure the maintenance and sustainability of those investments.

The roads rehabilitation programme is supported by several TA initiatives intended to cover all key aspects necessary to ensure good delivery of the projects and to establish sound practices throughout the investment cycle. One such TA assignment concerns technical audits and has been in place since 2007, supported by the WB. These technical audits were very useful to raise awareness and keep all parties alert regarding compliance with standards, specifications and procedures. This activity needs to be continued and the EIB was asked, as one of the main financiers, to take over this task from the World Bank.

The objective of the TA is to secure the compliance of road works with the technical specifications and standards described in the relevant bidding documents, for the entire Road Programme (including both the part funded by donors and the part funded from the Government's own budget). The TA operation will produce yearly reports summarising the principal results of the audit, with observations and recommendations, comments on the quality of construction, identification of weaknesses and remedial actions, and flagging of situations which indicate the likelihood of fraudulent or corrupt practices in the Government's Road Sector Programme.



Railway infrastructure – project identification and preparation (Ukraine)

EUR 200 000

Transport is critical to Ukraine's economic development as the country's economy is highly transport intensive. Ukraine's natural resource endowments, strong metallurgical industries and large agriculture sector give rise to very large, concentrated flows of bulk materials, which are much cheaper to move by rail than by road. The transport sector's long-term development objectives in Ukraine are set in the national transport strategy up to 2020, formulated with support from the EU. Ukrzaliznytsia (UZ), the State Administration for Railway Transport of Ukraine, is the state-owned integrated rail group that owns and operates the Ukrainian national rail transportation network. A reform of the railway sector was developed and initiated in 2006 with technical assistance from the EBRD.

UZ has established development plans for the railway network and initiated the preparation of feasibility studies for specific investment projects. However, there is currently no comprehensive master plan for the development of the railway network in Ukraine, which would enable financiers to assess the prioritisation of investments.

It is therefore proposed to complement the work already done by a study:

- (i) to review the development plans for the railway network in Ukraine and prioritisation of future investments and;
- (ii) to support the preparation of railway infrastructure investment projects for potential financing by IFIs.

The specific objective of the TA operation is to assess proposed investments for the EIB financing in relation to the development plans of the Ukrainian railway company with the following outputs:

- Identify the priority investment projects in the Ukrainian railway sector;
- Provide recommendations for the improvement of investment planning in the railway sector;
- Undertake technical and economic analysis and environmental scoping of key investments in the project pipeline and provide a gap analysis regarding project preparation;
- Provide counterpart capacity-building for railway investment planning and preparation within UZ, including transport planning and economics.



Feasibility study, EIA and detailed design of the rehabilitation and improvement of the M6 Vanadzor-Alaverdi-Georgian Border Interstate Road (Armenia)

EUR 1 000 000

Armenia is a landlocked country with borders only open in the north with Georgia and in the south with Iran. By European standards, cross-border traffic and trade levels are low. Road transport, transiting to the ports in Georgia, is the dominant mode of trade relations with the EU-27 and other countries. Improved transport connections are therefore vital to promote trade and economic development.

The proposed M6 project forms part of a broader package of operations included in the Lifeline Network Improvement Project (LNIP), financed by the World Bank, and will further link the rural communities to Georgia via the Vanadzor-Alaverdi-Georgian border section of the M6 interstate road. The EIB has received a financing request from the Government of the Republic of Armenia to participate in the M6 interstate road upgrading, which has an estimated cost of EUR 40 million.

The proposed project road is one of two main transit routes connecting Armenia with Georgia and is part of the highway connecting Yerevan with Tbilisi, located in the Lori Marz region in the northern part of the country. The project road leads directly to the border crossing point at Bagratashen, which is part of the EIB/EBRD/EC/UNDP-supported "Modernisation of Border Crossing Points" project, and will thus further contribute to the objectives of improving and facilitating border crossings.

The overall objective of the TA operation is to help the Government implement the Armenia Transport Sector Development Strategy with an investment plan for the road sector.

The purpose of the TA operation is to assess the economic, financial and technical feasibility of the project and to provide the Ministry of Transport and Communication and the EIB with the required information, analysis and recommendations to endorse the project and launch the appraisal that should lead to financing agreements within a reasonable time.

The work will be conducted in three phases, each resulting in specific outputs: a feasibility study, preliminary engineering and project scoping, the final engineering design, environmental impact assessment and detailed procurement plan and preparation of tender documents.



Approved operations in 2011

Technical assistance for Mykolayiv Vodokanal (Ukraine)

EUR 1 400 000

The project concerns the ninth largest city in Ukraine: the City of Mykolayiv, with a population of approx. 500,000, located in the south of the Ukraine. Mykolayiv Vodokanal (MVK) is the public utility, fully owned by the City of Mykolayiv, responsible for the provision of water supply and sewerage services to the city.

The existing water supply and wastewater assets of MVK are in general ageing and in priority areas require urgent refurbishment or replacement. The utility, in cooperation with the EIB, has identified its priority investment needs, as summarised in the short-term investment programme, and has requested assistance to prepare this priority water and sewerage infrastructure project for financing. An EIB loan was subsequently signed in 2010. However, due to a lack of technical assistance, project implementation has not started yet.



The overall objective of the TA operation is to assist and enhance the capacities of MVK to restore and upgrade the water supply and wastewater systems of the City of Mykolayiv. The specific objectives of the assignment, besides assisting the PIU and MVK in executing designs, tendering and monitoring the supervision of works under the project, are to assist and support the final beneficiary on a daily basis with all tasks relevant to the reporting, monitoring and accounting necessary for IFI-financed projects. In this respect the TA consultant will provide a team of experts, long and short term, covering different fields of expertise, including inter alia hydraulic, electrical/SCADA, financial monitoring, design and procurement specialists.

Flood Protection (Moldova)

EUR 2 000 000

The Republic of Moldova is a small, landlocked country situated between the western border of Ukraine and the eastern border of Romania. The country can be divided into four main river basins: the Dniester basin, the Prut basin (shared with Romania) and two small southern basins comprising tributaries of the Danube which flow into the Black Sea. The rivers Prut and Dniester also form most of the country's borders (Dniester in the East and Prut in the West) and provide about one third (35%) of the country's potable water supply.

In 2010 there were major floods in Moldova. Floods have the potential to cause fatalities, displacement of population and damage to the environment and to undermine economic activity. The effects of climate change are likely to increase the risk and magnitude of floods, as elsewhere in Europe, and adaptation measures are necessary to cope with these impacts. The effects of floods in Moldova are exacerbated by the poor state of public infrastructure in general, the lack of preparedness and the absence of means to cope with emergency situations. Since its independence from the Soviet Union in 1991, the river beds and dykes of Moldova have not been maintained.

To remedy this situation a number of projects are on-going in Moldova, but there is currently no countrywide planning document. The Ministry of Environment of the Republic of Moldova (MoENV) established contact with the EIB and requested its support for the preparation of a master plan including a short-term investment programme (STIP) and for the implementation of the STIP and assistance to the local PIU.

The objectives of the TA operation are to:

- assist and enhance the capacities of the promoter (MoENV) to design, procure and implement the restoration and upgrading of the flood protection system of the Republic of Moldova and to enable its subsequent operation;
- set up institutional conditions (institutional framework and capacity development) in line with EU Flood Directive and the Water Framework Directive.





Commitments and balance

As of 31 December 2012, nine EPTATF operations had been approved (net of cancellations) amounting to EUR 5.8 million.

The balance of resources remaining in the EPTATF amounted to EUR 3.55 million at the end of December 2012. Disbursements amounted to EUR 0.13 million in 2012.

A table providing a **list and the status of projects** approved as of December 2012 is attached in **Annex 1**.

An **indicative pipeline** of operations totalling EUR 3,700,000 is attached in **Annex 2**.

Annexes 3 and 4 provide Operation Monitoring Sheets and the Operation Completion Sheets respectively.

Dissemination

EPTATF was presented at several meetings with the EC and the Eastern Partnership countries and with Member States, e.g.:

- EU ENPI Regional Waste Governance project in Eastern Partnership Countries at the steering group meeting in Chisinau Moldova in February 2012.
- The EIB Conference on the Eastern Partnership in Vienna on 24 May 2012.

Information about EPTATF and its activities is available on the EIB's website:

<http://www.eib.org/eptatf>.

Annexes



Annex 1 – List and status of approved projects

	Country	Operation Title	Promoter/ Originator	Sector	Amount (EUR)	Type of TA	Status Dec. 2012
1	Ukraine	Mykolayiv Vodokanal	Ministry of Regions/ City of Mykolayiv	Water and wastewater	1 400 000	Implementation support and capacity development	Tendering in preparation
2	Regional	Energy Efficiency Programme Study	EIB-EC/Ministries	Energy	200 000	Project identification and preparation	Completed
3	Moldova	Moldova Flood Protection	Government of Moldova	Water	2 000 000	Master Plan and STIP – project identification	Tendering in preparation
4	Regional	EPTATF Internship Programme	EIB	All	150 000	Capacity development	On-going
5	Ukraine	Railway Infrastructure	Ministry of Transport	Transport	200 000	Project identification and preparation	On-going
6	Ukraine	Dnipropetrovsk Metro	City of Dnipropetrovsk	Transport	200 000	Implementation and capacity development	Tendering in preparation
7	Moldova	Roads Technical Audit	Ministry of Transport	Transport	500 000	Monitoring	Tendering in preparation
8	Armenia	FS, EIA DD for Interstate Road M6	Ministry of Transport and Communication	Transport	1 000 000	Project preparation	Tendering in preparation
9	Regional	Dissemination window	EIB	All	150 000	Workshops, publications, etc.	On-going
Total					5 800 000		

Further information on approved projects can be found in the Operations section; on projects under implementation in Annex 3 – Operation Monitoring Sheets; and on completed projects in Annex 4 – Operation Completion Sheets.



Annex 2 – Indicative pipeline as at end-December 2012

Sector/ Country	Operation Title	Promoter/Originator	Amount (EUR)	TA to start
Environment and Climate Change				
Moldova	Energy Efficiency in Public Buildings	Municipality of Chisinau	500 000	2013
Georgia	Energy Efficiency in Street Lighting and Public Transport	City Administration of Tbilisi and Municipality of Rustavi	800 000	2013
Ukraine	Energy Efficiency in University Buildings, etc.	Ministry of Education	200 000	2013
Total			1 500 000	
Urban Development				
Ukraine	Municipal Infrastructure Programme - preparation	Ministry of Regional Development Construction and Municipal Economy	1 000 000	2013
Total			1 000 000	
Regional				
Regional	Capacity Development Local Agents	EIB	500 000	2013
Regional	Study on possible extension of risk capital	EIB	200 000	2013
Regional	Secondment programme	EIB	500 000	2013
Total			1 200 000	
TOTAL Indicative pipeline			3 700 000	

Annex 3 – Operation Monitoring Sheets

Country:	Title of the TA operation:
Ukraine	Railway infrastructure – project identification and preparation
Beneficiary:	Amount:
Eastern Partnership Countries	EUR 200 000
Sector:	Duration:
Transport	7 months
Consultant:	Procurement Procedure:
Deutsche Bahn International GmbH	Competitive negotiated procedure

1. Context

Transport is critical to Ukraine's economic development as the country's economy is highly transport intensive. Ukraine's natural resource endowments, strong metallurgical industries and large agriculture sector give rise to very large, concentrated flows of bulk materials, which are much cheaper to move by rail than by road. The transport sector's long-term development objectives in Ukraine are set in the national transport strategy up to 2020, formulated with support from the EU.

Ukrzaliznytsia (UZ), the State Administration for Railway Transport of Ukraine, is the state-owned integrated rail group that owns and operates the Ukrainian national rail transportation network. A reform of the railway sector was developed and initiated in 2006 with technical assistance from the EBRD. UZ has established development plans for the railway network and initiated the preparation of feasibility studies for specific investment projects. However, there is currently no comprehensive master plan for the development of the railway network in Ukraine which would enable financiers to assess the prioritisation of investments.

It is therefore proposed to complement the work already done by a study:

- (i) to review the development plans for the railway network in Ukraine and prioritisation of future investments,
- (ii) to support the preparation of railway infrastructure investment projects for potential financing by IFIs.

2. Objectives and Expected Results

The specific objective of the TA operation is to assess proposed investments for EIB financing in relation to the development plans of the Ukrainian railway company with the following outputs:

- Identify the priority investment projects in the Ukrainian railway sector;
- Provide recommendations for the improvement of investment planning in the railway sector;
- Undertake technical and economic analysis and environmental scoping of key investments in the project pipeline and provide a gap analysis regarding project preparation;
- Provide counterpart capacity-building for railway investment planning and preparation within UZ, including transport planning and economics.

3. Implementation

The consultant Deutsche Bahn started the work with a kick-off meeting on 12 November in Luxembourg and has during subsequent meetings established good cooperation with the promoter, Ukrzaliznytsia.

The inception report was submitted to the EIB on the 11 December. The phase 1 report is due at the end of February and discussions are expected to take place in Ukraine with the EIB and the promoter.



Country:	Title of the TA operation:
Regional	EPTATF Internship Programme
Beneficiary:	Amount:
Eastern Partnership Countries	EUR 150 000
Sector:	Duration:
All	24 months
Consultant:	Procurement Procedure:
n.a.	Recruitment

1. Context

In line with the European Neighbourhood Policy, the EIB's cooperation with the Eastern Partnership countries has increased in recent years. With the recently established Eastern Partnership Technical Assistance Trust Fund, new opportunities are made possible to develop capacities in the countries as well as to gain more knowledge of the countries and to forge ties with them.

Based on the positive experience of the FEMIP Internship Programme in the South, a similar internship programme was proposed in 2012 for the Eastern Partnership countries.² The FEMIP Internship Programme has provided a pool of talent bringing their expertise, knowledge and energy for the benefit of the EU's Southern Neighbours. In return, the interns have gained valuable work experience in a development banking environment and in the context of EU policy, broadening their career perspectives.

The Eastern Partnership Internship Programme is open to students who are nationals of the Eastern Partnership Countries³. The goal of the programme is to offer successful candidates an opportunity to improve their skills and have the experience of working in a multicultural international environment. The programme has been launched for an initial period of two years.

2. Objectives and Expected Results

For its first two-year campaign (2012-2013), the Eastern Partnership Internship Programme will select up to five interns per year from the Eastern Partnership countries. Interns may be placed across the various

Directorates of the Bank (Operations, Projects, etc.) for three, six or twelve month periods, at the Bank's headquarters in Luxembourg or, possibly, in its external offices.

The Eastern Partnership Internship Programme is expected to have a positive effect on the Bank's operations in the region as these will gain from first-hand regional knowledge contributed by the interns. The interns' cooperation with universities, institutes and other organisations will be encouraged in order to obtain the most from these educational institutions' research capacities and expertise in the region, which the interns can potentially channel to the benefit of the Bank's activities.

The benefits, impacts and expected value to the capacity-building efforts for the region, brought by the programme, will be measured and regularly monitored through qualitative and quantitative indicators. The Bank will also continuously assess the development of trainees by providing statistics for post-internship career progression.

3. Implementation

The internship programme was launched in February 2012 for a pilot phase of two years. The first campaign was successfully initiated and five interns were recruited to various Directorates of the Bank (Operations, Projects, etc). All five have extended their internship up to one year. A second campaign was launched in February 2013 for five interns and provides for appropriate training, coaching and monitoring in various EIB departments.

³ Azerbaijan (subject to Framework Agreement signed), Armenia, Belarus (subject to EU political go-ahead) Georgia, Moldova and Ukraine

Table 1 Overview of internships at 31/12/2012

Country Breakdown	Gender Breakdown	
	Female	Male
Armenia	1	–
Georgia	–	–
Moldova	1	–
Ukraine	3	1
Total	5	1

Department Breakdown	
Risk Management (RM) Directorate - Counterpart Risk Modelling and Mandate Management Unit	1
Operations outside the European Union and Candidate Countries (Ops B) Directorate - Monitoring	1
General Secretariat - Economics Department	1
Projects (PJ) Directorate - Energy	1
Operations outside the European Union and Candidate Countries (Ops B) Directorate - Eastern Neighbours and Central Asia Department (ENCA 1)	1
Total	5



Annex 4 – Operation Completion Sheets

Country:	Title of the TA operation:
Regional	New facilities supporting the development of energy efficiency and renewable energy investments in the cities of Eastern Partnership Countries
Beneficiary:	Amount:
Eastern Partnership Countries	EUR 200 000
Sector:	Duration:
Energy Efficiency and Renewable Energy	10 months
Consultant:	Procurement Procedure:
GFA Invest GmbH	Competitive negotiated procedure

1. Context

Energy efficiency and renewable energy in urban areas account for a significant share of the potential to reduce GHG emissions and improve the security of the energy supply. The development of this potential brings benefits for local economies, improving people's quality of life and fostering economic growth and job creation.

Based on a first analysis of the issues relating to energy efficiency (EE), and renewable energy (RE) in the urban environment in the Eastern Partnership Countries (EPCs), further steps have been proposed on the way to exploit the existing energy efficiency and GHG emission reduction potential in EPC urban areas and to develop appropriate investment support facilities (including inter alia technical assistance, grants and other possible accompanying measures).

The most relevant sectors are:

- District heating
- Energy efficiency in public buildings
- Public transport
- Street lighting

The study is being undertaken in cooperation with the EBRD and the European Commission. It is linked to the EU Energy Efficiency Action Plan⁴, which included as a priority the creation of the Covenant of Mayors⁵. The cities joining the Covenant commit to

going beyond the EU 20% target through the implementation of sustainable energy action plans. Cities in the EPCs are encouraged to join the Covenant of Mayors initiative, following the success of the programme in the European Union.

2. Objectives and Results

This study aims at analysing the conditions for energy efficiency and renewable energy investment in urban areas in the Eastern Partnership Countries as well as identifying projects for further investment. The following specific actions have been identified with regard to fostering EE and RE projects in urban areas of the EPCs:

- Market analysis – assessment of potential investment
- Identification of project pipeline
- Detailed analysis of four pilot projects
- Structuring and designing a TA facility for the Eastern Partnership Countries
- Results dissemination workshop

The study was completed according to plan and all the analyses, pipeline, pilot projects and a proposal for a facility were presented and discussed in two workshops at the EIB. The workshop for dissemination of the results in the beneficiary countries has not yet been held.

⁴ http://ec.europa.eu/energy/action_plan_energy_efficiency/doc/com_2006_0545_en.pdf

⁵ Covenant of Mayors: <http://www.eumayors.eu/>

3. Conclusions

The study clearly shows that there is market potential for energy efficiency and renewable energy projects in the Eastern Partnership Countries and a strong interest in improving energy efficiency. The study also developed some pilot projects, which could be eligible for further technical assistance and investment support.

The study has estimated the investment potential of municipal EE and RE projects at some EUR 190 million to be tapped into within the next three to five years. The potential increases to EUR 580 million in the longer run.

The potential identified lies mostly in Ukraine (69%) and district heating projects (53%). Most of the identified projects are fairly small with an average cost around EUR 10 million. The profitability of the projects over their lifetime is low.

In order to develop municipal projects in the EE and RE sector, the study assessed the following needs:

- TA for project identification and development and strengthening municipal capacity,
- long-term financing,
- guarantee mechanism,
- investment grants.

At this stage there is no single, region-wide, complete facility dedicated to supporting municipal EE and RE projects that includes all the elements listed above. Other facilities such as E5P (Eastern Europe Environment and Energy Efficiency Partnership), EP-TATF, Green for Growth Fund and NIF all have some elements needed but are not considered to offer the desired level and scope of support.

The study recommends a support facility combining TA and financing instruments to address the identified needs and accelerate investments. Such a facility should be additional and complementary to the existing facilities.

The study and its recommendations fit well with the planned Municipal Infrastructure Programme in Ukraine.

As a follow-up to the study, the EIB will inform the countries of its outcome and hold further discussions with the pilot project municipalities on possible cooperation and support. Discussions are on-going with the EC to support a facility to address the gaps identified. A workshop to disseminate the results and to present such a facility could take place at a later stage.

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