Contents

2 Message from the Vice-President

4 Eastern Partnership in 2015 - The Year at a Glance
   4 Political and macroeconomic developments
   5 Policy context
   6 EIB lending activities
   8 Cooperation with the European Commission
   9 Cooperation with international financing institutions

12 The Eastern Partnership Technical Assistance Trust Fund (EPTATF)
   12 Overview
   13 Statements from contributors
   14 Statements from beneficiaries

16 Five years of EPTATF (2011-2015)
   16 Results highlights

18 EPTATF in 2015
   19 Results in 2015
   20 Operations completed in 2015
   21 2015 in figures

23 Moving forward
   23 The EIB’s objectives
   23 EPTATF objectives

26 Annexes
   26 Annex I. Abridged financial statements
   27 Annex II. Table: EPTATF pipeline of ongoing projects

This EPTATF Annual Report has been prepared in accordance with the “Rules relating to the establishment and administration of the EPTATF” and the “EPTATF Rules of Procedure”. It provides a comprehensive overview of the implementation of the EPTATF’s programme in 2015.
The mission of the EIB is, through every operation and in each of our partner countries, to finance projects with a positive impact, improving people’s lives.

During 2015 we continued to fulfil this mission also in the Eastern Partnership region.

In 2015 the EIB signed EUR 1.5 billion worth of loans for nine new projects with a total investment value of around EUR 3.4 billion, financing a wide range of sectors, including energy, transport, municipal infrastructure, SMEs and midcaps. The impact of such investments is significant, e.g. in terms of economic development, providing an enabling environment for private sector investment and securing vital services for citizens.

EPTATF provides crucial technical assistance and tailored support for capacity building within the countries and institutions of the Eastern Partnership, improving the quality of project preparation and implementation. Seven EPTATF technical assistance projects implemented during 2015 supported EIB lending of EUR 900 million.

For 2014-2020, the Bank has been entrusted with a mandate from the European Union under which it may lend up to EUR 4.8 billion in the Eastern Neighbourhood. In addition, it can lend up to EUR 3 billion under own risk facilities in the entire EU Neighbourhood region, which includes Eastern Partnership countries. Given the slowdown of economic activity in the region, largely due to stagnation in global economic growth, low oil prices, and the conflict in Ukraine, this is an ambitious and challenging task. To this end, the Bank is working with donor countries on developing instruments including advisory programmes and blending (loans with grants) with a view to increasing financing for economic development. EPTATF is an important vehicle through which the Bank and the donor community cooperate to deliver such instruments.

In 2015 EPTATF received commitments of EUR 5.5 million, increasing the total Trust Fund to EUR 26.8 million. The UK joined EPTATF, demonstrating continued interest in the Fund’s activities. Nevertheless, considering that EPTATF is now close to having utilised available funding and that there are projects in the pipeline amounting to EUR 41.33 million, efforts to raise additional funding will be a priority in 2016. The EIB looks forward to continued close cooperation both with the contributors to EPTATF and with its client countries to jointly tackle the challenges still facing the EU’s Neighbourhood.

I trust that this report will be a useful tool for the Bank’s stakeholders, EPTATF contributors and Eastern Partnership Countries to acquire knowledge about the activities of EPTATF and the EIB.

László Baranyay
EIB Vice-President
EIB Group’s headquarters in Luxembourg.

Interior of East building
Political and macroeconomic developments

Economic activity in the Eastern Neighbourhood slowed in 2015 as a result of the impact of lower oil prices, spillovers from Russia and conflict in Ukraine. The Russian economy, which has traditionally been a major trading partner and driver of economic activity in the region, has been in recession since late 2014. The combination of low oil revenues, restricted access to international capital, and resident capital outflows undermined confidence and led to lower demand for consumption and investment.

In Ukraine the decline in GDP in 2015 is estimated at 9% due to the ongoing unrest and disruption of output and trade. GDP and industrial production fell sharply with the only positive contribution coming from the agricultural sector due to the recovery from the adverse impact of weather on the previous year’s harvest. Inflation reached a peak of over 60% during 2015 mainly due to exchange rate depreciation, which passed through to administered prices although inflation had decreased to 43% by the end of the year.

The situation in Georgia is more positive following progress with the Deep and Comprehensive Free Trade Area (DCFTA) agreement with the EU, and progress with reforms to foster economic growth. Negative spillovers from the regional crisis reduced external demand, remittances and tourism revenues. This led to economic slowdown from the second half of 2014. However, these factors seem to have bottomed out and expectations of positive externalities derived from the DCFTA and from adjustments of the external sector suggest a positive outlook. Real GDP growth is estimated to exceed 2.5% in 2015. Despite increased inflationary pressures due to a weaker currency, the inflation rate remained close to the 5% target of the central bank.

The situation in Moldova deteriorated towards the end of 2015 and the exchange rate depreciated sharply. The causes for depreciation were: a decrease in remittances linked to the economic crisis in Russia; a decline in exports to Russia and Ukraine; and the crisis in the Moldovan banking sector. The National Bank made some steps to stabilise the situation by intervening on the market. Due to imported inflation via exchange rate volatility, annual inflation reached 13.6% by end-2015; however, it is expected to moderate in the medium term.

GDP growth in Armenia also slowed in 2015 to 2.5% affected by deteriorating external conditions. Domestic conditions, including bank credit, also weakened. These factors led to the depreciation of the local currency and the widening of the fiscal deficit. Remittances (about 15% of GDP) fell by about 30% as 90% of the total came from Russia. On the other hand, a one-off increase in agricultural production and copper mining supported economic activity in 2015.

The low oil price environment generated substantial pressure on Azerbaijan’s internal and external position. In 2014 the economy grew by 2.8%, while growth decelerated substantially in 2015. Sharply deteriorating external proceedings have led to currency pressures. The national currency (manat) was significantly devalued twice during 2015. The overall public sector debt remains relatively low with a debt-to-GDP ratio hovering around 19% in 2015.

Most of the EU’s restrictive measures against Belarus were suspended on 31 October 2015. Belarus has a long tradition of close political and economic ties with Russia and the process of economic transition has been slow, uneven and subject to reversals. In late 2014, Belarus experienced an exchange rate crisis and GDP was expected to decline by 3.6% in 2015. Support from Russia helped to alleviate some of the immediate consequences of the crisis but has not addressed the underlying rigidities.

2 IMF estimate
Policy context

Implementation of the Association Agreements and Deep and Comprehensive Free Trade Areas (AA/DCFTA) signed with Georgia, Moldova and Ukraine was of key importance in 2015.

Since spring 2015, the EU has been stepping up its support for economic and political reforms in Ukraine. The 17th EU-Ukraine Summit took place on 28 April 2015. This was the first summit in the framework of the EU-Ukraine AA/DCFTA signed in 2014.

An Eastern Partnership Summit took place in May 2015 in Riga in which Heads of State or Government of EU Member States and partner countries reiterated the high importance of the Eastern Partnership as a specific dimension of the European Neighbourhood Policy. Leaders reaffirmed the importance of the reform agenda in the Eastern partner countries, particularly in terms of transparency and anti-corruption. Discussions on multilateral cooperation included the need to develop market opportunities by improving the business environment, as well as ensuring energy security and improving interconnections for both energy and transport.

The launch of the EIB Eastern Partnership Committee in March 2014 constituted an important milestone in the relationship between the EIB and its partner countries. The annual Committee Meeting held in Luxembourg on 20 April 2015 provided the EIB with an opportunity to consult on important topics including operations in Ukraine and to ensure that the Bank’s operations in this region meet the priorities of EU and partner countries.

*This designation is without prejudice to the positions expressed by the EU Member States on Kosovo's status and is in line with United Nations Security Council Resolution 1244/1999 and the International Court of Justice Opinion of 22 July 2010 on Kosovo’s declaration of independence.
EIB lending activities

The EIB lent EUR 1.5 billion in the Eastern Neighbourhood in 2015, which is the highest amount ever extended by the EIB in the Eastern Partnership countries, despite the heightened economic instability that affected Ukraine and the continuation of the conflict in eastern Ukraine that led the EU to impose economic sanctions on Russia, including the suspension of new EIB loans in that country. The total volume of EIB lending to the Eastern Neighbourhood reached EUR 7.8bn.

For 2014-2020, the Bank has been entrusted by the European Union with an External Lending Mandate of EUR 4.8 billion to support projects in the Eastern Neighbourhood countries. In addition, the Bank has established the Neighbourhood Finance Facility covering the whole Neighbourhood region, under which it will finance EUR 3 billion worth of projects at its own risk.
The EIB continued to reorient its lending in the region, with a significant increase in lending to Ukraine to comply with the Bank’s commitment to provide EUR 3 billion of new loans during the period 2014-2016 under the EU support plan for Ukraine. Accordingly, loan signatures in Ukraine reached a historic high (EUR 1.2 billion) in 2015. In order to deliver on this commitment, EIB activities in Ukraine were supported last year by an increase in resources.

The Bank continued to provide support to sectors where a presence has already been established, in particular energy and transport. Overall lending to these sectors corresponds to 22% and 20% respectively. The Bank also substantially increased its support to municipal and environmental infrastructure (34% of the EIB’s lending in the region in 2015) through a multi-sector framework loan in Ukraine, a wastewater project in Georgia and a solid waste project in Yerevan, the first project of this kind financed by the EIB in the region.

Most of the public sector operations funded by the Bank involved technical assistance supporting the beneficiaries in project preparation and implementation, targeting compliance with EU standards.

In line with the strategic orientations, the Bank has continued to step up its support to the local private sector, through both intermediated lending, including APEX loans, and direct lending. Loans for SMEs and Midcaps accounted for 34% of the EIB’s lending in the region in 2015. The product range for the Bank’s assistance to SMEs is being widened, in particular under the DCFTA agreements, whose main themes are access to finance, market access and trade support and backing for key areas such as the agri-food sector, which has been identified as a major area for growth in the region. In 2015 the EIB signed a EUR 400 million loan to support the development of value chains in national agri-food industries in Ukraine.
Cooperation with the European Commission

The EU’s objective of developing a special relationship with its neighbouring countries, aiming to establish an area of prosperity and good neighbourliness founded on the EU’s values, is the basis of the revised European Neighbourhood Policy (ENP). The EU utilises the European Neighbourhood Instrument (ENI) to channel the bulk of EU funding to the ENP partner countries via the Neighbourhood Investment Facility (NIF).

The Bank cooperates extensively with the European Commission mainly through blending with the NIF and the Eastern Europe Energy Efficiency and Environmental Partnership (ESP). The NIF provides funding to projects across a range of sectors whereas the ESP, which is also funded by other donor contributions, has a more specific focus. The EIB taps into these complementary funding sources, including EPTATF, to achieve combined objectives and enhance the impact for beneficiaries.

In 2015, the EIB established the Municipal Project Support Facility, a sub-facility under the NIF, to provide technical assistance for municipal infrastructure projects in Eastern Partnership countries, in particular supporting the sustainable energy action plans of cities. Furthermore, in support of the implementation of the DCFTA, funding for a comprehensive range of instruments called the “DCFTA Initiative East” was approved by the NIF in February 2015, to be implemented by the EIB Group.
Cooperation with international financing institutions

The Bank cooperates closely with the other international financing institutions active in the Eastern neighbouring countries, in particular through co-financing of projects under the Neighbourhood Investment Facility. Cooperation with the European Bank for Reconstruction and Development (EBRD) is based on a Memorandum of Understanding signed by the EIB, the EBRD and the EC in 2012, committing each other to work towards mutual recognition of policies and procedures. In 2015, the EIB supported several investment projects involving co-financing or parallel financing with Kreditanstalt für Wiederaufbau (KfW) under the Mutual Reliance Initiative.

International financing institutions provided an additional 40% of financing for EIB operations (EUR 1.5 billion) in the Eastern Neighbourhood in 2015.

In 2015 the EIB’s projects in the Eastern Neighbourhood benefited from NIF financing worth EUR 66.3 million.
The Eastern Partnership Technical Assistance Trust Fund (EPTATF)

Overview

The Eastern Partnership Technical Assistance Trust Fund (EPTATF) was established in December 2010 as a multi-donor, multi-sector trust fund designed to enhance the quality and development impact of the European Investment Bank’s operations in the Eastern Partnership countries. The factors driving the creation of the Fund were the slow uptake of financing, attributed to a lack of resources for project preparation, and the limited implementation capacity of promoters in the region.

Austria and Sweden were the first contributors to the Trust Fund, with an initial investment of EUR 6.3 million in 2011. By the end of 2015, the EPTATF had received pledges totalling EUR 26.8 million, with Austria and Sweden reconfirming their strong support, followed by Germany, France, Poland, Lithuania and Latvia, while the United Kingdom joined as a new contributor in 2015. Countries currently eligible for EPTATF support are Armenia, Azerbaijan, Georgia, Moldova and Ukraine. The Fund is also open to cross-border or regional projects.

Priority sectors

- Local private sector development, small and medium-sized enterprises;
- Development of social and economic infrastructure: transport, energy, water, the environment, and information and communications technology;
- Climate change mitigation and adaptation.

Types of support

- Support throughout the project cycle:
  a. identification: e.g. sector and master plans;
  b. preparation: e.g. pre-feasibility or feasibility studies; technical, economic and financial appraisal; environmental and social impact assessments;
  c. implementation: strengthening project management and operations skills, e.g. procurement, financial, O&M and service functions.

EPTATF also provides support for capacity-building programmes such as the training of officials in client countries, as well as offering internship and secondment programmes providing people from the beneficiary countries with the opportunity to gain experience of working at the EIB for a period of time.

The governing body

The EPTATF is governed by a Contributors’ Committee that meets twice a year. Contributions come from Member States of the European Union, the European Commission, the Eastern Partnership countries and interested third parties. The Committee offers a valuable forum for contributors and the Bank to exchange information on strategy, policy and projects with a view to enhancing cooperation and better responding to the challenges in Eastern Partnership countries.
Statements from contributors

“Latvia was actively involved in the preparation of the Eastern Partnership agenda during the 2015 EU Council Presidency and we are continuing to advocate the need to keep the focus on the Eastern Partnership region and effective implementation of EU policy in this region. Through the support of the Eastern Partnership Technical Assistance Trust Fund, the EIB is helping to strengthen the resilience of these countries. A smart and flexible approach is needed in order to overcome the transitional difficulties the partner countries face and at the same time preserve their ownership of the process.

After the 2015 Riga Summit we were able to enhance the differentiation principle in cooperation, and particular attention should be paid to:
- strengthening institutions and good governance;
- mobility and people-to-people contacts;
- further deepening of economic cooperation;
- interconnections and development of regional infrastructure.”

Mr Armands Eberhards
Deputy State Secretary of the Ministry of Finance of the Republic of Latvia

The UK’s Good Governance Fund (GGF) is committed to promoting a flexible, demand-led and strategic approach to supporting political and economic reforms in a number of Eastern Partnership countries, and this makes the EIB’s Eastern Partnership Technical Assistance Trust Fund a natural partner. By providing high-quality technical assistance in critical industries, the EPTATF is able to deliver sustainable results, enhancing the impact of the EIB’s lending operations, and promoting sustainable inclusive growth in beneficiary countries. The UK is pleased to be able to use the Good Governance Fund to work with the EPTATF to deliver positive results and promote sustainable development in the Eastern Partnership countries of Ukraine, Moldova and Georgia.

Mr Daniel Graymore
Head of DFID/FCO Good Governance Fund Joint Unit
Statements from beneficiaries

“We would like to express the Ministry’s highest appreciation of the EPTATF and its donors for the valuable support it provides to beneficiaries. We have recently agreed with the Bank to finance a EUR 280 million project to build a wastewater treatment plant in Georgia’s second biggest city, Kutaisi, for which the EIB’s contribution is EUR 100 million. EPTATF will contribute to the technical supervision activities considered crucial for the project’s quality. We also hope to extend our cooperation in the future, which is very important in leveraging investments.”

Mr David Lezhava,
Deputy Minister of Finance, Georgia

“On behalf of the Ministry of Infrastructure of Ukraine we appreciate the contribution provided by the EPTATF for the Ukrainian transport sector. In 2015 a technical assistance operation for EUR 1.6 million was signed to support the improvement of road safety measures during the implementation of the IFI’s projects, where the overall signed amount of loans reached EUR 650 million.

In line with dynamic EU integration processes in Ukraine, EPTATF launched a capacity-building programme for Ukraine’s transport experts. Our colleagues improve their knowledge and share experience in the head office of the EIB thanks to the secondment opportunities funded by the EPTATF Programme. We would like to convey our highest gratitude for the support and express our hope for further results-oriented and pragmatic cooperation between the EIB and Ukraine.”

Ms Oksana Reiter,
Deputy Minister of Infrastructure, Ukraine
Road transport is critical to Ukraine’s economic development since its economy is highly transport-intensive, supporting the agriculture and construction industries. Ukraine is also an important transit country for bulk traffic due to its strategic geographic location on key international cargo routes. At the same time, road fatality rates in Ukraine are around six times higher than in the best performing EU countries and three times higher than the EU average. That is why there is a need for greater integration of road safety in planning and design, better road safety awareness and capacity, and due attention to road safety audit recommendations during implementation. These challenges will be addressed by technical assistance financed by EPTATF, starting in early 2016, to provide important support to tender documents preparation and to ensure that safety audit recommendations are integrated from the outset.

Mr Roman Gnatenko,
Director, PIU “Ukrドorinvest”
### Five years of EPTATF (2011-2015)

**Donors**
- 8 Donors

**Contributions**
- 26.8 m Euro

**Projects**
- 20 projects
  - 4 completed
  - 6 ongoing
  - 4 started
  - 2 in preparation
  - 4 non-TA operations

**Project cost**
- 19.05 m Euro

**Contracted**
- 9.5 m Euro

**Disbursed**
- 3.6 m Euro (40% of signed amounts)

---

*a* see Annex II, EPTATF Pipeline of ongoing projects

*b* The Dnipropetrovsk Metro project in Ukraine has experienced delays. The water project in Kutaisi in Georgia has been at the design stage longer than envisaged due to the unprecedented blending of EPTATF funds and the loan proceeds to co-finance the TA. TA implementation is being delegated to the promoter.

*c* EPTATF internship and secondment programmes and cross-regional awareness-raising activities
Results highlights

Looking back over five years of operations, the Eastern Partnership Technical Assistance Trust Fund has proven its worth. It has contributed to the bankability of projects and strengthened institutional capacities, facilitating funding from the EIB and other financiers.

- Fourteen technical assistance operations targeted project preparation and implementation of priority projects proposed by the beneficiaries.
- Four operations include capacity-building activities through internship and secondment programmes, consultancy for project acceleration and cross-regional awareness-raising.
- Two operations supported upstream work (regional studies) in areas of high investment potential – energy efficiency and SME support.

The EPTATF portfolio has developed over the past five years, during which 20 technical assistance projects have been structured for a total value of EUR 19.05 million. This represents 71% of funds contributed to date.

80% of the Trust Fund’s operations provide technical assistance in support of EIB lending and have helped or will help to enhance the quality of EIB projects in the amount of EUR 1.7 billion. By supporting EIB clients in project preparation and implementation, donors’ assistance helps to address the challenges in the infrastructure sector, facilitating investments that will enhance utility performance, accelerate sector reform, transform markets and improve services to people.

The remaining 20% of operations provides institutional support to the beneficiaries. In total, the Bank has welcomed nine secondees and 21 trainees to participate in the capacity-building programme financed by the EPTATF. They contribute valuable expertise and experience while acquiring knowledge to transfer back to client countries.

The study on Private Sector Financing conducted in 2013 helped to assess the financing needs of SMEs and identify market failures that prevent the development of the SME sector.

The study influenced the design of the EIB’s sectoral approach and of private sector operations in the Eastern Partnership amounting to EUR 670 million.

The ELENA East energy efficiency study conducted in 2012 influenced the design of a number of EIB-financed energy efficiency projects, or added energy efficiency aspects to environmental and municipal infrastructure projects.

The EPTATF contributes to the EU Eastern Neighbourhood Policy’s objectives in both economic and political terms. It brings together the EU’s policy dialogue with EIB lending and donor grants to leverage investments in Eastern Partnership countries.

The EPTATF has helped enhance the Bank’s role in the Eastern Partnership countries and has contributed to the Bank’s lending in the Eastern Neighbourhood, which by the end of 2015 had reached a total of EUR 7.8 billion.
2015 was a significant year, as EPTATF continued to scale up its activities, with EUR 5.75 million worth of approvals for four operations in four countries.

- One of the seven ongoing TA operations was completed at the end of 2015.

- Four TA operations were procured in 2015 and are at their initial stage.

- The United Kingdom made its first contribution to the Fund in 2015, joining existing contributors Austria, France, Germany, Latvia, Lithuania, Poland and Sweden. With the renewed contributions from Austria, Germany, Latvia and Sweden, the total amount of the Trust Fund reached EUR 26.8 million.

- In 2015, thanks to the contribution of the Swedish Ministry for Foreign Affairs, the Bank engaged a technical assistance consultant based in Kiev, who is expected to help speed up the implementation of TA projects financed by EPTATF.
Results in 2015

The following EPTATF operations made significant progress during 2015:

**Moldova:** Flood Protection (EUR 2 000 000).

*In the final stage of implementation*
- Assessment of existing infrastructure performed (3000km of flood defences, 5000 dams and reservoirs)
- Preparation of flood hazard maps in line with the EU Floods Directive
- Development of strategic options for flood risk management and approval by stakeholders
- Development of 20-year (EUR 450 million) and 7-year (EUR 100 million) Investment Plans.

The project supports the EIB loan of EUR 25 million (in preparation).

**Ukraine:** Higher education energy efficiency audits (EUR 250 000).

*In the final stage of implementation*
- 59 higher education buildings (corresponding to 342 000m² of heated area) inspected
- Audit reports delivered and presented to the public
- Heat energy savings estimated at 28 660 MWh/a (EUR 1.35 million/annum)
- Electric energy savings estimated at 2 410 MWh/a (EUR 0.18 million/annum)
- An additional 23 audits in preparation.

The project supports the EIB loan of EUR 25 million (in preparation).

**Ukraine:** Mykolayiv Vodokanal (EUR 1 400 000).

*In progress*
- Consultant providing advice to Vodokanal on all aspects of the project’s implementation.

The project supports the EIB loan of EUR 20 million.

**Georgia:** WIMP II Water Sector (EUR 500 000).

*In progress*
- Consultant monitoring, reporting, providing technical audits and advice on water projects implementation.

The project supports the EIB loan of EUR 40 million.

**Ukraine:** Municipal Infrastructure Programme (EUR 3 300 000).

*In progress*
- Dnipropetrovsk regional water project: feasibility studies for three bulk regional water systems prepared
- Three district heating projects (Krivij Rig, Oleanda, Lozova), consultants procured for preparation of FS
- Preparation of Terms of Reference ongoing for other wastewater and energy projects.

The project supports the EIB loan of EUR 400 million.

**Internship Programme (EUR 300 000)**
- Six trainees hosted by the EIB in 2015. Developing their skills in various areas, from finance to legal and policy analysis, and being part of an international and multicultural working environment.

**Secondment Programme (EUR 1 100 000)**
- Nine secondees, of which six welcomed in 2015, are currently working at the EIB in order to exchange knowledge and build capacity.
Problem description

Armenia’s location and geopolitical circumstances result in significant challenges for its transport infrastructure. The M6 Interstate road constitutes a major and vital corridor for Armenia’s imports and exports, connecting the country to the capital of Georgia, Tbilisi, to Georgia’s ports on the Black Sea, and to Europe, Russia and other CIS countries. The M6 urgently needs rehabilitation as most parts of it are in poor condition and not compliant with international road and road safety standards.

The Government of Armenia has asked the EIB to mobilise EPTATF funds to prepare the feasibility study for the M6 road. The Government has also requested the EIB, depending on the results of the studies, to finance the subsequent rehabilitation project.

Activities

On 17 December 2012, the EPTATF Contributors’ Committee approved the use of EPTATF resources for the financing of the feasibility study, environmental and social impact assessment and detailed engineering design for the rehabilitation and improvement of the M6 road. The consultant was contracted for a 20-month period over 2014-2015 to perform the above activities.

Key achievements and results

In the course of the feasibility study, the consultant identified four rehabilitation solutions, requiring investment of between EUR 145 million and 185 million. This was considered not to be optimal from an economic perspective considering the traffic levels of the road and the budget provided by the Armenian Government. The consultant was therefore requested to propose a fifth solution. This additional option provides for the lowering of some design requirements and for the alignment improvements to be minimised but maintains the focus on road safety. The total cost was estimated at EUR 102 million.

The Ministry of Transport and Communications and the EIB also shared the opinion that this option is the most suitable for the project since it yields significant improvements adapted to the road’s importance and local conditions and resources. The environmental and social impact assessment, detailed designs and tender documentation, prepared with road safety considerations as a result of this TA are core elements of the future project which will be financed by EIB and ADB loans. The road construction period will be 2017-2020.

“*We would like to express the Ministry’s highest appreciation of the EPTATF contribution towards preparing a sound project ready for implementation*”

Letter from Mr Gagik Grigoryan,
Head of Staff, Ministry of Transport and Communications of Armenia, sent to the EIB on 14 December 2015
2015 in figures

The charts below serve as an illustration that the Trust Fund has comprehensive cover in respect of sectors (environment, energy, transport, SME activities, and institutional activities) and beneficiary countries, reflecting priorities in line with the joint objectives of the EIB and the Fund’s donors.

Operations by sector

Environment is the largest sector recipient of EPTATF funding, followed by transport, energy and SME support.

More than half of TA projects address climate change and hence significantly contribute to the EIB priority of climate action support in the Eastern Partnership countries.
Operations by country

At end-2015, six technical assistance projects amounting to almost EUR 7 million were located in Ukraine. Three operations are active in Moldova with EUR 3.7 million assigned, three in Armenia with EUR 2.2 million and two in Georgia with EUR 3.75 million. The remaining six assignments are horizontal regional initiatives covering all countries eligible for EPTATF support, to which almost EUR 2.5 million was committed.

EPTATF operation per country (amounts approved)

Operations approved

The EPTATF Contributors’ Committee approved four new TA operations totalling EUR 5.75 million in 2015. This includes the approval of the second phase of the Ukrainian Municipal Infrastructure Programme, authorising the commitment of funds under the second envelope of EUR 1.5 million.

<table>
<thead>
<tr>
<th>Operation</th>
<th>EURm</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kutaisi Water Project</td>
<td>3.25</td>
<td>In design</td>
</tr>
<tr>
<td>TA for Armenia APEX loan</td>
<td>0.5</td>
<td>Start phase</td>
</tr>
<tr>
<td>Regional TA consultant for projects advancement</td>
<td>0.5</td>
<td>Under implementation</td>
</tr>
<tr>
<td>Ukrainian Municipal Infrastructure Programme</td>
<td>1.5</td>
<td>Approval of the second stage of the programme</td>
</tr>
<tr>
<td>TOTAL 2015</td>
<td>5.75</td>
<td></td>
</tr>
</tbody>
</table>
Contributions and financial status

2015 was a successful year, not only because of the increased amount of contributions made to the TF, but also because the UK through DFID joined as a new contributor, with a GBP 1 million payment in 2015. Sweden and Austria renewed their contributions by pledging SEK 10 million and EUR 2 million respectively. With an additional EUR 1 million from Germany, EUR 0.05 million from Latvia and EUR 0.05 million from Lithuania, pledged contributions totalled EUR 5.5 million in 2015. These new contributions (pledged and paid in) increased total EPTATF contributions to date to EUR 26.8 million, which is an encouraging sign of commitment to the Eastern Partnership, and of overall satisfaction with the activities and orientations of the Fund.

<table>
<thead>
<tr>
<th>Country</th>
<th>Total contributions</th>
<th>Contributions in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>10 000 000</td>
<td>2 000 000</td>
</tr>
<tr>
<td>France</td>
<td>800 000</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>1 817 000</td>
<td>1 000 000</td>
</tr>
<tr>
<td>Latvia</td>
<td>100 000</td>
<td>50 000</td>
</tr>
<tr>
<td>Lithuania</td>
<td>150 000</td>
<td>50 000</td>
</tr>
<tr>
<td>Poland</td>
<td>1 000 000</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>11 566 000</td>
<td>1 078 000 (pledged)</td>
</tr>
<tr>
<td>UK</td>
<td>1 371 000</td>
<td>1 371 000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>26 804 000</td>
<td>5 499 000</td>
</tr>
</tbody>
</table>

The value of the four projects approved in 2015 (EUR 5.75 million) is significantly higher than in 2014. The ratio of disbursements also rose from 13.5% in 2014 to 20% in 2015. The proportion of disbursements to contracted amounts is close to 40%.

Overview of the financial situation of the Fund

<table>
<thead>
<tr>
<th>Contributions</th>
<th>Situation in 20145</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>EUR 26.8m</td>
</tr>
<tr>
<td>Paid-in</td>
<td>EUR 25.7m</td>
</tr>
<tr>
<td>Committed</td>
<td>EUR 19.05m</td>
</tr>
<tr>
<td>Signed</td>
<td>EUR 9.5m</td>
</tr>
<tr>
<td>Disbursed</td>
<td>EUR 3.6m</td>
</tr>
<tr>
<td>Fees</td>
<td>EUR 1.03m</td>
</tr>
<tr>
<td>Available funds</td>
<td>EUR 5.62m</td>
</tr>
</tbody>
</table>
The EIB´s objectives

The strategic orientations of the EIB’s activities in the Eastern Neighbourhood are based on the operational guidelines set in the 2014-2020 External Lending Mandate (ELM). Under the ELM, the Bank has provided financing in the Eastern Neighbourhood countries, and this trend will continue within the lending ceiling established under the ELM. In addition, under the new Own Risk Facilities, since July 2014 the Neighbourhood Finance Facility (NFF) has enabled the EIB to extend financing of up to EUR 3 billion in the Eastern and Southern Neighbourhood over a three-year period.

The EIB’s activities in the region will be strongly aligned with EU external policies and actions. The Bank will continue supporting the European Neighbourhood Policy, the EU’s policy towards the Eastern and Southern Neighbourhoods, by financing investment projects that contribute to the achievement of EU policy objectives:

- Local private sector development, in particular support for SMEs;
- Development of social and economic infrastructure;
- Climate change mitigation and adaptation.

The Bank’s operational priorities in the East will continue as follows:

- Investments in infrastructure and support for SMEs in countries that have signed an Association Agreement and the DCFTA with the EU.
- The dominant feature of the Bank’s operational plan in the Eastern Neighbourhood is the Bank’s commitment to lend EUR 3 billion to Ukraine during 2014-2016 in the context of the EU’s initiative to support Ukraine.
EPTATF objectives

There is great potential in what the EPTATF can do to ensure the quality and sustainability of the EIB’s investments in the Eastern Partnership countries in 2016 and beyond.

In view of significant investment needs in the region, higher demand for technical assistance is anticipated. So far the EPTATF has proven to be a flexible instrument that can be deployed rapidly for technical advisory support. Therefore, during 2016 the Bank plans to scale up EPTATF activities, corresponding to its lending targets.

With a growing project pipeline, demand for EPTATF resources is increasing and the Bank anticipates that the funds currently available in the EPTATF will be fully allocated by the end of 2016. To meet the increased demand the Bank will endeavour to raise an additional EUR 35 million in funding to cover project needs during the period 2016-2020.

In a context of limited resources, efforts will be made towards careful programming and prioritisation of the TA provided by EPTATF, focusing support where EPTATF can add most value, e.g.:

- Project design, quality control and supervision and technical advice in the infrastructure sector with a focus on energy efficiency measures, safety audits and increased environmental benefits.
- Bringing new knowledge to the countries that signed the DCFTA with the EU, and facilitating transition to a more EU-oriented structure of trade, legal approximation and convergence to EU norms and standards.
- Projects with potential to bring efficiency and spillovers to the economy. Promoting gender equality, economic inclusion and social wellbeing through investments will be emphasised in future EPTATF activities.
- In line with the EIB’s ambitious climate change objectives (the Bank aims to significantly increase the proportion of lending in support of climate-related investment from 25% to 35% in developing countries), climate action projects will remain a priority and will be targeted across all sectors of EPTATF activity.

- Given the positive experience with similar advisory and blending activities in other regions, other types of support instruments beyond the TA may be considered for EPTATF in the future.

Efforts will be made to improve the EPTATF’s complementarity with other funding sources. Cooperation between donors and IFIs by means of blending grant aid for investments and technical assistance (TA) with loans and risk capital is increasingly important in development finance. A good match of funding available from different sources must be ensured with a view to increasing financial flows for development.

The EIB plans to strengthen EPTATF’s visibility and information about its achievements, for which purpose additional communication activities are envisaged for 2016 and beyond. Better communication is likely to boost closer cooperation between the EIB, donors and clients, which can lead to a more coordinated, strategic and long-term approach to TA and investment planning.

It should be noted that the implementation of both lending and related technical assistance may be impacted by continued political instability and macro-economic challenges in the Eastern Neighbourhood, as well as by broader security concerns and the refugee crisis, which have so far mainly affected countries in the Southern Neighbourhood but also the Western Balkans and the European Union. There are also developments in cooperation between the EU and Belarus, which may present new opportunities for the EIB and EPTATF. The Bank will work in close cooperation with donors and clients to assess the situation and respond accordingly.
Annex I. Abridged financial statements

**BALANCE SHEET**
As at 31 December 2015 (in EUR '000)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>4</td>
<td>21,000</td>
<td>17,913</td>
</tr>
<tr>
<td>Other assets</td>
<td>6</td>
<td>495</td>
<td>415</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>21,545</td>
<td>18,328</td>
</tr>
</tbody>
</table>

| LIABILITIES AND CONTRIBUTORS' RESOURCES | | |
|----------------------------------------|-------|------------|------------|
| Other liabilities                      | 7     | 17         | 17         |
| Amounts owed to third parties          | 8     | 1,427      | 248        |
| **Total liabilities**                  |       | 1,444      | 265        |

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>9</td>
<td>25,677</td>
<td>21,206</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>-5,576</td>
<td>-3,143</td>
</tr>
<tr>
<td><strong>Total contributors' resources</strong></td>
<td></td>
<td>20,101</td>
<td>18,063</td>
</tr>
<tr>
<td><strong>Total liabilities and contributors' resources</strong></td>
<td></td>
<td>21,545</td>
<td>18,328</td>
</tr>
</tbody>
</table>

**INCOME STATEMENT**
For the year ended 31 December 2015 (in EUR '000)

<table>
<thead>
<tr>
<th>From 01.01.2015 to 31.12.2015</th>
<th>From 01.01.2014 to 31.12.2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net gain on EIB Unitary Fund investments</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total operating income</strong></td>
<td></td>
</tr>
<tr>
<td>Projects financed</td>
<td>10</td>
</tr>
<tr>
<td>General administrative expenses</td>
<td>11</td>
</tr>
<tr>
<td>Other expenses</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net loss for the financial year</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Annex II. Table: EPTATF Pipeline of ongoing projects

<table>
<thead>
<tr>
<th>No</th>
<th>Country</th>
<th>Title</th>
<th>Sector</th>
<th>Type of operation</th>
<th>Approved amount</th>
<th>Climate Change Contr.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Completed operations</strong></td>
<td></td>
<td></td>
<td></td>
<td>EUR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 Regional Energy Efficiency Programme, ELENA East</td>
<td>Energy</td>
<td>Study</td>
<td>200 000</td>
<td>200 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Regional Private sector financing and the role of risk-bearing instruments</td>
<td>SMEs</td>
<td>Study</td>
<td>200 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Ukraine</td>
<td>Identification and preparation of railway infrastr. projects</td>
<td>Transport</td>
<td>TA</td>
<td>200 000</td>
<td>200 000</td>
</tr>
<tr>
<td></td>
<td>Armenia</td>
<td>M6 border interstate road</td>
<td>Transport</td>
<td>TA</td>
<td>1 000 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Ongoing operations</strong></td>
<td></td>
<td></td>
<td>10 000 000</td>
<td>7 200 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 Moldova Flood Protection</td>
<td>Environment (Water)</td>
<td>TA</td>
<td>2 000 000</td>
<td>2 000 000</td>
</tr>
<tr>
<td></td>
<td>Ukraine</td>
<td>Mykolayiv Vodokanal Project</td>
<td>Environment (W/ WW)</td>
<td>TA</td>
<td>1 400 000</td>
<td>1 400 000</td>
</tr>
<tr>
<td></td>
<td>Moldova</td>
<td>Technical Audits in Road Sector Programme</td>
<td>Transport</td>
<td>TA</td>
<td>500 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Ukraine</td>
<td>Higher Education Energy Audits</td>
<td>Energy</td>
<td>TA</td>
<td>250 000</td>
<td>250 000</td>
</tr>
<tr>
<td></td>
<td>Ukraine</td>
<td>Municipal Infrastructure Programme</td>
<td>Environment (Urban Dev)</td>
<td>TA</td>
<td>3 300 000</td>
<td>3 300 000</td>
</tr>
<tr>
<td></td>
<td>Georgia</td>
<td>Water sector projects WIMP II and WIMP III</td>
<td>Environment (Water)</td>
<td>TA</td>
<td>500 000</td>
<td>250 000</td>
</tr>
<tr>
<td></td>
<td>Regional</td>
<td>Budget Envelope for Dissemination</td>
<td>Institutional</td>
<td>Capacity building</td>
<td>150 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Regional</td>
<td>Internship Programme, Phase I and II</td>
<td>Institutional</td>
<td>Capacity building</td>
<td>300 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Regional</td>
<td>Secondment Programme Phase I and II</td>
<td>Institutional</td>
<td>Capacity building</td>
<td>1 100 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Ukraine</td>
<td>TA Consultant</td>
<td>Institutional</td>
<td>TA</td>
<td>500 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Operations procured and started in 2015</strong></td>
<td></td>
<td></td>
<td>4 000 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15 Armenia Water Sector Assets Registration and Valuation</td>
<td>Environment (Water)</td>
<td>TA</td>
<td>700 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Armenia</td>
<td>APEX Loan</td>
<td>SMEs</td>
<td>TA</td>
<td>500 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td>Moldova</td>
<td>Preparation of Solid Waste Programme</td>
<td>Environment (Waste)</td>
<td>TA</td>
<td>1 200 000</td>
<td>1 200 000</td>
</tr>
<tr>
<td></td>
<td>Ukraine</td>
<td>Modernization &amp; safety improvements on road network</td>
<td>Transport</td>
<td>TA</td>
<td>1 600 000</td>
<td>n.a.</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Operations approved by EPTATF Contributors, contract not yet signed</strong></td>
<td></td>
<td></td>
<td>3 450 000</td>
<td>3 450 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>19 Ukraine Dnipropetrovsk Metro Traffic Concept and Marketing Study</td>
<td>Transport</td>
<td>TA</td>
<td>200 000</td>
<td>200 000</td>
</tr>
<tr>
<td></td>
<td>Georgia</td>
<td>Kutaisi Waste Water Project</td>
<td>Environment</td>
<td>TA</td>
<td>3 250 000</td>
<td>3 250 000</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>TOTAL EPTATF OPERATIONS</strong></td>
<td></td>
<td></td>
<td>19 050 000</td>
<td>12 250 000</td>
</tr>
</tbody>
</table>
EPTATF
Eastern Partnership Technical Assistance Trust Fund
Annual Report 2015