



HOPE AND STRENGTH IN THE WESTERN BALKANS

Matteo Rivellini

BIG IDEAS III

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Hope and strength in the Western Balkans

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BIG IDEAS

The Western Balkans have been a crossing point between Central Europe and the East for centuries.

Devastated by tragic conflicts, nationalism and neglected investments, the Western Balkan countries are striving to find a new equilibrium. Citizens and institutions in the Balkans have repeatedly affirmed their ambition to become part of the European Union and have made significant efforts to turn this dream into reality.

The European Investment Bank (EIB) has done a lot in this region over the past 20 years. It has helped build pan-European transport corridors, supported direct foreign investment, helped redevelop urban areas, provided technical assistance and additional finance to enhance and develop social and economic infrastructure, and stimulated private sector growth to create jobs. Looking ahead, there is hope for a brighter and greener future for the Western Balkans.

Matteo Rivellini is the Head of Division in charge of lending operations in Slovenia, Croatia and the Western Balkans at the EIB.

This is the thirteenth essay in the *Big Ideas* series created by the European Investment Bank.

The EIB has invited international thought leaders and experts to write about the most important issues of the day.

These essays are a reminder that we need new thinking to protect the environment, promote equality and improve people's lives around the globe.



CONTRADICTIONS

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I couldn't move: my eyes had got trapped in the view I had just glimpsed through an old window. It was like a Bruegel painting, looking down the hill to the surroundings of Shtupel, Kosovo. Blurry geometry outlined a couple of hills on the horizon and a few houses below covered in snow, with the wooden parts sticking out of the sheer white. The only movement was the light grey snakes of smoke between the rooftops and the sky.

"Do you understand why?" "What?" I said to my translator, pretending I had always been there and looking down at my small cup of hot coffee to avoid the stare of Adela, a Roma woman born in Kosovo.

"Do you understand why, even though my whole family was persecuted both by the Serbs and by the Albanians as both always thought we were traitors and would collaborate with the other side, I will never move away from here?" While Nikolino, my translator, was speaking, I had to look up to Adela. She was holding firmly in her arms the last-born child of the house. Her big eyes were moving around quickly to keep check on the other kids. They were as black as the obsidian stones I had seen as a child while on holiday with my family in Salina on the Aeolian Islands in Sicily. At that point, I had to make a huge effort.

“ Do you understand why, even if my family was persecuted, I will never move away from here? ”

Like a goalkeeper on the ground jumping back up again to catch the sudden second shot after having saved the first, I went on describing when and how, thanks to donations raised by the Italian chapter of Caritas, her roof would be rebuilt for her and her family to allow them to keep living there. To stay in that gem of paradise. Later Adela turned my coffee cup upside down for a couple of minutes. Before I left she read the grounds in the bottom of my cup and with a big smile told Nikolino that a bright future was waiting for me. I too smiled.



The second vivid memory of my first time in the Western Balkans^[1] in 1999 was the cold winter with the rarefied air smelling strange. I grew up in a newly built suburb of Milan where the gas supply had already been installed, so as a kid I had never experienced the smell of winters heated with coal or diesel fuel. That day I had to go to Pristina to negotiate a sizeable purchase of wood for construction. I left my house in Klina quite early in the morning and I remember the thermometer outside showing minus 28 degrees. In that cold, the colours of the blue sky that sunny day were in bright contrast to the blinding white of the snow over the hills. Not long after passing the Russian checkpoint, as I approached Pristina, suddenly the sky turned a lighter blue with some shades of grey emerging from not far away on my left. One of the largest lignite-fed power plants in the whole region was in full motion, and still is today with a generation capacity of over 1 300 MW. Walking through Pristina I still recall the pungent stench of this power plant when it was operating. This was my first real experience of certain contradictions in the Western Balkans.

“ More than 20 years have gone by and the citizens of the Western Balkans have taken many steps forward to overcome the disaster left by the conflicts of the late 1990s.

Coal-polluted air, like in several cities in the region, versus the surrounding untouched, beautiful and wild nature. Recent plural unity versus the exacerbation of nationalism. Progress of modern architecture and cultural centres at a crossing point between *Mitteleuropa* and the East versus decay from unprecedented and inhumane conflicts or neglected investment. Vibrant, ambitious and optimistic entrepreneurs versus disenchanting citizens talking for hours about corruption and a tragic past over coffees and cigarettes in bars. I remember feeling weird about it, thinking of the new millennium just around the corner.

[1] Bosnia and Herzegovina, Serbia, Montenegro, North Macedonia, Albania and Kosovo*.
* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution (UNSCR) 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.



More than 20 years have gone by and the citizens of the Western Balkans have taken many steps forward to overcome the disaster left by the conflicts of the late 1990s. Citizens and institutions in the Balkans have repeatedly confirmed their ambition to become part of the European Union and have made significant efforts to turn this dream into reality. Much is still to be done, but the goal of catching up with the living standards of Milan or Lyon or Stuttgart and avoiding having to move away to seize a new professional opportunity or find a better school for the children is worth the effort. The EIB has done a lot in the Western Balkans over the last 20 years and I am proud to have contributed to this work. Since 2000, the EIB has provided around

“ Since 2000, the EIB has provided around €11 billion in financing to build transport infrastructure that connects people and regions. A good example of this work is the financing supporting the pan-European corridors running through the Western Balkans: Corridor X and Corridor Vc.

€11 billion in financing to build transport infrastructure that connects people and regions. A good example of this work is the financing supporting the pan-European corridors running through the Western Balkans: Corridor X and Corridor Vc. Corridor X, which has received €750 million for the Balkan region alone, starts in Salzburg and ends in Thessaloniki, Greece. It covers 2 300 km of roads and more than 2 500 km of railways, connecting 12 airports and four sea and river ports. Corridor Vc (European route E73, 702 km), to which €1 billion in funding has so far been committed, connects Hungary to Croatia and Bosnia and Herzegovina and includes the recently built Svilaj bridge over the Sava River, on the Bosnian-Croatian border. This type of work brings the Western Balkans even closer to Europe.

** The European Union has introduced policies to support the gradual integration of the Western Balkan countries with the Union. On 1 July 2013, Croatia became the first of the seven countries to join, and Montenegro, Serbia, the Republic of North Macedonia and Albania are official candidates. Accession negotiations and chapters have been opened with Montenegro and Serbia, and Bosnia and Herzegovina and Kosovo are potential candidate countries (updated as of June 2020).*

Source: [European Parliament](#)

FIAT FACTORY IN KRAGUJEVAC, SERBIA.



Then there is our support for foreign business, such as the €500 million package for the Fiat 500 factory in Kragujevac, Serbia. We also support local banks, helping them give loans to small companies across the region. We help redevelop urban areas, such as the project around the Lana riverfront in Tirana, which received €8 million to reorganise streets and other urban infrastructure, so rehabilitating and boosting the neighbouring districts, restoring the drainage system to enhance the quality of life and preventing flooding.



VARDAR RIVER, SKOPJE, NORTH MACEDONIA



THE EIB IN THE WESTERN BALKANS

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In 2018 the EIB finalised a €100 million loan to ensure the safe navigability of the Danube and Sava rivers in Serbia. This operation had significant value and helped build a strong and cohesive Europe. As the Trieste-born scholar and writer Claudio Magris wrote in his book *Danube* in 1986, this river is at the centre of the German, Magyar, Slavic and Jewish *Mitteleuropa* that together contributed to the defeat of the Third Reich. A long time after the end of the Second World War, this financed project enabled a number of wrecks of Nazi vessels sunk in 1944, when the Third Reich had started suffering the fightback of the Soviet Red Army along the Danube, to be removed. More importantly, the upgrading of fluvial infrastructure will further connect Europe with Serbia by enabling goods to be shifted by more efficient and greener inland waterway transport compared to heavy trucks on the roads. The gap, however, between the European Union and the Western Balkans is still too wide. Average GDP per capita is frequently below one third of that in Germany. Economic studies indicate that full convergence will take at least two generations at the current rate of economic growth in both Europe and the Western Balkans region. Air pollution in cities such as Pristina in Kosovo, Skopje, Tetovo or Bitola in North Macedonia and Zenica, Tuzla or Sarajevo in Bosnia and Herzegovina is still often three times higher than in the most polluted cities in Europe. Indices of infrastructure development such as rail density, installed power generation capacity and broadband coverage are on average less than half of those of Europe. The rule of law (procurement; autonomy of public administration; independence and effectiveness of the judiciary; fighting against corruption, etc.) is ultimately still a challenge compared to European standards in terms of regulations and their application.

“ The gap between the European Union and the Western Balkans is still too wide.

THE SAVA RIVER BRIDGE CONNECTS THE CITIES OF
BOSANSKI AND SLAVONSKI BROD, AND TWO COUNTRIES
– BOSNIA AND HERZEGOVINA, AND CROATIA.



Against this background, I am passionately enthused to see how the EIB remains engaged and committed to the region. Since the establishment of the Economic Resilience Initiative for the Southern Neighbourhood and the Western Balkans in 2016, the Bank has further strived to have more impact and improve the lives of the citizens of the region.

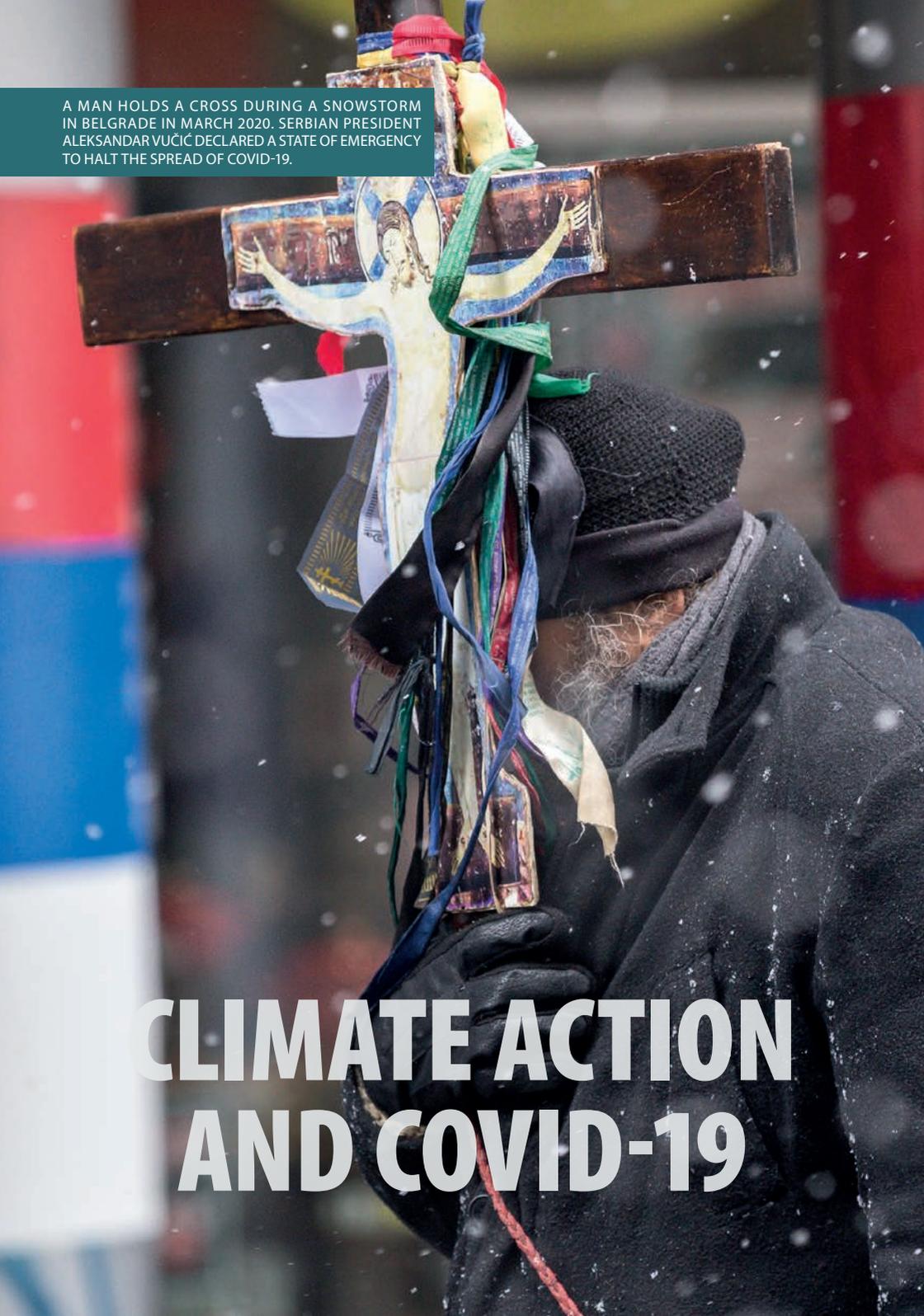
Technical assistance for better investments is readily available to address social and economic infrastructure gaps and stimulate private sector-led growth and job creation to ensure the economies of the region are more resilient. Local investments to improve living conditions and upgrade infrastructure in the sectors of water supply, wastewater, waste management, etc. are at the core of the current actions of the Bank in the region.

Grant funding is also available. Countries like Bulgaria, Croatia, Italy, Lithuania, Luxembourg, Poland, Slovakia, Slovenia and the United Kingdom have donated funds to alleviate the cost of infrastructure that are of vital significance in countries suffering from limited financial capacity. Skopje, for example, received a €10 million donation to finance its first wastewater treatment plant.

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The Bank has provided an additional €68 million and the European Bank for Reconstruction and Development a further €58 million to make this ambitious project happen, together with the government of North Macedonia.

This plant will serve the needs of the inhabitants of Skopje which number around 500 000, vastly improve the sustainability of the city, put an end to the direct discharge of untreated wastewater into the Vardar River and will bring actual, substantial benefits for the citizens of this country in their daily lives. A cleaner river means better sanitation, better public health and a better environment. Cross-border benefits are also expected as the Vardar flows through Northern Greece.

A photograph of a man in a dark, heavy winter coat and a black knit beanie, holding a large, dark wooden cross. The cross is intricately decorated with colorful ribbons in shades of green, blue, and red. In the center of the cross is a painted figure of Jesus Christ with outstretched arms. The man's face is partially obscured by a dark scarf. The background is a blurred outdoor setting with snow falling, and a red and blue flag is visible on the left. The overall mood is somber and reflective.

A MAN HOLDS A CROSS DURING A SNOWSTORM
IN BELGRADE IN MARCH 2020. SERBIAN PRESIDENT
ALEKSANDAR VUČIĆ DECLARED A STATE OF EMERGENCY
TO HALT THE SPREAD OF COVID-19.

CLIMATE ACTION AND COVID-19

CLIMATE ACTION AND COVID-19

The challenge of contributing to a carbon-neutral Europe by 2050 will not be successfully addressed without coping with the urgent environmental needs in the Western Balkans. The air pollution generated by the obsolete and inefficient coal-fed power plants in the region is responsible for up to one in five premature deaths in several cities of the Western Balkans.

Furthermore, air pollution knows no borders and affects neighbouring countries. Ignoring this urgency may jeopardise the efforts of several European countries struggling to reduce pollutant emissions to maintain air quality standards.

By the same token, the much needed economic growth of the region may trigger additional energy demand. It is therefore essential that the European Union and the EIB embark on additional efforts to address the climate urgency in the Western Balkans, which also requires a fair and just transition in the same way as areas of Europe are massively reliant on fossil fuels. In particular, synergies between a green and a digital agenda for the region will be key.

Investments facilitating digitalisation and the more efficient use of energy will improve living standards and support economic growth that is sustainable and increasingly decoupled from the proportional rise in energy consumption. The EIB will need to support electricity generation from renewable sources, so offering a more long-term, cleaner and sustainable alternative to different patterns – like that in Bosnia and Herzegovina, where the authorities have instead decided to invest in a new 450 MW thermal power plant that will be built and financed by

“ The EIB can build on its capacity and expertise to support the extension of the Green Deal for Europe to the Western Balkans and help the region to transition away from a carbon-intensive economy towards a fully European carbon-neutral environment in the near future. ”

MONTENEGRIN ARTISTS PAINTING ON ROOFS IN
PODGORICA DURING THE COVID-19 PANDEMIC.



Chinese competitors. Looking ahead, there is hope for a brighter and greener future in the Western Balkans.

The EIB can build on its capacity and expertise to support the extension of the Green Deal for Europe to the Western Balkans and help the region to transition away from a carbon-intensive economy towards a fully European carbon-neutral environment in the near future. The human losses triggered by COVID-19 worldwide, particularly when existing respiratory diseases fatally aggravated the effects of the virus, makes carbon neutrality, and the reduction of smog, dust and air pollution, unavoidable goals for the Western Balkan countries to improve the lives of their citizens.

“ The pandemic has affected the already fragile and export-oriented economy of the region. The EIB has operated in the Western Balkans for more than 40 years and is prepared to do even more in the future. ”

COVID-19 has also shown how critical it is for citizens in Europe and beyond to benefit from efficient civil protection mechanisms, equipment and infrastructure as well as from public health infrastructure that is capable of dealing quickly with an epidemic in terms of intensive care, labs for testing, information technology, logistics and monitoring.

Countries in Europe and in the Western Balkans have frequently postponed, neglected or reduced investment in these sectors. Scientists, doctors and nurses from the Balkans have often left their countries of origin for a better salary, equipment and infrastructure as well as for an improved personal and family life elsewhere. COVID-19 is now requiring authorities and stakeholders to prepare better in the future and the EIB could play an effective role in this, building on its experience as a solid financier of important healthcare projects in Europe and throughout the world.



The EIB has to date extensively supported the healthcare sector in the region, with more than €400 million already committed to finance new hospitals and laboratories in Serbia and Bosnia and Herzegovina. New investments for a better healthcare system granting equal access to all are being appraised in Kosovo, Montenegro and North Macedonia.

Pandemic preparedness and response capacity in the region will need to be upgraded.

The pandemic has also affected the already fragile and heavily export-oriented economy of the region. Precise estimates of the real impact on the economy in the short, medium and long term are impossible to make at this point. The most pessimistic scenarios portray a worrying economic recession in a region that was already growing too little to catch up with European macroeconomic standards within a generation.

Country lockdowns and payment freezes imposed by decree to prevent the spread of COVID-19 have hit the region's firms hard. Companies, utilities, municipalities and other entities are suffering a sudden halt in their revenue streams and as a result they sometimes don't have enough liquidity to pay salaries and invoices, let alone taxes. A combination of relaxation of restrictive, coercive rules by the public authorities, an injection of liquidity into the economy, and sound preparation and execution of investments is essential to keep the system alive and capable of getting up and running again as soon as the freeze is over.

The Bank is ready to increase its financial support, particularly for small and medium-sized enterprises (SMEs) to ensure that they can retain workers and navigate safely through such an unprecedented crisis and become more resilient and productive than before.

As stated by EIB President Werner Hoyer during the EU-Western Balkans summit in May 2020, the EIB has prepared a package worth €1.7 billion to support healthcare and SMEs. More specifically, a €500 million regional facility will target



the public sector, including healthcare, civil protection and SMEs in countries where national promotional institutions are already in place.

A separate €400 million regional facility will target the private sector to benefit SMEs via local private financial institutions.

Coupled with its response to the COVID-19 crisis, the Bank will also speed up the deployment of €800 million to support investments improving the overall socio-economic conditions in the Western Balkans.

The EIB has operated in the Western Balkans for more than 40 years and is prepared to do even more in the future to improve the lives of the citizens of Western Balkan countries and close the gap with living standards in the European Union. Let us turn this hope into a reality.

BIOGRAPHY

Matteo Rivellini is an experienced manager in the infrastructure and development financing sector in response to the migrant crisis, particularly in the Western Balkans, Italy and Central Europe. He is currently the Head of Division in charge of lending operations in Slovenia, Croatia and the Western Balkans at the European Investment Bank.

Matteo has played a pivotal role in the roll-out of the Economic Resilience Initiative in the Western Balkans and in the overall coordination of the operational response to the refugee crisis on behalf of the European Investment Bank. He previously served as advisor to the Italian Vice-President at the Bank and as legal advisor for EIB operations in Italy and the Western Balkans.

In the past, Matteo also worked in a renowned law firm in Milan. He holds a degree in International Law from Università Cattolica in Milan and speaks fluent Italian, English, French and Spanish.

When he isn't working, Matteo can be found tending to his olive trees.





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