



# 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 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 has done a lot in this region over the past 20 years. It has helped build pan-European corridors, supported foreign business, helped redevelop urban areas, and provided technical assistance and additional finance to address social and economic infrastructure gaps and stimulate private sector-led growth and job creation in the whole region.

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 European Investment Bank.

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

## CONTRADICTIONS

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, with the wooden parts sticking out of the white. The only movement was the light grey snakes of smoke striving to reach up to 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 if my whole family had been persecuted both by the Serbs and by the Albanians as both always thought we are traitors and would collaborate with the other side, I would 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 quickly around to check out 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, Aeolian Islands, Sicily. At that

point, I had to make a huge effort. 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 smiled back.

**“ Do you understand why, even if my family had been persecuted, I would never move from here? ”**



The second vivid memory of my first time in the Western Balkans<sup>[1]</sup> in 1999 was the cold winter with 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 were in bright contrast to the blinding white of the snow over the hills. Not long after passing the Russian checkpoint, I started approaching Pristina and 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 was my first real experience of certain contradictions in the Western Balkans. Coal-polluted air, like in several cities in the region, versus little distant untouched, beautiful and wild nature. Past successful plural unity versus 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 disenchanted 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.

“ 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.

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[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 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 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 European Investment Bank has done a lot in the Western Balkans over the last 20 years and I am proud to have contributed to this work. Since 1999, the EIB has provided

€10.7 billion in financing to build infrastructure that connects people and regions. A good example of this work is the €750 million deal financing the pan-European corridors running through the Western Balkans: Corridor X and Corridor Vc. Corridor X starts in Austria, 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), connecting Hungary to Croatia and Bosnia and Herzegovina, also includes the Svilaj bridge over the Sava river, on the Bosnian-Croatian border. This type of work brings the Western Balkans even closer to Europe.

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\* 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 (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, making the area more attractive and preventing flooding.



VARDAR RIVER, SKOPJE, MACEDONIA



# THE EIB IN THE WESTERN BALKANS

## THE EIB IN THE WESTERN BALKANS

A €100 million loan – a symbolic investment of the EIB after WWII to help build a strong and cohesive Europe – enabled the safe navigability of the Danube and Sava rivers in Serbia. As the Italian 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. Many years later, this project would enable the removal of a number of wrecks of Nazi vessels sunk towards the end of WWII when the Third Reich had started suffering the fight-back of the Soviet Red Army in 1944 along the Danube. More importantly, the upgrading of fluvial infrastructure will further connect Europe with Serbia and the Western Balkans 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 excessively wide. Average GDP pro capita is still below one third of that in Germany. Economic studies indicate that full convergence will take at least two generations at the current rate of 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 good governance (procurement; autonomy of public administration; independence and effectiveness of the judiciary; fighting against corruption, etc.) is still a challenge compared to European standards in terms of rules and their application.

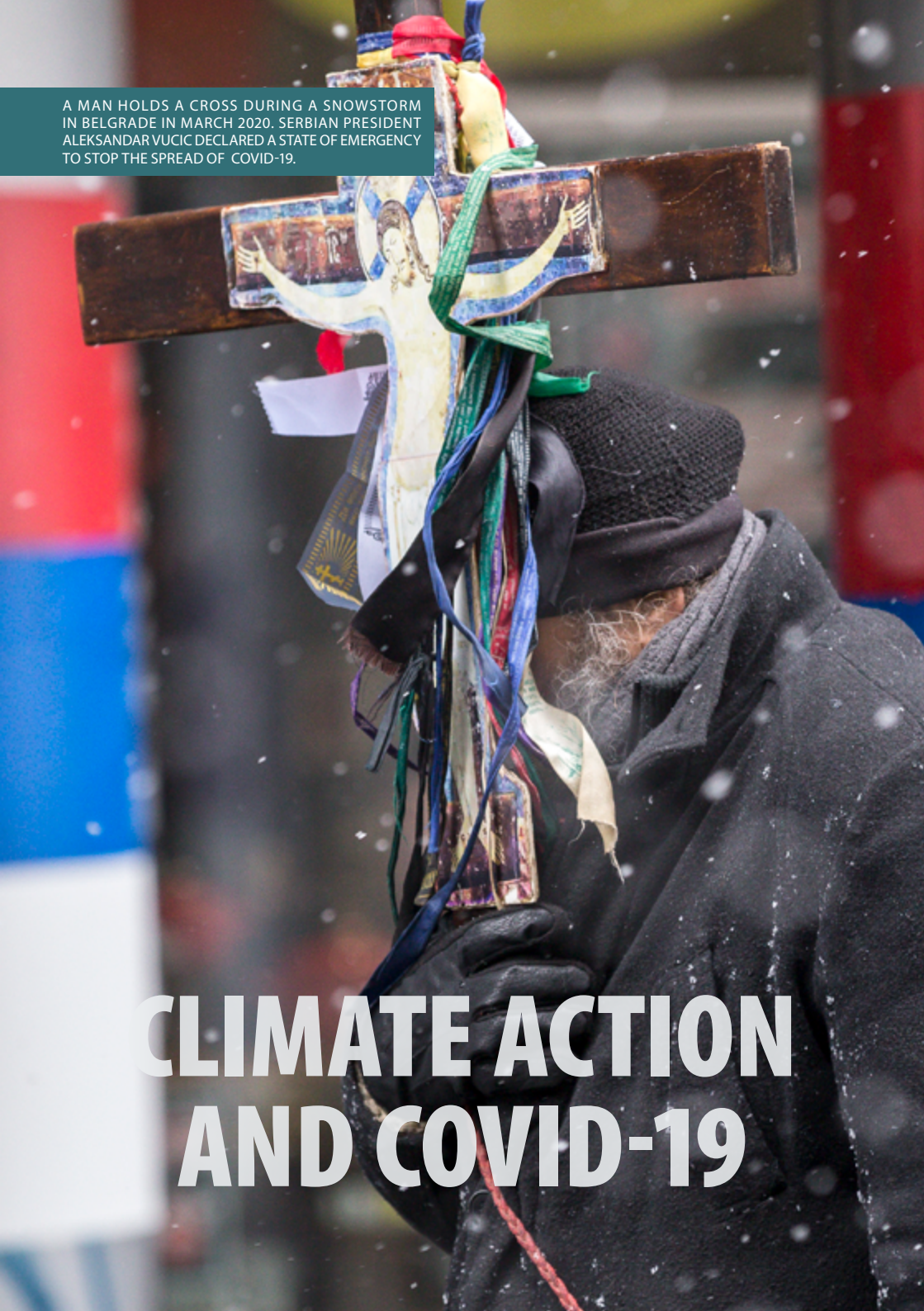
**“ The gap between the European Union and the Western Balkans is still excessively wide.**

THE SAVA RIVER BRIDGE CONNECTS THE TWO 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 and additional finance 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. Municipal 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. The Bank has provided an additional €68 million and the EBRD 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 around 500 000 inhabitants of Skopje, vastly improve the sustainability of the city, and put an end to the direct discharge of untreated wastewater into the Vardar River. The plant 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.

**“ 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.**

A photograph of a man in a dark winter coat and hat holding a large, ornate wooden cross. The cross is decorated with a painting of the Virgin Mary and the Christ Child, and is adorned with colorful ribbons and a small flag. The scene is set in a snowy environment, with snowflakes visible in the air. The background is blurred, showing red and blue elements.

A MAN HOLDS A CROSS DURING A SNOWSTORM  
IN BELGRADE IN MARCH 2020. SERBIAN PRESIDENT  
ALEKSANDAR VUCIC DECLARED A STATE OF EMERGENCY  
TO STOP 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 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 increased 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 thermopower plant that will be built and financed by 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. ”**

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



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, an unavoidable goal for the Western Balkans countries to improve the lives of their citizens.

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 surveillance. Countries in Europe and in the Western Balkans have postponed, neglected or reduced investment in these sectors. Scientists, doctors, and nurses have often left their countries of origin for a better salary, equipment and infrastructure as well as for a better 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 pandemic has affected an already fragile and export-oriented economy in 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.**



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 coming in Kosovo, Montenegro and North Macedonia. Pandemic preparedness and response capacity in the region will need to be upgraded.

The pandemic has also affected an already fragile and export-oriented economy in 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 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 they have no liquidity to pay salaries and invoices, let alone taxes. A combination of relaxation of rules by public authorities and liquidity injections 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 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 small and medium-sized enterprises. 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 small and medium-sized enterprises through local private financial institutions. When the COVID-19 crisis is over, the Bank will speed up the deployment of €800 million to support investments improving the overall socioeconomic 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 Balkans countries and close the gap with the living standards in the European Union. Let us turn this hope into a reality.

## BIOGRAPHY

**Matteo Rivellini** is an experienced manager with unique expertise in infrastructure, migration, blended finance and development finance 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. His policy-oriented interdisciplinary background stems from his previous experience in the Bank as advisor to the Italian Vice-President and legal advisor for EIB operations in Italy and in the Western Balkans .

Before joining the EIB in 2003, Matteo 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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