THE EUROPEAN INVESTMENT BANK IN THE WESTERN BALKANS
The Western Balkans is an essential part of European history. Its culture, arts and economy have contributed to shaping the face of Europe.

The European Investment Bank, which is the financial arm of the European Union, has been active in the Western Balkans since 1977. We are the largest international financier in the region. After the tumultuous 1990s in the Balkans, the EIB intensified its efforts to steer the area towards European integration.

In the late 1990s, financing focused on urgent reconstruction and repairs to damaged bridges and railways, ports, airports and roads. Year after year, we have been working with state governments, municipalities and private companies in the region, as well as with the European Commission and other financing partners. We want to improve people’s lives by supporting the economy and upgrading infrastructure, helping the region become modern and self-sufficient.

Over the last decade, the EIB has expanded its lending into sectors such as healthcare and education while also addressing the global migration crisis. Helping people live better is the most important challenge for the future. We want to foster a skilled workforce, with talented developers, scientists, economists, engineers, lawyers and teachers.

To fight the global economic and financial crisis and to continue encouraging the economic recovery, the EIB has increased its support for small businesses and local authorities through lines of credit and guarantees with local banks and leasing companies. Small businesses are the backbone of the economy. Making sure they have access to long-term credit is essential for their prosperity.

Recognising the magnitude of the challenges, the EIB launched the Economic Resilience Initiative (ERI), a programme that helps countries in the EU neighbourhood improve their economies and respond to the migration crisis. ERI further encourages small business development and helps countries improve infrastructure, also through the provision of grant resources, thanks to our donors.

We are committed to improving living conditions and economic standards for everyone living in Albania, Bosnia and Herzegovina, Kosovo*, Montenegro, North Macedonia, and Serbia. We will ensure that the future of the Western Balkans is part of the future of Europe.
THE EUROPEAN INVESTMENT BANK IN THE WESTERN BALKANS

The EIB offers financing, blending and advisory services in Albania, Bosnia and Herzegovina, Kosovo[*], Montenegro, North Macedonia and Serbia.

**CANDIDATE COUNTRIES**
- Albania
- Montenegro
- North Macedonia
- Serbia

**POTENTIAL CANDIDATE COUNTRIES**
- Bosnia and Herzegovina
- Kosovo[*]

**Population**
- 19.9 million

**Surface area**
- 218,750 km²

**Total GDP**
- €94.2 billion

**NEW SIGNATURES IN THE REGION, 2018**
- €1.09 billion

**TOTAL FINANCED SINCE 2008**
- €7.65 billion

[*] This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Independence Declaration.
INTRODUCTION

The EIB has expanded its work in the Western Balkans into many areas and started helping the private sector, supporting foreign direct investments and offering assistance to small companies. Small companies are important for economic growth and job creation.

In 2018, we signed €1.09 billion in loans in the region. In the past 10 years, we have provided €7.65 billion worth of finance for projects.

**EIB ACTIVITY IN THE WESTERN BALKANS (2008-2018)**

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<td>426.5</td>
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The EIB follows the EU’s objective of helping the Western Balkans towards rapid integration into the European Union.

GDP growth in the Western Balkans has been accelerating since 2014, driven by investment and private consumption. GDP growth in the region is expected to maintain the current rate for the next few years, with a temporary dip to 3.4% in 2019 because of the challenging international economy and the finalisation of big infrastructure projects [1].

A strengthening economy is creating more jobs in the private sector: annual employment is growing by more than 2% and the unemployment rate has come down from 20.7% in 2014 to 14.8% in 2018. The rate is still high in general, especially among young people, which is hurting living standards in some places and making it clear that we need deeper structural reforms.

The European Commission’s strategy for the Western Balkans outlined early last year how the region needs to improve in areas such as the rule of law, security, connectivity, digitalisation, and economic development and competitiveness.

The recent migration crisis has created new challenges and highlighted the need for closer regional cooperation. This would help the region adapt to the new challenges.

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WHAT WE DO

The EIB offers the Western Balkans loans, grants and expertise in four main areas: innovation, small businesses, infrastructure and climate. We blend loans with investments from other organisations, and our advisory services’ experts make sure the projects get off the ground and succeed.

THREE PILLARS

LENDING

We use our financial strength to raise money at good rates. We pass on the savings by giving loans to high-quality projects.

BLENDING

In collaboration with partners such as the European Commission, we help clients combine our financing with investments from other sources.

ADVISORY SERVICES

We offer a diverse package of technical assistance for big infrastructure projects in the public sector and a wide range of investments in the private sector.
The project involves the construction of a 30-kilometre section of a dual two-lane motorway using European standards. The section is on the extended TEN-T comprehensive network between the capital of Kosovo*, Prishtinë, and the fourth largest city in the country, Pejë. With 95% of freight and passenger transportation in the country taking place on the road, the network is crucial for the economic development of Kosovo* and for the country’s regional integration.

There has been a steady and significant traffic increase over recent years on the road, which now serves around 15,000 vehicles a day, including a significant number of heavy vehicles. The project will move the majority of this traffic away from the existing road, improving speeds, safety and the environment for the many settlements next to the current highway. The EIB will contribute up to €80 million in loans. The project has received €3.2 million of Western Balkans Investment Framework grants, and the road is expected to be completed by the end of 2021.
LENDING

Lending is our main activity. We support projects that significantly help growth, employment, regional cohesion and sustainability.

EIB OPERATIONS SIGNED IN THE WESTERN BALKANS (2008-2018)

- Credit lines: 44.25%
- Transport: 29.53%
- Industry: 7.16%
- Services: 4.73%
- Water, sewerage: 3.95%
- Energy: 3.59%
- Health: 3.37%
- Telecommunications: 1.25%
- Urban development: 1.07%
- Education: 0.72%
- Solid waste: 0.39%

Sources: EIB staff calculations based on WIW database and National Statistical Offices.

TRANSPORT

There is a big need for investment in transport infrastructure. Western Balkans countries have on average 54 kilometres of roads per 100 square kilometres of land, compared with about 126 kilometres of roads per 100 square kilometres in the Central and Southeast European Countries in the EU, not including Romania and Bulgaria. Western Balkans governments and the European Commission have made it a priority to improve transport connections by 2020. The goal is to improve connections among Western Balkans countries and with the EU.

The EIB is using its financing to support these priorities. It is funding motorways and roads on the priority corridors in Serbia and North Macedonia, and in Bosnia and Herzegovina. The EIB has provided a substantial amount of lending for roads and motorways. To develop a more sustainable and diverse transport system in the region, several new rail operations have been signed or are under appraisal.
**ENERGY**

Power generation in the Western Balkans mostly comes from lignite coal power plants (over 55%) and hydropower (over 35%). While lignite, which is mined locally, gives the region a secure supply, this form of coal emits significant levels of greenhouse gases and other pollutants.

There is a lot of potential for wind, solar and other energy efficiency projects in the region.

European Investment Bank lending in the energy sector represents a small share of the Bank’s activity in the Western Balkans (about 5%, compared with 15% within the EU and 25% outside the EU). The EIB is actively seeking energy efficiency projects in the region and renewable energy projects.

The EIB is participating in the European Commission-led pilot programme to boost energy efficiency in Serbia and is appraising potential investments in wind farms.

The EIB is also financing the Trans-Adriatic Pipeline, which will run from the Greek/Turkish border to Italy through Albania. This pipeline will transport up to 10 billion m³ of gas yearly and will improve energy security and diversification.

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**SKILLED WORKFORCE**

The Western Balkans suffers from a lack of skilled workers, innovation, energy and strategic infrastructure. There is a lack of adequate research funds and training institutions to educate people and prepare them for the challenges of tomorrow. The region ranks 77th out of 140 countries in the World Economic Forum Competitiveness Indicator, with a particularly low score in innovation and business sophistication.

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**ENVIRONMENT**

Despite a rising awareness of the critical investment needs, development of environmental infrastructure has been slow in the Western Balkans.

Many sectors are still fragmented and weak governance has left infrastructure poorly maintained and highly inefficient. Laws that enforce limits on pollution and improve service standards are either inadequate or are not being fully followed.
Flood protection in Bosnia and Herzegovina

In Bosnia and Herzegovina, the 2010 floods in the Sava River basin caused widespread damage. Numerous dykes, channels, riverbeds and pumping stations that remained in place after the floods are amongst the most vulnerable points.

Another flood could put people, houses, industries and farms at great risk. Under the Economic Resilience Initiative, the EIB will provide €19 million to build flood protection facilities along the Sava River and its tributaries.
Fiat small cars, Serbia

The EIB provided €500 million worth of finance to Fiat Chrysler Automobiles (FCA) to modernise and expand the company’s automotive plant in Kragujevac, Serbia. This increased production capacity from 30,000 to over 180,000 vehicles. The EIB’s financing has made it possible to produce a new family of B-segment cars at this plant.

This investment is by far the largest in the history of Serbian industry and it has helped transform an aging industrial site into one of FCA’s most modern factories. The project was designed to develop a competitive manufacturing platform in a country with prospects for EU accession and to instil a strong industrial culture, with a qualified, well-educated and competitive workforce.

The project has contributed to an increase in foreign investment in Serbia and has helped develop the country’s automotive industry and promote technological advancement. This has increased local productivity and exports, and strengthened Serbia’s economic development. The project has supported FCA’s local suppliers and helped preserve jobs at the Kragujevac plant, and it has increased local employment and created additional indirect jobs.
SMALL BUSINESSES

The EIB Group offers a number of financial instruments for small businesses across the Western Balkans.

The EIB lends to local banks and other intermediaries, which subsequently lend this money to small and medium-sized businesses. In Montenegro, the EIB is providing €320 million to promote private sector growth and ensure adequate access to finance for small firms. In Bosnia and Herzegovina, the EIB is providing €25 million to a leasing company to finance small companies and support projects in tourism, agriculture, healthcare, education, and the environment. The operation will also focus on youth employment under the European Youth Employment and Training for the Western Balkans (EYET) initiative. The loan will support about 4,450 jobs and 445 small firms.

The European Investment Fund, which is part of the EIB Group, specialises in risk finance for small businesses. It provides guarantees to intermediaries with the aim of stimulating lending to small firms, and commits financial resources to private equity funds focusing on investment in small firms.

In the Western Balkans, the EIF has had a stable presence since 2012 with the establishment of the Western Balkans Enterprise Development and Innovation Facility (WB EDIF), which aims to improve access to finance for small companies. Under WB EDIF, the EIF operates a guarantee facility that offers first-loss protection to financial intermediaries in relation to losses incurred in a selected portfolio. This has stimulated about €228 million of lending for small firms in the region, on terms that are better than those available in the local market. In 2018, the EIF selected five banks under a special window of the facility dedicated only to Serbia, and this is expected to generate around €180 million of new lending for small companies.

Starting in 2016, most Western Balkans countries have become eligible for EU-28 financial instruments supporting small companies, such as the Competitiveness of Enterprises and Small and Medium-Sized Enterprises (COSME), InnovFin and Employment and Social Innovation (EaSI) initiatives, which provide resources for risky, innovative and micro firms. By the end of 2018, the EIF had entered into 29 guarantees under these programmes, stimulating more than €900 million of new lending in the region for small firms.

The EIF has also pioneered private equity funds in the region, by selecting the first fund manager fully focused on the region and investing through the WB EDIF platform in its first fund, the Enterprise Innovation Fund, also called ENIF. ENIF has a size of about €40 million and focuses on innovative and technology companies in the early growth stage.
The EIB provided €45 million to support investments in the Serbia and Montenegro Air Traffic Services. The investments will improve capacity, safety, cost efficiency and compliance with EU regulation, and will enhance air transport connectivity.
The Bank has intensified its support for the EU’s neighbourhood, in particular the Southern Neighbourhood and the Western Balkans, to foster economic growth and sustainable development. This extra support has become necessary after the migration crisis, which has created more development challenges in these regions, bringing into question the economic resilience of a number of countries. Making economies more resilient requires upgrading and developing social and economic infrastructures and stimulating private sector growth and job creation.

The EIB’s Economic Resilience Initiative marks a big change in support for the two neighbourhoods. We are increasing our financing by €6 billion over a five-year period that started in 2016 – in addition to the €7.5 billion already planned – to catalyse up to €15 billion of investment for both regions.

Across the Western Balkans, ERI is already supporting vital infrastructure and job creation projects.

**In Serbia**, the EIB signed a €35 million loan to improve the sewerage system in Belgrade, making life better for 170,000 people in the district of Palilula. The project, which includes a €1.1 million technical assistance grant under the Economic Resilience Initiative, provides vital infrastructure for the city and adds a new wastewater treatment plant that will reduce pollution in the Danube River and groundwater.

**In Albania**, basic infrastructure involving the transport, energy, and environmental sectors has come under significant strain following the migrant crisis. Through ERI, €29.5 million of financing will be provided to improve vital infrastructure so that it can handle future pressures if migration increases. The project will also improve Albania’s connections to the rest of the region.

**In Montenegro**, the EIB provided €40 million for the rehabilitation of five main roads, a quarter of the national network. The project will improve road conditions and safety, which will help trade and regional integration. The works include the reconstruction of several bridges and tunnels. The project will also receive a €1.5 million ERI technical assistance grant, the first ERI grant awarded to a project in the Western Balkans. The grant will support the specialised services required to supervise the road works.

The EIB plans impact finance operations to address social impact challenges in the Western Balkans. These challenges include unemployment, poverty, sustainability of SMEs, climate change, access to basic resources, and economic and social integration of women and young people.
ECONOMIC RESILIENCE INITIATIVE FUND

The Economic Resilience Initiative Fund (ERIF) aims to provide additional support to ERI operations in the form of investment grants or through financial instruments using donor contributions. The Fund provides concessional financing for vital infrastructure and supports higher risk or lower financial return investments to enhance social and economic impact.

In Albania, the Fund has provided €2.4 million worth of donor financing for the urban redevelopment of the Lana River area. The area is at high risk of flooding, so residents are under constant threat. The project will improve Tirana’s health, sanitary, and flood safety conditions for around 65,000 people.

Renovating electricity substations in Serbia

The project with EMS, the electricity operator in Serbia, helped build and rehabilitate six power substations. Five short, high-voltage lines with a total length of 45 kilometres tied the substations into the grid.

The project comprised the design, construction and operation of the substations. To use money that was saved during this project, the planners extended the work to include the protection and control systems of five more substations.

The Beograd 3 substation project, for example, is important because it supplies electricity to a large part of Belgrade. This substation is located in Rakovica, about 10 kilometres south of Belgrade. Beginning operation in 1953, it is one of the oldest 220/110 kV substations in the Serbian network. The rehabilitation involved the replacement of the 110 and 220 kV switchgears that had reached the end of their technical life. The rehabilitation was completed in July 2014 and was carried out while the substation was in operation. EIB financing supported the installation of the 110/220 kV switchgears and the control and protection system.
€275 million invested in WB EDIF, including €150 million from the EU, leveraging around €715 million for small businesses since inception.  

4,600 small firms will be supported under WB EDIF.
WESTERN BALKANS INVESTMENT FRAMEWORK

In the Western Balkans, the EIB offers a number of investments with partners.

In 2008, the Economic and Financial Affairs Council requested the creation of a comprehensive Western Balkans Investment Framework (WBIF) to enhance harmonisation and cooperation in investments for socio-economic development.

WBIF was launched in December 2009 as a joint initiative between the European Commission, the European Investment Bank, the European Bank for Reconstruction and Development (EBRD) and the Council of Europe Development Bank (CEB). Its establishment responded to the request of the Western Balkans countries to streamline the conditions for assistance provided by the various donors. The World Bank Group, the KfW development bank and the Agence Française de Développement have now joined the WBIF.

The WBIF is a multifaceted and elaborate cooperation facility that provides technical assistance and grants for infrastructure projects in the Western Balkans. It supports projects that improve competitiveness and growth, while reinforcing regional cooperation and connectivity. Eligible sectors include energy, environment, social, transport, private sector and digital infrastructure.

The WBIF pools grants from the EU budget, several bilateral donors and the partner financial institutions.

The European Western Balkans Joint Fund plays a central role in the WBIF legal structure and is the main pooling pot for the majority of grant donors. It is managed by the EIB and the EBRD.

In February 2018, the European Commission enhanced its support for the Western Balkans by confirming the prominent role of the WBIF in supporting EU accession policy. For the period up to 2020, a further €400 million is expected from the EU as a contribution to the WBIF.

2019 is the 10th anniversary for the WBIF. The European Commission has launched an “EU4You” campaign across the Western Balkans to showcase the shared success under the WBIF. The EIB will continue playing an integral part in the WBIF and contributing to a more prosperous and integrated Western Balkans.
SUPPORT FOR INFRASTRUCTURE PROJECTS

The EIB’s advisory and technical assistance supports the preparation and implementation of priority infrastructure projects in the Western Balkans countries in the transport, environment, energy and social sectors. A team of experts helps with feasibility studies, preliminary and detailed designs, the tendering process, the supervision of projects and other preparatory studies. Such support is financed by the European Commission and the EIB, and is provided free of charge.

As the manager of the WBIF-funded Infrastructure Projects Facility, the EIB uses its own staff and external consultants to help public sector bodies improve the chances that their projects will attract investment.

Through the JASPERS programme, the EIB helps the Western Balkans states prepare sector strategies and develop key projects in the transport, environment, energy and smart development sectors. This also enhances the capacity of local administrations to handle the projects. Since 2013, JASPERS has been helping in the preparation of more than 80 projects, for an investment total of above €4 billion.

The EIB’s EPEC programme also assists WB countries in developing Public-Private Partnerships (PPPs) by providing advice on PPP laws and by sharing experience and best practices to help public authorities deliver the best PPPs.

ADVISORY SUPPORT FOR SMALL BUSINESSES

The Western Balkans Enterprise Development and Innovation Facility, funded by the EU, improves access to finance for small companies in the Western Balkans. The EIB coordinates the advisory services provided by financial institutions such as the World Bank, OECD, EBRD, and KfW. The aim is to improve the business environment for small firms and promote research, development and innovation in the region.

The EIB conducted a study recently to identify institutions that have the highest potential for success in research, development and innovation. The EIB is working with a few institutions to identify a road map to becoming Regional Centres of Excellence. It has also implemented a support programme to help small firms use their intangible assets and intellectual property rights in their development. In cooperation with the EC’s Joint Research Centre, the EIB is developing a programme supporting innovative small firms and research and development organisations in developing “proofs of concept” through grants.
The EIB has also carried out a study to assess the funding needs of small companies and has advised the Serbian government on establishing innovative financial instruments for small firms using IPA resources. The study identified needs in microfinance, debt and equity markets in the country and proposed an investment strategy to address these gaps. The future implementation of an accelerator facility to provide equity financing and an SME portfolio guarantee instrument, which could include micro-loans, is under consideration by the Serbian government.

**ADVISORY SUPPORT UNDER THE EIB’S ECONOMIC RESILIENCE INITIATIVE**

The EIB is providing €90 million worth of technical assistance for projects under the Economic Resilience Initiative. This will support the implementation of projects that support economic and social development in the Southern Neighbourhood and the Western Balkans. In Kosovo, €1 million of ERI technical assistance is supporting the construction of a 30-kilometre motorway between Peja and Kijeve to help improve regional transport integration.
One of Europe’s Most Beautiful Railways Recaptures Past Glory

Montenegro’s railway used to be one of its big accomplishments. It was the largest and most expensive infrastructure project in the former Yugoslav federation. But now it has fallen into decay.

With the European Investment Bank’s help, the railway plans a comeback. In 2017, the EIB approved a €20 million loan to rehabilitate the line from Bar to Vrbnica on Serbia’s border. The loan will be combined with the first investment grant from EU funds and the Western Balkans Investment Framework (WBIF) in Montenegro.
When it opened in 1976, it was a state-of-the-art railway, as modern and comfortable as any other rail network in the world. It’s also one of the most beautiful trips in Europe, connecting Serbia’s capital Belgrade with Montenegro’s main seaport, Bar, in the southwest.

Constant underfunding left the railway with big problems, as early as the 1990s. A trip along the railway that once took seven hours now lasts nearly 11. The Montenegrin part of the railway has suffered extensively from lack of maintenance. The new project will create 1,000 jobs in Montenegro during the repairs. It also will improve trade links, primarily with Serbia and Romania, and promote tourism.
Back in January 1986, Ilija Pavlickovski took out a lease on a small bakery in Šuto Orizari, the second-smallest municipality of Škopje, North Macedonia’s capital. Both his grandfather and father had spent most of their lives working for the biggest Macedonian producer of bread and flour, Zito Luks. But Ilija felt like it was time to start his own business. “The bakery had a simple wood-fired oven and in the beginning we could only bake around 500 loaves of bread per day,” he says. Today, Ilija manages a chain of over 20 large and 200 small bakeries across the country. His company, Bakery Dime, has become a nationally recognised brand.

An EIB-funded loan helped Bakery Dime grow and diversify. The company employs 202 people today, compared with 82 about 10 years ago. Ilija and his bakery received three loans backed by the EIB worth €1.45 million through the Macedonian Bank for Development Promotion (MBDP).

Aleksandar Stanojkovski, who works at MBDP, says the reason for Ilija’s success is that he was ambitious enough to take control of the entire production process. “Macedonia doesn’t produce enough wheat, so it has to import lower quality wheat from abroad,” says Stanojkovski, “which is why Ilija decided to produce his own.”

Now the company supplies around 30,000 loaves of bread to over 500 locations all over the country.
ABOUT US

The EIB is the European Union’s bank. We provide finance and expertise for sustainable investment projects. In 2018, the EIB Group provided more than €64 billion for long-term investments across Europe and around the world.

Our Western Balkans team is based at the EIB’s headquarters in Luxembourg. Since 2018, the Bank has added staff in Albania and Bosnia and Herzegovina to increase its local presence.

Our Western Balkans team covers a wide range of projects and includes leading experts with extensive experience in the region.

In 2010, the EIB opened a regional office in Serbia to handle institutional relations in the Western Balkans.