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## 18<sup>th</sup> VIENNA ECONOMIC FORUM VIENNA FUTURE DIALOGUE 2021

Economy meets Politics in a Digital World

**During the Slovenian Presidency of the Council of the EU 2021**

Energy Transition  
Infrastructure and Financial Challenges  
for the Countries of the VEF Region

Monday, 22 November 2021, 9:00 a.m. - 12:30 p.m. (CET)  
House of Industry (Federation of Austrian Industries), Vienna



Dr. Liljana PAVLOVA

Vice-President  
of the European Investment Bank

# EIB priorities: greener transport, digital networks, energy efficiency and sustainable urban development

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*Dear Dr. Kirtcheva,*

*Dear Mr. UMUNDUM, prime ministers, ladies and gentlemen,*

First of all, I would like to thank you for the kind invitation to join today's event which underlines the commitment and solidarity with the region from the EU and many other partners across Europe.

**Reliable and intelligent infrastructure** is crucial for economic growth, sustainability and job creation. It also makes Europe more globally competitive.

In terms of infrastructure, the **European Investment Bank's priorities** include greener transport, digital networks, energy efficiency and sustainable urban development. We are developing infrastructure that is in the interest of the whole society, such as new affordable housing or the expansion of hospitals.

The benefits of good infrastructure will continue to increase. The modern infrastructure is designed to last more than 30 years. Water networks or bridges can last over 50 years. Rebuilding or relocating large infrastructure projects due to population growth or climate change is a difficult undertaking. That is why we must approach correctly from the very beginning.

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The bridges, tunnels and sanitary installations we are building today will continue to be used in the decades ahead. Until then, community requirements and quality expectations will be changed significantly. That is why we must be sure that the projects we are implementing today will meet the needs of the people and the quality requirements for decades to come. Against the background of the constant challenges posed by climate change, the question of our readiness for the future has never been more relevant.

The European Investment Bank wants to help **steer climate action**. We are the first international financial institution to align all our work with the Paris Agreement on global warming, and a pioneer in green finance. As the European Union's climate bank, we are transforming our business model and adopting new policies that allow us to undertake a big expansion in climate action and sustainability projects. We created a Climate Bank Roadmap to guide us down this new path and mobilise €1 trillion of green investments during this decade.

However, the financial support will not be all it takes. We need to create **new energy technologies** to reduce consumption and stop depleting natural resources. The EIB is searching for **new models to finance and support** social development, climate adaptation, green technologies and sustainable transport. We are working on finding **new partnerships** to unlock more public and private money for green investment, and give more technical advice to develop climate projects that are ready to receive financing.

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An example, is the partnership between the European Commission, European Investment Bank and **Breakthrough Energy Catalyst** announced at COP26 which will mobilise up to €820 million (\$1 billion) between 2022-2026 to accelerate the deployment and rapidly commercialise innovative technologies that will help deliver European Green Deal ambitions and the EU's 2030 climate targets. Each euro of public funds is expected to leverage three euros of private funds. Investments will be directed towards a portfolio of EU-based projects with high potential in four sectors: clean hydrogen; sustainable aviation fuels; direct air capture; and long-duration energy storage.

As the EU climate bank, we are making sure all our investments are reviewed for climate change. We want to help clients mitigate climate change problems in the future and adapt to the changes happening right now, by offering tailor-made support for project development and implementation. At the United Nations climate conference in Glasgow, the EIB released a new **Adaptation Plan** that aims to increase our financing in adaptation to 15% by 2025 and provide extra technical support to clients.

In addition, we must **ensure that no one is left behind** while countries shift to green economies. Vulnerable regions and communities that depend on fossil fuel industries, for example, will need extra support to find new jobs and careers. Part of this extra support will be provided in the member countries of the VEF. Obsolete energy infrastructure and insufficient investments in environment protection have led to escalating pollution that threatens peoples' lives across the region.

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**For the EU Member States** a lot of financial instruments have been activated – Recovery and Resilience Facility, Just Transition Mechanism, the Innovation and Modernization Funds etc. And the EIB will play a key role in the implementation of all of them.

An important blueprint for sustainable development in the region of the **Western Balkans** is the European Commission's Economic and Investment Plan released in 2020. As one of the key financiers of the plan, the EIB has already put its expertise and financial support to use in many areas to encourage a clean energy transition. To help with the transition to green energy, the EIB is providing technical support to get more sustainable projects off the ground. We want to create a greener and cleaner region, as outlined in the Economic and Investment Plan, where the EIB is the leading financier.

When it comes to **private sector**, the aim is to make better use of grants and loans to mobilize more private investment for clean energy and innovative technology. The EIB Investment Survey for 2020 indicates that energy efficiency projects are not widespread in most of the countries in the VEF region.

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With support from the European Commission and through different instruments available we are providing **more advisory support to climate action public and private investments**. Just to name a few, we have InvestEU Advisory Hub, ELENA and JASPERS or the Climate Action Support Facility for the Southern Neighbourhood and the Western Balkans. In addition, we are searching for more financial instruments that will help companies reduce emissions. For providing support to the SMEs we are working with the **national promotional institutions or the commercial banks** in each country. One new instrument is a credit line for small and medium companies that is about to be signed with the Investment Development Fund of Montenegro. This new tool is designed to help companies recover faster from the pandemic and, at the same time, introduce energy efficient and climate-friendly practices.

We hope that with **our joint efforts and commitment** we will manage to accelerate climate mitigation and adaptation processes, while ensuring competitiveness and resilience in local economies. As the EU climate bank, the EIB is ready to make these changes a reality.

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*One of the headlines of the Vienna Economic Forum is “Economy Meets Politics in a Digital World” and the question is how we can accelerate digitalisation in the region?*

**Digitalization is key for employment** and long-term economic stability of the region. The EIB Investment Survey indicate that we are facing digitalisation gap, although a lot of firms increased online business activity during the covid-19 crisis. EU firms also lag behind their US peers in terms of digitalisation activities. Only 66% of manufacturing firms in the EU report having adopted at least one digital technology, compared to 78% in the US. Therefore, support to both SMEs and public sector in digitalization of their products and services is a vital precondition to long-term competitiveness and resilience of the local economy.

We want to stir up digitalisation process and introduction of 5g network, improvement of the existing infrastructure and availability of digital skills. Globally, our financing helped to boost new digital business models, launch 60 satellites that provide broadband internet into space and enabled 2.6 million subscriptions for 5G services in 2020.

The EIB has already started supporting improvement of digital infrastructure in Serbia by investing €65 million in the Connected Schools Project and it plan to roll out similar projects throughout the region. This project will enable over 1500 schools and some 50 000 teachers to increase their digital capacities, develop skills and educational platforms.



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We finance the extension of its Gigabit-speed-capable broadband network in Slovenia - €100 million in *Telekom Slovenije*. The extended fibre optic network will enhance the quality of life and improve how business is done while strengthening resilience to disasters, such as the COVID-19 pandemic. Slovenian businesses and households, including those in rural areas, will be able to benefit from significantly increased speed, reliability, coverage and bandwidth in their internet connections, all at a lower cost.

These are only two examples but we are doing much more and we are open to realize new digital projects in all of the countries.

***Transport was the topic of the previous edition of the Vienna Economic Forum. However, I know that recently the EIB organized the first Western Balkans Rail Summit? On the other side, transport and rail infrastructure are very important for the economic growth and environmental sustainability. Are there already plans to restore specific rail routes in the region? What are the plans for enhancing digitalisation of the railway systems, and how will this benefit passengers and freight transporters? What are the EIB's plans concerning investment into rail in the region?***



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The first Western Balkans Rail Summit was held in September and organized by the European Investment Bank (EIB), Transport Community (TCT) and the European Bank for Development and Reconstruction (EBRD), in support to European Commission's initiative. I was glad to welcome high-level participants relevant for reshaping the rail scenery in the region - government representatives and rail professionals who committed to the Dedication to Rail. The event set the path for introduction of sustainable, efficient and fast transport links in the region, symbolising successful cooperation between all parties involved.

The EIB, as part of the Team Europe, is ready to support transformation of the rail network in the Western Balkans. As a lead financier of strategic railway routes, the EIB works together with the Governments in the region to improve the conditions of infrastructure, by providing technical assistance for preparation of the project and long term financing of the investments. To date, the EU Bank invested close to €650 million in the rail sector of the Western Balkans, supporting regional cooperation and connectivity. Electrification and modernisation of the major routes, as well as replacement of diesel with electric traction are among our priorities, which are important for reduction of noise, air pollution and CO2 emission.

The Rail is essential for creating efficient, climate-friendly and fast transport links within and region and EU, as well as for the promotion of multimodal transport solutions and modal shift. This should result in reduced transport-related pollution and better connections in the region.

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In order to meet these goals and ensure that transport continues to play its part during the transition towards a clean, digital and innovative EU economy, the Commission adopted its Sustainable and Smart Mobility Strategy in December 2020. It outlines the path towards more sustainable, smart and resilient mobility.

Also the European Commission's Economic and Investment Plan for the Western Balkans outlines the importance of building a sustainable transport and the upgrade of existing infrastructure, with the objective of bringing the core network up to EU standards and help address the current environmental and social needs, emerging from the climate change, the covid-19 pandemic and new digital era.

Digitalisations is a very broad concept. For example, the European Railway Traffic Management System (ERTMS) is progressively rolled out in Europe and should replace the 20+ national signaling systems, which are a major barrier to interoperability requiring either change of locomotive at the border or equipping locomotives with several of these systems. ERTMS is among the measures that will allow seamless traffic across the borders.

EIB finances the roll out of ERTMS in many countries in Europe. It should also be progressively and in a coordinated way rolled out in the Western Balkans. This will benefit both passenger and freight traffic. Also as part of digitalization, significant efforts also should be made by operators to make it much easier to buy railway tickets.

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We are already financing the modernization of railways across the region, the improvement of navigation along the rivers of Sava and Danube in Serbia, and the upgrade of urban transport in Sarajevo. In Serbia, the EIB is financing the Niš-Dimitrovgrad railway project, which includes renewal and electrification of the Sićevo – Dimitrovgrad section and construction of new electrified by-pass around the city of Niš. For this important rail route, the EIB €134 million loan is complemented with €73 million EU grants. In Montenegro, the EIB is financing modernisation of Bar-Vrbnica rail line that is going to create around 1 900 jobs during the repairs. It will improve trade links, help increase the freight volumes from the 1.2 million tonnes to over 2 million and thus support the growth of the trade in the Port of Bar.

As one of the leading financers of the rail projects in the Western Balkans, the EIB is ready to step up its support for this important sector. Beside projects that are already in the implementation phase, the EIB is helping the relevant rail infrastructure managers prepare investments and meeting Trans-European Transport network (TEN-T) compliance standards on the core networks in the Western Balkans. Also, we are looking forward to potentially finance the upgrade and modernisation of the key railway line in the region between Belgrade – Niš on Corridor X, part of an extended trans-European corridor, which follows further to North Macedonia and to Greece. The agreement between the Serbian Government and the EU on the financing of this railway line Corridor X is a good example of the kind of projects the EIB intends to support in the future. This upcoming investment, along with recently held Rail Summit, are examples of the EIB commitment to boosting gateways in the region.

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Along with the projects that are already completed, the current and upcoming ones, the EIB remains a solid and determined partner to the governments in the Western Balkans on developing smarter, modern, digital and efficient rail networks.