“Impulse for Europe”

Documentation of the Workshop

Green Corridor: Connecting the EU and the Balkans

Zagreb, Croatia, May 23rd 2016

Global Climate Forum

GERMANWATCH

Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety

Umwelt Bundesamt

Global Climate Forum e.V. and Germanwatch e.V. – Authors: Jahel Mielke, Gabriele Motta
Documentation of the Workshop “Green Corridor – Connecting the EU and the Balkans”
Introduction

The EU and the Balkans are becoming more strongly interwoven. With Croatia being the newest EU member and Serbia, Albania, the former Yugoslav Republic of Macedonia (FYROM) and Montenegro being candidate countries, the region is connecting more closely with the European Union. Currently suffering from low growth, high unemployment and infrastructure deficits, large-scale investments in sustainable infrastructure projects could enable high benefits in the Balkans – especially in terms of employment, interconnection with the EU28 and resource efficiency.

At the same time, green investments could help to contribute to the targets for energy efficiency and renewable energy agreed on in the EU’s 2030 Energy Strategy as well as to implement the international agreement on climate change achieved in Paris in December 2015. However, the region’s fiscal space to achieve such goals is limited due to existing high public debt and significant deficits. Political conflicts in and between the countries as well as negative perceptions of big infrastructure projects within civil society further complicate the situation.

In order to bring the EU and the Balkan countries closer together, a deeper integration into existing and planned EU-wide infrastructures is needed. In order to make this a real contribution to sustainable development, ecological and social requirements are central. Regional value, capacity and job creation are essential conditions for success. Therefore, the Global Climate Forum e.V. (GCF) and Germanwatch e.V. propose a “Green Corridor” in the Western Balkans, combining infrastructure investments in sustainable transport, internet broadband and high-voltage electricity transmission.

Project Goals

The project “Impulse for Europe – Green Growth and Sustainability Skills” aims at fostering discussions on the green economy with relevant actors from civil society, academia, governments and industry through workshops and conferences. A special focus lies on the development of win-win-strategies for the financial and economic crisis in Europe, climate change and the energy transition. This includes the fields of capacity and job creation as well as infrastructure investment. This documentation shall reflect the results of the workshop “Green Corridor – Connecting the EU and the Balkans” that took place in Zagreb, Croatia, on May 23rd 2016 in cooperation with the European Commission. At the event, options for green and inclusive growth in the Balkans through a “Green Corridor” as well as challenges and opportunities of green infrastructure investment in the region were discussed with stakeholders from administrations in the region, the financial sector, industry, civil society and academia. The statements from the discussion have been anonymized.
Background on the “Green Corridor”

An effective response to the complicated socio-economic and infrastructural situation in the Balkans must be given within the short-to medium-term. This allows for economic development, promotes social renewal and provides new perspectives for the young today and future generations. The “Green Corridor” idea, that forms the starting point for this report, can become such a response. It combines:

- a high-speed train track for passenger transport
- a freight train track for containers and goods
- a broadband internet backbone
- a high-voltage direct-current backbone
- a chain of charging stations for zero emissions vehicles

The idea of the “Green Corridor” is to induce a joint learning process of the Balkans and the rest of Europe, through which both can gradually outgrow unsustainable patterns of governance and economic development. This goal cannot be achieved by the myriad of initiatives presently undertaken in the Balkans. Many of these initiatives are highly valuable, especially among those triggered by the EU’s Connectivity Agenda. But the present initiatives may be insufficient in scale and lack a shared mission (Mazzucato and Penna, 2015) – two essential conditions in view of overcoming the long history of failures in the relation between the Balkans and Europe as a whole.

A project like the “Green Corridor” can only be implemented in stages and with strong ownership from civil society in the regions. There can and must be sections and components that are politically desirable or economically profitable on their own. It is particularly important that stages implementable in the short-run open up long-run perspectives of socio-cultural change. If e.g. new technologies were used in real terms for a successful project, they would allow the possibility of concrete education initiatives.

The International Monetary Fund (IMF) (2015, pg. 19) is right to assert that a major reason for the economic difficulties of the Western Balkans region is the large physical distance to Western Europe and especially to the German economy. The “Green Corridor” offers a remedy. But the IMF overlooks the fact that there is a cultural gap that cannot simply be overcome by technologically enabled markets. Rather the construction of the “Green Corridor” should create a situation in which the underestimated vocational training in the Balkans could be massively
expanded. It offers the unique opportunity to overcome both the physical and cultural distance from the economic core of Europe. The “Green Corridor” is also of special significance with regard to the Chinese plans for the “one belt, one road” initiative. These plans can help the Eurasian continent grow together much more intensely than at any other time in history. An essential component of this development is the expansion of the sea route from China to the Eastern Mediterranean, via India and East Africa, through the Suez Canal as well as the creation of the “Iron Silk Road”, a train route running from Beijing to London. The Chinese presence is of strategic importance. A Chinese company already operates part of the Piraeus port in Greece, and many other strategic investments are in preparation. With the support of a “Green Corridor”, Europe can play an active role in shaping its relation to Asia in general and China in particular – and the Western Balkans can become a pivot in this relation.

1. Trains and charging stations for passenger and freight transport

Modernization of the rail and road infrastructure would enable a positioning of an East-West freight transit corridor and bears the potential of better export opportunities into the EU28 in the coming years. While a focus on rail would generate environmental advantages compared to road, development over the last two decades shows a shift to road freight transport – especially in this part of Europe. The railway system in a large part of former Yugoslavia is in worse condition than before the war. It is foreseeable that efficient traffic systems will integrate different transport modes and allow efficient interconnections between road, rail and water transport. Therefore, rehabilitation and enlargement of the transport infrastructure needs to consider all of these transport modes. A particular attention has to be paid to interfaces between various modes (e.g. transport terminals). This includes focusing on charging stations for electric mobility.

An important aspect for the rail infrastructure is electrification. Replacement of diesel-based haulage engines with electric ones reduces local pollution as well as CO₂ emissions, if the share of renewables-based electricity increases in the future.

The rehabilitation of roads is not necessarily in contradiction with a greening infrastructure. Obviously, road traffic is responsible for a significant proportion of CO₂ emissions so that a modernization of roads is not green by itself. In the short run, a “positive” environmental effect is minor, but in the long run changing mobility concepts and patterns towards a zero-emissions mobility is plausible. This can be advanced by a charging station infrastructure for electric (or maybe hydrogen) vehicles in the region.
2. **Electricity based on renewables: High-Voltage transmission line**

If the region was able to exploit its renewables potential (hydropower, wind, solar PV, solar thermal and biomass) in the context of the development of a high-voltage transmission line between Central Europe and its neighbors in the Western Balkans, this could help to reach EU renewables targets and increase the share of renewables in the host countries. Such a development would create further investment and job opportunities. In general, a comprehensive investment environment in the region is crucial. This includes advancement on property rights and enlargement and upgrade of workforce skills. Both would have positive effects on local socio-economic conditions and stimulate national economies. In addition, new schemes for renewable tariffs in Europe, based on generation efficiencies and economic conditions, would need to be considered. A high-voltage transmission line would help to emphasize a renewables-based energy production in the Balkans. In the context of the “Green Corridor”, showcases for towns or islands could demonstrate the possibility of a shift to renewable energy.

3. **Communications: A broadband backbone for the Western Balkans**

A high performance telecommunication and Internet infrastructure would have positive economic effects on the region. For Central and Eastern Europe, McKinsey (2010) estimated positive GDP effects of EUR 80 billion, furthermore leading to the creation of 1.3 million new jobs through such investments. Considering the current low coverage density in the Western Balkans, the macroeconomic effects could be substantial. This involves two elements: higher performances of existing grids and a data highway between the EU28 and the region. According to Gelvanovska (2015), the Baltic Data Highway could serve as a model for the implementation of a broadband backbone in the Balkans. A number of preconditions for an implementation need to be fulfilled:

- First, building awareness of the infrastructure-sharing benefits for utility companies;
- Second, establishment of a regional dialogue on the issue area; and
- Third, harmonization of the regulatory regime for infrastructure sharing.

Information technologies and relatedly broadband Internet and similar technologies can help economies to become more service-oriented. Moreover, information technologies can help to improve the efficiency of production and transport chains, contributing to emission reductions. Furthermore information technologies are essential for education, knowledge and capacity building in societies and can help to improve environmental and political awareness.
**Outlook**

Broadly speaking, the Western along with the greater Balkans presently face three possible futures:

1. Near-stagnation with increasing social tensions
2. Catch-up growth along a conventional growth path
3. A new pattern of green and inclusive growth

The *first* scenario presently seems the most likely, and it is important to face this situation realistically rather than nurture counterproductive illusions. It comes with considerable risks for Europe as a whole, and it is all the more likely if the European Union does not find ways to overcome the erosion of its shared political will and economic dynamics that set in after the financial crisis of 2007 to 2009.

For the *second* scenario to materialize, external circumstances would need to change considerably. One way for this to happen is the Chinese “one belt, one road” initiative that could actually change the economic dynamics of the Eastern Mediterranean. Whatever circumstances might trigger it, plain catch-up growth would likely be “brown growth”, of the unsustainable type already experienced in large parts of the world. Grow and pollute first, clean up later is a key pattern of this kind of growth. Natural amenities that allow selling tourist services on global markets are impaired. Chaotic forms of urban development, driven by speculation on future land rents, lead to a lower quality of life in large parts of the region. This could be improved through more sustainable forms of development.

The *third* possibility would require the widely used label of green and inclusive growth to spur a different socio-economic dynamic in the region. This would probably be the most desirable alternative for a large majority of the population, but it is also quite unlikely without a coherent EU strategy that includes an actors’ coalition. After the Brexit referendum on June 23rd 2016, Europe needs to reflect on its shared values. Projects that focus on values like sustainability will help to connect European countries and inspire a positive and much-needed dynamic within the EU. The “Green Corridor” that provided the starting point for the present report, can become the fulcrum of such a strategy. If implemented with ownership of the civil society, it will not only address some of the short- and long-term problems of the Western Balkans, but can become a cornerstone for a holistic sustainable system comprised of energy, mobility, and transportation and commerce. It can also help to overcome the present difficulties of Europe as a whole and therewith become a key element in the badly needed renewal of the European project.
Workshop “Green Corridor – Connecting the EU and the Balkans” in Zagreb, Croatia

Introduction by Carlo Jaeger (Global Climate Forum)

The Balkan region has great potential for green and inclusive growth. One reason is the proximity of the Western Balkans to key European markets. So far, the European Union lacks a coherent strategy for the Greater Balkans, whereas China includes the region in its "One Belt, One Road" strategy. The Global Climate Forum (GCF) and Germanwatch aim at engaging in an open discussion on the “Green Corridor” and a more sustainable development of the region. The workshop in Zagreb is a first step, and Croatia as the newest EU member state is an excellent starting point for this discussion with stakeholders from all Balkan countries.

Presentations of Session 1: A Vision for the Balkans

In the first session, the Global Climate Forum presented its “Green Corridor” study¹. Afterwards, the European Commission Representation of Croatia gave an overview of existing support schemes of the EU. Germanwatch then highlighted civil society aspects of a “Green Corridor”.

1. “The Green Corridor”, Prof. Diana Mangalagiu (Global Climate Forum and University of Oxford)

The “Green Corridor” is a multi-modal infrastructure for high-speed rail, both for passengers and freight, broadband internet, and high-voltage electricity. Through a large-scale investment in sustainable infrastructure projects, it aims at enabling high benefits in terms of employment, improvement of outdated equipment, and interconnection with the EU28 and resource efficiency in the Balkans.

The “Green Corridor” study presents a socio-economic analysis with comparative elements amongst Western Balkan states, with highly developed EU member states such as France and Germany as well as with newer and neighboring member states such as Romania, Bulgaria and Greece.

The analysis of the Western Balkan countries shows a need for six per cent of annual growth until 2035, in order to reach convergence with the EU28. Aggregated data for the region shows the dissatisfaction of the population with the economic situation (more than 60 per cent are not satisfied) and the strong disparity in income distribution across the countries.

One dimension of the comparative analysis of GCF focuses on indicators of the institutional environment between the Western Balkans and EU member states. In fact, elements as e.g. public trust in politicians, ethics and corruption or transparency of the government are considered as enabling conditions to understand how favorable the context of a country would be towards a certain kind of investment.

The findings generally show the distance of the Western Balkans from most of the EU standards. At the same time, Western Balkan countries have similar or even higher scores compared to Bulgaria, Romania and Greece in some sectors.

The areas of interest have been in particular: unemployment (and specifically youth unemployment); rate of inactive population; quality of education with special attention to labor skills, brain drain issues and scarce use of vocational training. Similarities to Romania and Bulgaria are significant regarding many dimensions: large role of the primary sector in the economy; high consumption expenditures; low savings rate and role of the remittances; negative trade balance; low quality of the infrastructure; investments in connectivity and low share of internet use. Issues such as outages and inefficiencies in energy and electricity generation and distribution and low investment in renewable energies further hinder the current situation of the region. A comprehensive strategy is needed in order to achieve synergies in large and small projects and in a mix of bottom-up and top-down approaches.

2. “Sustainable Investment Options through EFSI in Croatia”, Denis Redzepagic (European Commission Representation in Croatia)

Even though GDP and private consumption in the EU have reached the pre-crisis level of 2007 two years ago and despite of four years of recovery and growth, some countries as Croatia are still experiencing de-growth or low growth levels. Therefore, one main challenge for the EU is to tackle the investment and competitiveness gaps in Europe. In order to mobilize investments, the EU has a large number of instruments at hand. The Investment Strategy of the EU has three pillars: (1) EFSI through which the EU expects to mobilize at least Euro 315 billion over 3 years, in cooperation with the EIB and national promotional banks; (2) advisory and technical assistance for projects though e.g. the European Investment Portal; (3) regulatory environment with attention to removing regulatory barriers, fostering predictability and quality of regulation (e.g. though the Capital Markets Union) to create the best environment for investments.

The first pillar foresees a comprehensive strategy composed of resources from the EU budget, from the European Investment Bank and from private investors. The involvement of private investors is highly wanted by the EU and allows local actors to play a major role in shaping the investment decisions. The EFSI is restricted to a range of eligible sectors as for example: energy; transport; research, development and innovation; information and communication technologies; environment and resource efficiency; human capital, culture and health as well as support to SMEs. The “Green Corridor”, addressing a variety of issues, is a good example for the unification of several eligible sectors.

The key features of the EFSI are: investments in the real economy; leverage of capital from the private sector and from third parties; economic and technical viability; size of the investment as well as non geographic or sectorial quotas. Concerning the size of the investment, the EIB finances minimum Euro 25 million for each project, expecting to double the sum via private investment. There is a margin of flexibility which allows financing smaller projects.
Member states can decide to use ESI Funds to co-finance EFSI projects. Guidance for the combined use of these two instruments is provided by the European Commission. The combined use is also possible with IPA funds. The instrument is also interesting for EU candidates and potential member states of whom there are several in the region.

3. “Connecting Europe in Times of Economic and Humanitarian Crises”, Christoph Bals (Germanwatch)

In the present situation in Europe there is a possibility both for new walls and new connections. We have to foster the creation of connections via finding solutions for the reasons that sustain the walls.

In the concept of "green growth" some people see only technology, but it is also education, vocational training, empowerment of civil society. A combination of bottom-up and top-down approaches is needed. It avoids problems like the ones we had with Desertec, which in the end was not supported in Morocco. Real involvement of affected stakeholders is a crucial element in large projects. Therefore the workshop is also an occasion to learn from and have an exchange with the people that could support or could be affected by a “Green Corridor”.

Large projects also need: (1) transparency, otherwise people do not trust in them; (2) creation of vocational training and of long-lasting jobs, not only for large foreign companies, but especially companies and people from the region; (3) transformative character, also with reference to the Paris Agreement as well as Sustainable Development Goals (SDG) and to the coherence between the investment policies and climate targets and policies in the EU; (4) a good governance structure.

The EU is experiencing a deep crisis that is undermining its own existence. A vision and a perspective for the people have to be created as an alternative to the distrust. Not the repetition of nice slogans but concrete projects which connect and show a perspective for the future are needed. An interior reform is also needed. The greater Balkan region plays a strategic role in it, as it allows the connection with other countries and actors like China and Russia.

What is needed right now is: in-depth evaluation of already existing initiatives; a strong exchange joint strategy development with civil society in the region; a step-by-step strategy vs. a generalist approach; resources for the active participation of the civil society in the region and in the western EU; promotion of a professional culture, and a support of SMEs since they are the innovation centers around the world.

Discussion of all participants

- Non-monetary benefits have to be considered adequately in the assessments of infrastructure projects.
- The export of electricity can be good for the region, but does not necessarily have to lead to the creation of new jobs.
In the region, stability and rule of law are fragile. We have to take care that infrastructure projects consider such issues and ensure that they are directly useful to the local population.

Renewable Energy is the most economically viable form of electricity production in the region.

The concept of mobility is preferable to the concept of transport. Mobility includes pedestrian and bike mobility.

An electricity line between Montenegro and Italy is planned to export electricity. Montenegro is in heavy need of infrastructure capacity and renewal of electricity grids.

Protection of the environment is a key issue. The region is under the risk of climate change and extreme events, e.g., like in 2010 with heavy rainfall and floods. A clear strategy to link environment and infrastructure needs to be designed.

The capacity level is not high, including the financial capacity. In this context, the use of IPA funds is limited. Thus, the Croatian government should use the potential given by the EU.

There are already positive investment examples: energy efficiency in construction areas and eco-tourism.

The northern part of the region is currently the most undeveloped, while the coast is the most developed, but nature reserves have been ruined. New infrastructure must grant sustainability.

China is building the highway between Montenegro and Serbia. It should be finished by 2020.

Electricity and gas infrastructures are seen as a priority, but maybe we need to focus on making infrastructure smarter, for example by improving and reinforcing the existing electricity system. It is low on the agenda, but it would bring immediate and great benefits to the people.

Public participation is important and should be expanded. Currently, there is a deficit of public participation. A better education system is needed to face this issue, as the problem is also cultural.

Internet tools can support education and allow for more democratic structures and participation.

A mix of bottom-up and top-down approaches is central to a successful win-win strategy. The Paris Climate Agreement is a good example for a framework that encourages that.

The G20 meeting in Germany in 2017 can be a platform to promote a sustainable strategy for the Balkan region (and beyond).

Due to the low or negative interest rates, investors are looking for lucrative projects. Paris gave a clear signal to end the focus on fossil energy and invest in sustainable solutions. There is space for small and large-scale investments which are both important.

Investment and climate policies in the EU have to be coherent.

There is liquidity in the market, but at the same time there are barriers to enter the energy market. This is one of the reasons why investments are still not flowing. There is also a high perceived risk associated with renewable and energy efficiency investments.
• To improve the level of education and transparency and to empower people, a strong civil society is needed. Citizens have to feel that they can shape their future. To some extent, the German Energy Transition (Energiewende) can serve as an example for this.
• The EU needs to push for green and inclusive growth. The 2030 Climate Framework is a step in the right direction, but there is still much to be done at Commission level and in the member states.
• Part of the research on the “Green Corridor” should include asking local actors and especially companies what is needed, for example in the building sector.
• We need to help investors to find low-carbon projects in the region.
• One reason why people are not investing can be that they don’t see potential buyers and future demand.
• A big investor should be the first mover for a project like the “Green Corridor”. The German government is still hesitant. The EIB could be a key player to work with the governments in the region. Also foundations can play an important role.
• The “Green Corridor” offers a vision, and that is what is needed in the region.
• A starting point could be a competition amongst projects that are bankable today and fit the picture of a “Green Corridor” in the medium-long term.
• Some countries in the Balkans, as for example Bosnia and Herzegovina have problems with the rule of law or the lack of respect of standards. It can also be difficult for investors to work with government agencies.
• We need a strong commitment of the EU. To many people in the Balkan countries, the benefits of an EU membership compared to the status quo of being a candidate country are not clear.
Impulse Statements of Session 2: Experiences in the Region – Challenges and Opportunities of Green Infrastructure Investment

a) Vedran Horvat, Institute for Political Ecology, Croatia (IPE)

On the one side, tourism is important for the country since it produces around 20 per cent of the Croatian gross domestic product (GDP). On the other side, environmental protection is weak, dirty technology endangers nature and there are even drilling projects in the Adriatic Sea. There is a need for more coherent policies to support sustainable development. The “Green Corridor” would have already been useful twenty years ago. Now that we have advanced technology, we need to work on its implementation.

We are constantly experiencing tensions and an increase in inequalities. Thus, we welcome an empowered role of civil society and a balanced mix of top-down and bottom-up approaches.

_Energiewende_ serves as a good example for Germany, but the situation in the Western Balkans is very different. Thus, it is uncertain whether this model can be applied in the region. It would be important to not only focus on technology, but to improve the political and social environment at the same time.

The notion of a green industry is missing in the concept of the “Green Corridor”. It has to be developed with the involvement of local communities and industries. We have to reflect on how to initiate a fundamental transition within the country.

b) Vlado Babic, CIVINET Slovenia-Croatia-South East Europe (SEE)

CIVINET is a network on sustainable mobility of seven Balkan countries, some of which are already in the EU. It offers cities and partners insights on best practices for sustainability. CIVINET’s goal is to connect directly with cities and partners in the SEE region and the EU.

c) Pier Carlo Sandei, UNEP Vienna

The region with 20 million inhabitants has a complex geographical, economic and cultural structure – e.g. various past and recent cultural and social conflicts and a small, fragmented and not well connected market concerning the export of goods.

When talking about a “Green Corridor” and connectivity, it is crucial for stakeholders to have a clear idea of the route to know to which countries investments will flow.

New projects for reconstruction have to be consistent with the most ambitious criteria in relation to climate change. Right now, there is no impact assessment that takes climate change into consideration.

Environmental protection in the Balkans is extremely low. Promotion of new protected areas is very important and possible with little money. A classic negative case is that the status of protection of an area is revoked when there are rumors that investors could be repelled by it.
d) Vesna Bukarica, Environmental Protection and Energy Efficiency Fund Croatia

Policy makers need to help citizens to think in a more sustainable way – the Energy Efficiency Fund is trying to support that. The EU policy on energy efficiency has been integrated in the national Croatian legislation and pushed the country into the right direction. The Environmental Protection and Energy Efficiency Fund is the Croatian institution financing projects in this sector. Money has been allocated to energy efficiency projects to make the citizens feel the benefits of green technologies and green investments. The fund stimulates energy efficiency through renewables in households and explains how to save money with it. We believe that small projects on a local scale can change the mindset of citizens; as well as education in schools, on TV or the radio. Recently, the Minister for the Environment visited several villages and engaged in dialogues with citizens answering to their questions on energy efficiency.

e) Ivana Nagy, Croatian Ministry of Regional Development and EU Funds

Croatia’s main investment policy is supported through European structural and investment funds. In the period of 2014-2020, there were Euro 10.7 billion available from the EU Budget Cohesion Policy Envelope, plus almost Euro 2 billion of national co-financing, which amounts to a total investment budget of Euro 12.5 billion for the next five to seven years. Environmental protection, resource efficiency and development of sustainable and modern transport and network infrastructures are among the main priorities. Substantial investments are directed towards green infrastructure, e.g.:

• upgrade of the broadband (NGN) internet through EU grants combined with other EU instruments and loans. One goal is to connect rural areas.

• improvement of the railway infrastructure (constructing new railway tracks, improving old ones and electrification); connecting to trans-EU infrastructure; multi-modal transportation.

• improvement of the energy efficiency of residential and public buildings by deep renovation and increase of energy efficiency and the use of renewables in manufacturing and service industries, in order to seize energy opportunities in areas where ESIF intervention can lever private and public sector investments.

• The planned investment for environmental protection and sustainable use of resources derives directly from the Europe 2020 Strategy. Substantial investments in waste and wastewater management are planned, but there are also priorities related to improving the urban environment and regeneration of brownfield sites, support of biodiversity, management of Natura 2000 sites and

---

1 "The Europe 2020 strategy is about delivering growth that is: smart, thanks to a decisive move towards a low-carbon economy; and inclusive, with a strong emphasis on job creation and poverty reduction. The strategy is focused on five ambitious goals in the areas of employment, innovation, education, poverty reduction and climate/energy."

http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/priorities/index_en.htm
the boost of economic activity through sustainable management of cultural heritage sites.

To improve the investment environment in Croatia, reforms of spatial planning, strategic planning and administrative procedures are necessary. Examples are: merging the Cadastre and the Land Registry, and consolidating this information at one national authority for property, followed by work on digitalization, vectorization, and improvement of geospatial data. The Ministry of Regional Development and EU Funds plans to reform the national strategic planning system and introduce national infrastructure plans, and together with the Ministry of Finance facilitate better preparation and financial structuring of public investment projects.

f) Vedrana Jelusic Kasic, European Bank for Reconstruction and Development (EBRD), Head for Croatia and Slovenia

Support for infrastructure development, convergence with EU standards, and sustainability is at the core of the EBRD’s mandate and strategy in Croatia and the Western Balkans. Both new EU member states and accession countries require significant infrastructure investments to improve connectivity and access to markets and optimize energy systems. Infrastructure is a backbone of economic development – driving demand for goods and services, creating jobs, stimulating technology transfer but also improving living standards for the population. Specifically, the energy intensity of the six Western Balkans countries is around two to four times higher than the average for the EU. Transition to a more energy efficient and green economy will not only lead to significant energy cost savings and environmental benefits, but will have broad benefits for the economies including improved productivity and competitiveness of businesses, transfer of innovations and job creation. By 2015, 30 per cent of EBRD’s total new investments are channeled to support green investments across all sectors. With the recent adoption of the Green Economy Transition approach the Bank has set a target to increase the share of green investments to 40 per cent by 2020 and invest an additional Euro 18 billion in this area across its countries of operations. Over the past ten years, the EBRD has supported 165 “green” projects in Croatia and the Western Balkans worth Euro 2.07 billion for a total project value of Euro 9.5 bn. On aggregate, these projects generate energy savings of 1.47 million tons of oil equivalent per year; contribute 7.1 million MWh per year of renewable energy generation and help avoid carbon emissions of 4,134 kilotons CO₂ per year.

Discussion of all participants

- Technicians need to educate politicians on the options for a cleaner and greener infrastructure.
- In Croatia, there are good projects, but also corruption and scandals.
- Croatia needs more environmental protection and renewables.
• Involvement and empowerment of the civil society are weak. Participation is not institutionalized, and often happens by chance. The main decisions are taken behind closed doors. This has to change.

• The EBRD involves the civil society in the planning of infrastructure projects.

• Policies need to have a long-term focus. In the Kosovo, 70 per cent of electricity is used by households, but only the public sector is regulated in terms of energy efficiency.

• There is potential in the region: the Internet sector has grown thanks to the skilled labor available, in combination with scarce governmental regulation. In Croatia, electric cars are produced. In Romania, students have projected a versatile design for cars with the support of EU funds. In Bulgaria, Google set up a sustainable development joint venture.

Wrap-up by Carlo Jaeger (Global Climate Forum)

A “Green Corridor” needs to address not only emission reductions, but also environmental protection and the preservation of local landscapes. To combine bottom-up and top-down approaches, the idea of an infrastructure backbone (similar to the Autostrada del Sole in Italy) needs to be combined with a network or alliances of actors from companies, politics, civil society and academia that realize projects for a Green Corridor.

To finance this approach, there is a lot of potential in already existing support schemes and instruments.

This event was the first step in concretizing our vision of the “Green Corridor”. More workshops of this kind, in different countries of the Balkans and with the cooperation of local actors, are needed in the future.
Outlook

Jointly with partners in the Balkans and the EU we presently explore the opportunity to implement a “Green Corridor” connecting those regions. Through this, we see the potential to address political, socio-economic and ecological opportunities as well as the strengthening of the civil society at the same time.

**Political dimension:** The nexus between the EU and the Balkans is acquiring new relevance due to sluggish growth and rising regional disparities across the EU, to diverging national interests and identity policies exacerbated by the migrant challenge, and to the prospect of the Chinese “one belt one road” initiative reaching South-East Europe. After the Brexit vote, inspiring projects that connect Europe and build on European values like sustainability are key. In this situation, we propose to continue investigating and discussing with decision makers as well as civil society actors the possibility of a “Green Corridor” linking the EU with the Balkans in times of new border controls. We see this approach as an opportunity that the EU, the German and the Austrian government (and hopefully the new Austrian President) can send a strong signal of cooperation with the Balkans and at the same time move forward central targets of the EU – investments, jobs, climate and SDGs. The Green Corridor could become a showcase for a green investment strategy of the next G20 summit in Germany.

**Socio-economic dimension:** The idea of the “Green Corridor” is to induce a joint learning process of the Balkans and the rest of Europe to outgrow unsustainable patterns of governance and economic development. Showcases for successful projects in the fields of energy efficiency, renewable energies and other low-carbon infrastructure can play an important role in promoting this idea. The “Green Corridor” offers the opportunity for mission-oriented innovation bundling a multimodal infrastructure for the mobility of people, and transport of goods, energy and information. Each of these projects involves building blocks, and each building block induces a whole set of smaller initiatives. They have to be developed with strong ownership of regional actors. This allows for regional value and job creation – both necessary to achieve local support and sustainability of investments in the “Green Corridor”. Also, early and in-depth participation of regional stakeholders is crucial. At the same time, this initiative will be discussed with large institutional investors like Allianz and Munich Re.

**Ecological dimension:** All investments should be part of a transformative strategy for EU countries and neighbors to implement the Paris Agreement and the SDGs agreed on by the global community last year. This ensures that those investments could become an infrastructure backbone for the necessary transformation in the fields of energy, mobility and information. At the same time, the “Green Corridor” should be part of a broad network to move the many decentralized options for this transformation forward.
Scientific dimension: There is no guarantee that building the “Green Corridor” will lead to steps towards sustainable development across the Balkans and Europe as a whole. In-depth studies, in cooperation with partners in the region, are required to identify necessary and perhaps even sufficient conditions for this to happen.
References


Gelvanovska (2015). Now that there’s a Baltic Data Highway, when will we have one for the Balkans?, http://blogs.worldbank.org/ic4d/now-theres-baltic-data-highway-when-will-we-have-one-balkans


