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BUSINESS

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LINK

**NEW STRATEGY
FOR GROWTH
IN POST-COVID
TIMES**

**WE ARE LIABLE
PARTNER IN CESEE**

Michael Höllerer

**THE KEY IS THAT AUSTRIA
AND THE EU OVERCOME
THE CRISIS TOGETHER**

Margarete Schramböck

**BANKS IN SLOVENIA
ARE NOW BETTER
PREPARED FOR ANY
CRISIS**

Blaz Brodnjak

**FOR ECONOMIC RECOVERY
EUR 5 BILLION**

Aleksandar Vlahovic

**WE ALL NEED
TO READJUST**

Samir Mane



SEEBDN

Southeast Europe Business Development Network



SUCCESSSTORY

Protecting what matters.

Our Group is celebrating 30 years in CEE. In 1990, we began expanding into Eastern Europe and this first-mover advantage laid the foundations for our market leadership. This has enabled us to become the number one in CEE, a region which now accounts for more than half of our profit and premium income. To find out what also matters to us, visit www.vig.com

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**ALEKSANDAR GROS**

General Secretary of the
SEEBDN
Executive Director at Grimex
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**FRITZ KALTENEGER**

Chairman of the Board of the
SEEBDN
CEO at café+co International
Holding GmbH

The SEEBDN continues to expand its activities and programs and we are happy to announce that the SEEBDN has a large number of new members and partners and that interest in our premium business network consisting of high-ranking political and business figures is very high.

Due to the positive developments in Central and Southeast Europe with respect to the COVID-19 crisis, we are working intensively on our event formats, which is an important tool for our organization. We are happy to announce that on September 29, 2020, with the support of Ms. Martha Schultz (Vice President of the Austrian Chamber of Commerce), we will hold the event titled "Women's Excellence Circle - Austria Connects with SEE" in Vienna. High-profile figures from business, politics and society will be participating as panelists and guests.

We would also like to announce that on October 20, 2020, with the support and in the premises of Raiffeisen Bank International in Vienna, we will hold the event titled "BUSINESS CIRCLE: Boosting Investments and Partnerships between Austria and SEE" to promote partnerships and trade between Austria and the countries of Southeast Europe even more intensively and to network high-ranking figures in the sphere of business.

We will announce our further events

for 2020 and 2021 in a timely manner and we are looking forward to supporting future partnerships and projects between the German-speaking area and the countries of Southeast Europe through our work.

In the next few years, our association would also like to actively promote investments in Europe, especially in the countries where SEEBDN is active, i.e. in Germany, Austria and SEE countries.

In order to implement this professionally, the SEEBDN board has decided to found two new bodies: the Investment Council for Austria and the Investment Council for SEE. Both councils will have high-ranking managers, entrepreneurs and experts as members, who will be supporting the SEEBDN network.

When we look at the results, listen to reactions of our member companies, we plan continuous improvement of the Councils. We also plan to form a new Council with two important German provinces - Baden-Württemberg and Bavaria. Germany is a major investor in Southeast Europe and certainly one of the priorities in terms of SEEBDN countries and the goal of our members is to better network with partners from Germany. Having in mind our results so far, we have no doubt that we will be successful in the realization of these new plans as well.



„SEE Business Circle-focus on North Macedonia” in Vienna , in cooperation with the Vienna Insurance Group (VIG) with our special guest Prime Minister of North Macedonia, Mr.Zoran Zaev



„SEE Business Conference” in Zagreb in cooperation with Euroherc Insurance with high ranked guests from SEE, Austria and Germany



„SEE Business Circle” in Vienna with high ranked personalities from economy and politics.

IT IS TIME FOR NEW VISIONS AND NEW STRATEGY FOR GROWTH AND DEVELOPMENT

INTERVIEW:

IVAN GROS, Member of the SEEBDN Board, Managing Director of Grimex Consult

BY: Marijana Simić



When a crisis occurs, the steps taken depend on the ideas.

"In recent years, very high-quality companies have appeared in Southeast Europe that want to further develop in the EU markets. On the other hand, in the new situation imposed by the coronavirus pandemic, countries are massively reviewing and changing their economic strategy, so EU members will now, mainly of looking for investment destinations outside their borders, try to attract serious investors to their markets", said for the Business Link Magazine Ivan Gros, a member of the Board of the South East Europe Business Development Network (SEEBDN) and Managing director of the Grimex Consult.

Considering this fact, the goal which SEEBDN strives for is to "two-way" network potential investors from the SEEBDN member countries: from Austria and Germany to the Western Balkans, Croatia and Slovenia, but also in the opposite direction. Austria alone, for example, has invested in the countries covered by the SEEBDN, close to EUR 43.7 billion, most of it in Germany. Gros explained that it is now important for Austria, but also Germany, as two important European economies, to continue investment and business activities in the SEE countries. He also pointed out that today, more than ever, lies an opportunity for companies, especially from SEE and WB, to be actively involved in economic projects in EU countries and to initiate the establishment of joint companies in their markets. He is convinced that this would lead to an increase in business arrangements, to the mutual benefit.

Regional integration has reached a certain level and now it is necessary to shift the focus to developed markets. This would bring stability and long-term conditions for development to these companies, and thus to the overall economy.

BL: Isn't the first step for countries to try to overcome the decline in revenues due to the pandemic?

IG: Of course. All countries, including those where the SEEBDN operates, have set aside billions from their budgets to support the economy, primarily in three key groups of measures - to delay and reduce taxes, to preserve the number of employees, and for guarantees and other levers for ensuring liquidity. But that is, as you said, only the first step. We have to think ahead. As economist Milton Friedman said, only a crisis produces change. When a crisis occurs, the steps taken depend on the ideas. Well, now we have come to the point where we need a fresh idea, and we should use this chance to create a new visions and ideas. Because, the measures will fix the problem, but what we really need - is to think about the new strategy of economic development.

BL: What should this strategy be based upon?

IG: From the angle of the less developed, the basis should be the cooperation of related companies from the region and, above all, joint trade or investment presentation on the European market. Regional integration has reached a certain level and now it is necessary to shift the focus to developed markets. This would bring stability and long-term conditions for development to these companies, and thus to the overall economy. But some countries, especially the WB countries, are too slanted to their partial and short-term interests. It produces constant tensions and confrontations, and that is not good for investors. In such conditions, it is difficult to count on increased economic growth and

a positive investment environment. From the point of view of the developed ones, the strategy, following the same logic, should be based on more active promotion of one's own country as an investment destination. I am convinced that the EU will strive to concentrate most of its new investment on its markets, and that it will especially make sure not to move strategic production outside the continent. This will be one of the important strategic changes, which opens space for companies from SEE and WB to enter these markets.

BL: What is the precondition for that?

IG: In order to achieve this strategic orientation, it is necessary for economic decision makers in SEE and WB countries to target their actions and prepare companies for such an approach. It is important to realize that in this way, they will meet the conditions for much faster developing of a domestic private sector. The development of the domestic economy should be in focus, and priority should be given to small and medium enterprises. This can be achieved by countries which promote their economies in developed foreign markets, by presenting their investment projects, and have direct talks with potential investors to interest them in the implementation of offered projects.

BL: And the sectors you see as promising ones?

IG: Those are certainly agriculture and the food industry, then energetic, digitalization and communications, and of course transport and logistics.



BL: What does the SEEEDN offer to companies in order for them to get involved in these flows?

IG: During the pandemic, our association was in contact with our members, but also with other companies, so we could listen to their current needs in order to prepare adequate programs for their further activities. Based on that, our concept of strategic partnership was strengthened, with strong accent on various types of joint business projects, and especially the formation of joint venture companies from the region and from EU countries.

BL: Why are joint venture models important?

IG: This is very important for the economy, especially for medium-sized enterprises. It is noticeable, for example, that greenfield and brownfield in-

vestments are being main model to invest in the WB countries, which some want, but experience shows that there are also those foreign investors who are more interested to establish a joint company with a domestic partner.

A foreign investor believes that this is the most efficient way, because domestic partner has knowledge of the market, knows the economic conditions, and it is export-oriented one. The foreign investor is ready to bring capital, knowledge and technology into the joint company, which is a benefit for the local company, but also for the economy of a country as a whole, because the level of development is constantly improving. Of course, there are also investors who are more willing to develop their business independently. Which model will be applied depends on the assessment of the future investor.

BL: What would be the main instrument to encourage the creation of that business connection?

IG: Governments and chambers of commerce should play a positive role in this matter and, in consultation with the business representatives, jointly select several interested companies with a good and quality production line as well as a quality development program. It is best to back up family businesses that have matured enough, but they need this injection. If they do well in the EU market, others would follow. It is necessary for all participants to build a strategy, so that each side would play its role. The SEEEDN has conceived and successfully implemented one such platform for the promotion of resources and investment projects of certain countries in the region, all in cooperation and with the support of their government.

The SEEEDN has designed and successfully implemented one such platform for the promotion of resources and investment projects of certain countries in the region, all in cooperation and with the support of their governments.

BL: And what would a reverse investment look like? For example, if a company from the Western Balkans wants to enter the EU market?

IG: For example, a good and respectable company from the SEE Region and Western Balkans wants to expand and invest in production, for example, in Austria, where it establishes its 'daughter' company. In that way, they can use the great exchange that Austria has with the rest of the world (around EUR 320 billion), and export their products from this EU member State. After some time, when the production company is more developed, the transfer of new technology can strengthen the parent company, which could modernize its basic production. Or, the daughter company may invest in the parent company. This will be registered as a direct foreign investment in the parent company, i.e. the country, and it can even expect subsidies.

BL: Why Austria or Germany?

IG: On the one hand, these are countries with significant economic strength, they are implementing significant international investment projects, and at the same time they are traditional partners to many SEE countries and Western Balkans. On the other hand, they bring new technologies into companies and the

country's economy. They are stable, offer financial support, equal business conditions, regardless of the origin of capital, subsidies, insurance against risks for investments and exports, etc. Take the example of Austria. Its total foreign trade with the SEEEDN countries has exceeded EUR 110 billion, of which most of it is traded with Germany, then, it has more than EUR 5 billion trade with Slovenia, around EUR 3 billion with the WB countries (more than 50 percent with Serbia), and around EUR 2 billion with Croatia.

This is a huge potential for development and export to the EU and beyond. It is especially important having in mind that Austria in 2019 had foreign trade with the world of around EUR 320 billion. This gives a chance to companies from the region that by joining such a market, they can use the position for further export activities in the international market. Austria and Germany have a large foreign trade turnover with SEE and WB countries, where they are among the largest investors. It is also a chance for ambitious companies from the region to get involved in technological flows and thus ensure stable development. That is why we within the SEEEDN have set ourselves an extensive program of activities in order to use these observations and to lead to concrete actions.

The SEEEDN's plans for the next year or two:

"We want to gather even more business people and experts from the SEEEDN countries and create a comprehensive strategy and programs for practical action. We believe that these efforts will be well implemented by the two newly planned Councils. We are currently forming the "Investment Council for Austria" and the "Investment Council for the SEE" within our association, where we will bring together prominent business people and CEOs of companies from Austria, the SEE and the Western Balkans, who have a similar concept of development in their programs. Of course, we will continue to support Austria's investment activities that are oriented towards Slovenian, Croatian and WB markets, but we will be particularly active in terms of a stronger and more meaningful presence of companies from the SEE and the WB on the EU market.

We also plan to form a Council with Germany, i.e. with two very important German provinces, Baden-Württemberg and Bavaria. Germany is a large country and it would be difficult to cover activities on the entire territory. But I have no doubt that this endeavor will be successful, as well. The growing number of our members unequivocally proves our commitment and perseverance. That is why I believe that we will succeed also in these new circumstances and that we will help our members find business niches for action, as we have done so far", Gros says.



For the full recovery of our economy, we focus first on fiscal relief for employees, second on relief for businesses in order to enable job retention and creation and third, investments in climate protection, digitization and regionalization.

THE KEY IS THAT AUSTRIA AND THE EU OVERCOME THE CRISIS TOGETHER

INTERVIEW: **MARGARETE SCHRAMBÖCK**

Austrian Federal Minister for Digital and Economic Affairs

Austria seems to be one of the countries which was the best in dealing with the crisis caused by the coronavirus. A national measures have been adopted (9% of GDP), but what is needed for full recovery? An answer to that and other questions of the Business Link Magazine were given by Margarete Schramböck, the Austrian Federal Minister for Digital and Economic Affairs.

"A comprehensive package of measures to further strengthen Austria's attractiveness as a business location and to ensure the competitiveness of Austrian companies in the post-crisis world is already in implementation. The successful application of health policy measures and the containment of the spread of the virus indeed put Austria early in a favourable position in comparison to other EU member-states. For the full recovery of our economy, we focus first on fiscal relief for employees, second on relief for businesses in order to enable job retention and creation and third, investments in climate protection, digitization and regionalization", she said.

BL: How big burden is the national measures in the budget and how do you plan to maintain the public finance at an acceptable level, in the situation when the private sector is unable to operate at a full capacity?

MS: Due to continuous efforts on reducing government deficit, Austria's public finances are in good shape to manage this unprecedented crisis, allowing us enough fiscal space for the economic stimulus package. However, medium to long term it is of course our goal to consolidate our budget again, economic growth and positive contributions via all growth components is the best contribution.

BL: In which timeframe do you think is possible to expect partial recovery and which timeframe is needed for full recovery?

MS: Economic forecasts are especially challenging during this coronavirus crisis, since a lot will depend on an effective national as well as international health management. We therefore monitor the number of coronavirus cases very closely and take decisions dependent on that permanent analysis. However, most of the current forecasts are confident that Austria will be back on a growth path in 2021. As export-oriented economy, Austria is

Economic forecasts are especially challenging during this coronavirus crisis, since a lot will depend on an effective national as well as international health management.



of course very dependent on developments in our export markets. Therefore, it is key that Austria and the EU overcome the crisis together.

BL: Austria is a large exporter. How much does the recovery of the Austrian economy depend on the recovery of the EU? What should happen in the neighbouring countries to improve the economic situation in the Austria?

MS: For Austria, as a small and open economy, exports play an essential role: Around 60% of our GDP depends on them. With roughly two-thirds of Austrian exports going into other EU countries, a strong pan-European recovery and a functioning internal EU-market is key. Austria will

therefore play an active role in the efforts to further strengthen the internal market, e.g. through the modernisation of European competition law. Furthermore, a functioning rules-based international trading system will become even more important and weaknesses linked to securing necessary supplies in times of crisis have to be addressed. Thus, besides looking into ways to shorten, diversify and secure the supply chains of especially strategically important goods, we support EU efforts to improve international cooperation in this area, e.g. regarding pharmaceuticals and medical products. Austrian exports within value chains account for around 33% of total economic output.

Solidarity and well-coordinated approach between the EU and its Member States should be the key to success.



The current situation made the benefits of digitization even more apparent. We have to use the momentum.

BL: Austrian economic growth will drop more than 3% this year in a moderate scenario of the coronavirus pandemic response, the central bank said. Some other estimation goes down to the GDP decline to 7% in worst scenario. What is your strategy for recession and what kind of help do you expect or you will ask from the EU?

MS: Austria was one of the first countries in Europe to initiate a gradual transformation to normality while paying attention to the control of the spread of the virus. Solidarity and a well-coordinated approach between the EU and its Member States should be the key to success. Therefore, the Commission presented in cooperation with other EU institutions various guidelines in order to support jobs and businesses or to ensure the flow of goods across the EU via "Green Lines". Furthermore, a Joint European Roadmap towards lifting Covid-19 containment measures and a Roadmap for Recovery were presented as the first step ahead.

BL: Will the crisis trigger the rapid development of digitalization, as the new situation motivated people to transfer activities to the online world?

MS: The corona crisis hit Austria as an external shock, also having consequences on the digital transformation.

Within weeks we were 'beamed' into a digital future. The current situation made the benefits of digitization even more apparent. We have to use the momentum. However, there are also deficits that require to be eliminated. As one consequence, Austrian SMEs need further support on their way to e-commerce. For this purpose, an online marketplace was launched in cooperation with a range of existing platforms on "oesterreich.gv.at". It is also necessary to enable more people to use digitization, including the older generation particularly affected by the current isolation measures.

BL: What is your strategy for digitalization in the future?

MS: Looking ahead, further priorities need to be set within the next one to two years in order to support the crisis management and to ensure achieving Austria's long-term goal of establishing a "digitally responsible society". For this purpose, the Federal Ministry for Digital and Economic Affairs started the development of the "Digital Action Plan Austria" already prior to the crisis based on a concerted program of measures across all fields of action currently developed as part of the Digital Action Plan which will also emphasize the necessity of bundling the various digitization processes that were being initiated in the course of the crisis.

Over night we found ourselves accelerating digital tools to comply with social and physical distancing rules.



WE ARE LIABLE PARTNER IN CESEE



Special focus will be put in future on small and medium sized companies as they are the backbone of the economic development and significant employers in our regions.

MICHAEL HÖLLERER

CFO Raiffeisen Bank International

Ever since 2008, banks, regulators and governments have taken extensive measures to mitigate the effects of a possible next crisis. I intentionally use the word “mitigate” as opposed to “prevent” for the simple reason that - while we hardly will know when a next crisis will hit and what might trigger it - one certainty remains: The cyclical nature of our economies will inevitably bring about the next crisis whatever we try to do about it. And while most of us may have expected a number of possible causes to trigger the next economic crisis, only a few of us would have anticipated a global pandemic to be the culprit.

A highly contagious COVID-19 has had a significant impact on the way we interact and do business: Over night we were forced to accept that many things we had taken for granted just a week earlier, were suddenly either not available, not accessible or in the extreme - not legal anymore. Over night we found ourselves accelerating digital tools to comply with social and physical distancing rules. And over night in our private lives, we sudden-

ly found ourselves engaging with our neighbours. Only a couple of weeks earlier, leaving a note with your telephone number on your neighbour's door would have been considered strange behaviour, whereas now it is an example of solidarity in difficult times.

So yes, we all have proven ourselves to be flexible and adaptable in response to an entirely new situation. However, in their response to the COVID-crisis, governments have taken rigid measures that have taken their toll on businesses and the economy. The question remains: Were we sufficiently prepared for this their impact and the ensuing crisis?

From my perspective at Raiffeisen Bank International with a certain degree of pride I can state that we are much better prepared for this situation than in the past. Truth be told, we were not always entirely convinced of our approach and asked ourselves not only once whether our models, limits and our conservative risk appetite could really compete with the market's behavior. Today, we can clearly

state that this very responsible behavior has substantially helped us to face current challenges with an excellent liquidity situation and sound capital ratios in the group. The brand “Raiffeisen” proves to be strong, stable and reliable. Our clients did not only keep, but also increased their deposits with us.

Throughout this crisis and beyond Raiffeisen Bank International will remain a reliable partner for corporates, financial institutions as well as retail customers. In addition, special focus will be put in future on small and medium sized companies as they are the backbone of the economic development and significant employers in our regions. Their specific requirements are to be reflected in our services and products more and more.

Based on our close partnership with clients and given our advisory role we speedily are able to translate current COVID-19 measures and regulations into practical guidelines for ourselves as well as our customers. We have thus managed to reschedule the repayments of about 25% on average of our SME loan portfolio in our core region within less than a month. In this spirit of partnership we continue to support our clients to plough through the current crisis: “What one cannot do alone, many can achieve together” is the guiding motto at Raiffeisen – not only on paper, but also in practice.

This cooperative approach also defines our commitment to the “Vienna Initiative”, as it brings together leading International Financial Institutions (IFIs), European Institutions, home and host country central banks, regulatory and fiscal authorities as well as the largest EU banking groups

active in emerging Europe. Raiffeisen Bank International was one of the initiators during the global financial crisis in 2009 and remains one of the most active participants in the Initiative. In the past 10 years we have seen that this initiative operating as an agreement between policy makers and the banking industry successfully ensured that foreign banks were able to maintain exposure and fund their subsidiaries in Central Eastern and South Eastern Europe (CESEE), helping avert banking crisis as economies experienced a sharp downturn. And actually, evidence from CESEE shows that cross-border banking benefits economic growth. The direct positive effect of financial integration on growth outweighs the indirect negative effect of higher risk of contagion.

With its broad and in-depth experience in managing financial crisis in CESEE, it appears obvious to all stakeholders of the Initiative that it could and it should play a vital role in addressing the economic and financial repercussions of the current COVID-19 crisis. As a well-established mechanism the Vienna Initiative could in fact substantially contribute to promoting a coordinated approach of national authorities in the region thereby ensuring efficient cooperation with IFIs providing effective administrative funding as well as risk sharing to banks and local economies.

Purely national government initiatives as well as stand-alone programs set up by IFIs – while certainly well intended – have in practice more often than not failed to deliver optimal results. We need to be aware: A meaningful intervention of an estimated six to ten per cent of the regions GDP will be required to get recovery on track in

A meaningful intervention of an estimated six to ten per cent of the region's GDP will be required to get recovery on track in the region. Such an amount can only be delivered by all stakeholders in a coordinated approach.



The EU candidate status of some SEE countries, which most probably will join the Union in the long run, also needs to be reflected in terms of providing financial support.

the region. Such an amount can only be delivered by all stakeholders in a coordinated approach.

Most economies of CESEE are not part of the Eurozone and in parts still considered as emerging markets. Whereas financial conditions in Europe have tightened overall, CEE bond spreads have widened significantly, and CEE currencies have depreciated. Outflows from emerging bond and equity markets are at very high levels. While the ECB is providing massive support programs to the Eurozone, Non-Eurozone countries

are being left behind. However, given the ECB's unifying and already proven strengths, it would be widely welcomed if ECB would prove itself a more active member of the “Vienna Initiative”. The ECB plays a crucial role in preserving a supervisory level playing field in Europe and in unifying supervisory expectations due to its view on a consolidated level of a cross-border banking group. It could therefore help avoiding regulatory arbitrage by the Single Supervisory Mechanism (SSM) versus Non-Euro countries and stabilizing Europe's currencies and financial sectors.



The EU candidate status of some SEE countries, which most probably will join the Union in the long run, also needs to be reflected in terms of providing financial support. Such contributions for the region are the basis for a long-term stabilizing factor based on tailor-made solutions for each country.

The current crisis will probably lead to a consolidation of the market in its attempt for stabilization – by companies but also by banks. We are carefully monitoring this situation and evaluating opportunities to support our clients in specific situations.

Given the economic downturn, companies as well as banks are bound to hurt. Yet, make no mistake: Banks have already positioned themselves as a driving force on the road out of this crisis. As banks, we are major facilitators

for businesses. We provide working capital loans supported by the different programs announced by the European Commission and are playing an active role not only in the utilization of such funds but in structuring products offered by the European institutions. We offer the know-how and take into account the needs of our clients. At this point, support of all stakeholders in the regulatory process is needed to ensure unified rules and measures across all countries, legal stability and to avoid “gold plating”.

The “Vienna Initiative” forum is a unique and successful platform to facilitate the resolution of all the diverse issues at stake. The main ingredient for success is the concept of partnership between supervised and supervising entity.

This platform has proven that dialogue is the key. In times of an ag-

ile and innovative environment we should be able to learn from each other, which is more needed than ever in the context of nationalistic developments towards the unifying idea of a harmonized Europe. The stronger the cross-border banking business is developed in CEESE, the more successful the fundamental rights of the European Union - especially the freedom of movement of capital - can be defended as a prominent pillar of the European internal market which supports financial stability.

Joint forces, sharing experiences and ideas from East to West and West to East is the key to a common European future.

**Special contribution in preparing this article is given by Christine Würfel and Daniela Tsoneva*

THE POWER OF DIGITALISATION IN COVID AND POST-COVID TIMES

The crisis is showing how digitalisation has the power to keep the education of children going, businesses and public services running, and trade flowing.



MARIYA GABRIEL
EU Commissioner for
Innovation, Research,
Culture, Education and Youth

The coronavirus crisis exposed pre-existing vulnerabilities in European societies, ranging from unsustainable supply chains to the inability of some industries in Europe and beyond to apply digital solutions quickly. Further digitalisation of industries could help to render them more resilient in times of crisis. Yet, whatever digital solutions we apply need to be human-centred, respect our common values and fundamental rights.

Networks and connectivity, data, artificial intelligence and supercomputing, as well as basic and advanced digital skills, are essential to sustaining our economies and societies, allowing work to continue, tracking the spread of the virus, and accelerating the search for medicines and vaccines. In particular, the crisis is showing how digitalisation has the power to keep the education of children going, businesses and public services running, and trade flowing. In a nutshell, digitalisation brings us closer to leaving no one and no place behind.

Of course, increased digitalisation needs to go hand in hand with adequate skills and digital literacy, cybersecurity solutions and investments in overall strategic digital capacities. A joint effort will be needed to ensure a comprehensive and inter-operable

digital system within the EU, while safeguarding sovereignty, privacy and individual freedoms in the use of data. At European level, we see a growing consensus that the post-crisis period should be used to build a smarter and more sustainable economy, for which digital technologies are indispensable. The development of digital capacities and infrastructures, the upskilling of the labour force and modernising the interaction between governments and citizens will be crucial to building a smarter and more resilient economic recovery.

The coronavirus pandemic has created the momentum for a long-overdue technological upgrade in Europe. To come out of this crisis faster, the European Union needs to maintain a strong industrial and technological presence in key parts of the digital supply chain to be able to compete worldwide, protect its citizens and deliver to them the best services and products while preserving its values.

We need therefore to ensure that digitalisation will be a priority for the EU recovery plan. This requires scaled up, coordinated and targeted investments to build up an EU-wide dynamic and excellence-based ecosystem. In the field of Artificial Intelligence (AI), Europe has all it needs to become a world leader with excellent research centres, secure digital systems and a robust position in robotics as well as competitive manufacturing and services sectors, spanning from automotive to energy, from healthcare to agriculture.



To create an ecosystem of Artificial Intelligence excellence, the Commission has proposed to use its Horizon Europe and Digital Europe Programmes to make the necessary investments.

To create an ecosystem of AI excellence, the Commission has proposed to use its Horizon Europe and Digital Europe Programmes to make the necessary investments. This will support a new public-private partnership in AI, data and robotics, the strengthening and networking of AI research excellence centres as well as setting up AI testing and experimentation facilities. AI-focused digital innovation hubs could facilitate the uptake of AI by SMEs and public administrations while networks of leading universities could strengthen AI skills. In addition, increased equity financing for innovative developments and deployment in AI is planned under the InvestEU initiative. The Commission's AI Watch Observatory applies front-end methodologies to analyse the AI ecosystem and track its evolution.

We often say that using digital technologies is as important as the ability to read and write. The COVID-19 disruption showed us this more prominently than ever. Overnight, tens of millions of people around Europe had to switch to digital ways of working and communicating. Such unprecedented use of digital technologies heightened the necessity for all citizens to have at least a basic level of digital skills, allowing them to continue their daily tasks at work or at school. Digital skills will be also vital for the economic recovery after the COVID-19 crisis. As the digital economy will be a leading driver of our recovery over the coming years, demand for digital skills will grow – from basic to advanced, including artificial intelligence, data literacy and cybersecurity. Students, job seekers, workers

The Commission will propose a renewed Digital Education Action Plan to support people from all ages and backgrounds in enhancing their digital literacy and skills. The Action Plan will run until 2027.

and all citizens will need to have the digital competences and confidence to succeed in a rapidly changing environment and to adapt to new and emerging technologies.

I am happy to share that in 2020, the Commission will propose a renewed Digital Education Action Plan to support people from all ages and backgrounds in enhancing their digital literacy and skills. It will build on its predecessor from 2018, while also taking into consideration the immediate lessons from the COVID-19 crisis and pursuing Commission's long-term vision for high-quality and inclusive education in the digital age. The Action Plan will run until 2027 and cover informal and non-formal education, youth and lifelong learning. Through the actions, we will promote digital literacy for all citizens, while supporting the development of basic and advanced digital skills. The Action Plan will also support online learning at all education levels and in particular as a vehicle to promote upskilling and reskilling, which will become even more important in the recovery period.

I would also like to underline the contribution of the European Institute of Innovation and Technology Community to the transition towards better and more digital ways of working, learning, communicating or do-

ing business. In particular, the EIT Digital Knowledge and Innovation Community is supporting innovative digital solutions not only in the area of health, but also helping in other areas to improve overall remote collaboration, working or learning for the benefits of students, businesses or citizens. The Grape, a communication platform supported by the EIT Digital Accelerator, ensures companies or educational establishments remain productive and efficient while working remotely through secure video, voice or text conversations integrated in the client's favourite business tools. They are now offering their services free to small businesses, healthcare professionals or schools in need of communication infrastructure.

Looking forward, digitalisation, remote learning and teleworking could become a 'new normal', creating a number of challenges but also many opportunities for people and businesses to capitalise on these new trends in terms of entrepreneurship and innovation. This effort can valuably draw on the "Made in EU" Smart Specialisation approach promoting more targeted and efficient innovation investments towards the modernisation and diversification of the economy in every region and country in the EU.

Serbia's Package for Economic Recovery

WORTH 5 BILLION EUROS

ALEKSANDAR VLAHOVIC

President of the Serbian Association of Economists

The collection of income tax and contributions in Serbia has been delayed for three months for all private enterprises.

The implemented package of economic measures in Serbia strikes an optimum balance between the measures of monetary and fiscal policy. In order to preserve liquidity in the real sector, back in mid-March the National Bank of Serbia adopted a decision on the moratorium on repayment of loans and other financial obligations in the period of three months. Also, the key policy rate was reduced to 1.5%, while, at the same time, the reduction of monetary rigidity led to an increase in dinar liquidity in the banking sector.

In late March, the Government of the Republic of Serbia presented the package of fiscal measures which were essentially aimed at preserving the liquidity in the real sector in the short term, as well as at encouraging banks to direct the dinar liquidity towards small, medium-sized and large enterprises after the state of emergency ends. The collection of income tax and contributions has been delayed for three months for all private enterprises. The Government shall pay financial assistance of around 250

EUR a month per employee to entrepreneurs and SME's for the same period. In cooperation with commercial banks, a loan guarantee scheme was defined for loans intended for private enterprises in the amount of 2.2 bn EUR. Finally, in order to stimulate the consumption, disbursement of assistance in the amount of 100 EUR to all adult Serbian citizens started in mid-May. On the whole, the package of measures amounts to around 10% of the annual GDP, i.e. around 5 bn EUR.

The level of unity in formulating the response to the crisis within the EU will also be an important factor. It is obvious that the world will not be the same as before the crisis. I'm afraid that the world trade will continue to decline, which is not good for the long-term growth projections.

The forecasts of international financial institutions show that this year the economic activity in Serbia will suffer a decline of 2.5% to 4%, and that next year the growth could reach 6% of GDP. All things considered, the level of economic activity from Janu-



ary this year will not be attained before January 2022. I expect to see accelerated economic recovery already in the last quarter of this year, provided we don't face the second wave of COVID-19.

The recovery of the economy of Serbia directly depends on the state of the economy of the EU, especially of the Eurozone, because Serbia conducts nearly two-thirds of its foreign trade with the EU countries, as well as with its neighbors in the Western Balkans. That is why rapid recovery of the EU is essential. The 1% decline in the EU leads to a drop of 0.7% in the economic activity in Serbia. The economic growth is affected similarly.

All Western Balkan countries, including Serbia, must continue implementing the structural reform program. COVID-19 must not be an excuse for postponing the cited reforms. It is nec-

essary to improve the quality of corporate governance in the public sector, finish the restructuring of large state-owned enterprises and begin partial privatization thereof. Also, further economic development requires the improvement of the judicial system, elimination of corruption and enhancement of the efficiency of public institutions. Drawing on experience gained in the current crisis, it can be expected that many global and, especially, European multinational companies will move part of their capital from Asia, i.e. China, in order to prevent the breaking of the supply chain in the future. Whether the Western Balkan countries will impose themselves as a convenient destination for big, trademark investors will depend on the extent to which these countries implement the cited reforms.

In cooperation with commercial banks, a loan guarantee scheme was defined for loans intended for private enterprises in the amount of 2.2 bn EUR.

RECOVERY PLAN

USING THE FULL POTENTIAL OF EU BUDGET

INTERVIEW: **JOHANNES HAHN**, EU Commissioner for Budget and Administration



"Given the magnitude of the challenge we are facing, no EU country can cope on its own, we need a comprehensive answer. Therefore, the European Commission is taking unprecedented policy measures, offering the Member States support not only for the health sector but also for businesses, employees and regions. Thanks to our common European action, more than 3.4 trillion euro are flowing to those most affected", this is how EU Commissioner for Budget and Administration, Johannes Hahn, answered question about supporting EU members due to the coronavirus crisis.

"In addition, the European Commission proposed a major recovery plan using the full potential of our EU budget: the new instrument "Next Generation EU" of €750 billion embedded within a powerful revamped long-term EU budget for 2021-2027 will bring the total financial firepower of the EU budget to €1.85 trillion. This will not only enable us to recover but also to invest in the future", Hahn said.

The new instrument "Next Generation EU" of €750 billion embedded within a powerful revamped long-term EU budget for 2021-2027 will bring the total financial firepower of the EU budget to €1.85 trillion.

BL: What are the recommendations of the Commission for EU Members? How binding are you in finding the best "cure" for economies and what are your expectations on the matter?

JH: The Commission took immediate measures following the outbreak of the pandemic to support the EU member states and our partners around Europe. In the EU, this has meant immediate liquidity plus exceptional flexibility for Member States to use cohesion policy funds; flexibility of the state aid and of the EU fiscal rules; a short-term unemployment scheme to help preserve jobs and support families as well as companies. We have also directed money to research and purchase of protective gears and medical equipment to offer immediate support to the healthcare sector.

Beyond the acute crises, we proposed a recovery strategy, which builds resilience to future crises. Our long-term budget is the answer to that. It will support Member States, kick-start the EU economy and address the lessons of the crises. We will strengthen our single market and improve Europe's competitiveness and resilience – not only by fostering the Green deal and digitalisation but also by enhancing our strategic autonomy, including in strategic value chains and reinforced screening of foreign direct investment.

BL: To what extent will the fight against the coronavirus affect the EU budget? Will you need to relocate

funds from other projects to help the economy? When and how could these funds be recovered?

JH: The heads of state have asked the Commission to shape our collective response to the crisis – and the key is the multiannual financial framework, which we are currently negotiating. This long-term European budget for 2021-2027 is at the heart of our recovery strategy. It is being complemented by a recovery instrument allowing us to borrow on the capital markets with the guarantee of the Member States. The budget is time-tested, trusted by all Member States and per se designed for investment, cohesion and convergence.

BL: In what time do you expect the EU's economic recovery in the best possible scenario and what will be the passing time in a worst-case scenario?

JH: The coronavirus pandemic represents a major shock for the global and EU. Despite the swift and comprehensive policy response at both EU and national level, the EU economy will experience a recession of historic proportions this year. The Commission's spring 2020 economic forecast projects that the EU economy will contract by 7.5% in 2020 and grow by around 6% in 2021. Given the interdependence of EU economies, we can only outfight impact of the virus with our combined and coordinated European strength.



The Commission's spring 2020 economic forecast projects that the EU economy will contract by 7.5% in 2020 and grow by around 6% in 2021.



The EU is mobilising – together with the European Investment Bank – more than €3.3 billion of financial support to the benefit of the Western Balkans' citizens.

BL: The EU has started out as an economic union. Do you have a strategy for rebuilding the economy after the pandemic is over?

JH: We are already thinking beyond the acute crisis to make sure Europe will not only recover but come out of this crisis even stronger. The recovery plan will use the whole firepower of the EU budget and the recovery instrument to strengthen not only the single market but also the solidarity between nations and generations. This means we will use the recovery to invest in the future: in the transition to a climate-neutral, digitalised and more resilient Europe. At the same time, we will strengthen the support to our neighbourhood.

BL: What the candidate countries can expect from the European Union? How much money did you set aside for these countries and what are the conditions for withdrawing that money?

JH: The EU is mobilising – together with the European Investment Bank – more than €3.3 billion of financial support to the benefit of the Western Balkans' citizens. The package aims to address the immediate health and resulting humanitarian needs of the COVID-19 pandemic as well as help with the social and economic recovery. The Western Balkans is a key partner of the EU. They already participate in many initiatives and instruments aimed to tackle the coronavirus pandemic. This includes, for instance, joint procurement of medical equipment and the fast flow of essential goods across land borders through "green lanes". They will also receive support under the strengthened long-term budget.

The European Commission will later in the year come forward with an Economic and Investment Plan for the region, to spur the long-term recovery, boost economic growth and support reforms required to move forward on the EU path.

VIG - A RELIABLE AND STABLE PARTNER BEFORE AND AFTER CORONA CRISIS

ELISABETH STADLER
CEO Vienna Insurance Group



Photo credit: Philipp Lipiarski

It is only because of insurance companies that financial risks can be managed at all, that plans can be pursued and implemented with security.

FROM FIRST MOVER TO MARKET LEADER

Vienna Insurance Group celebrates now 30 years of successful development in the CEE/SEE region. VIG-Group was a first mover, expanding in 1990 as a Western European insurance company to Eastern Europe after the fall of the iron curtain. Today VIG-Group is represented in 30 countries with around 50 Group companies and is a market leader in Austria and CEE.

TO STAY FOR THE LONG HAUL

VIG-Group follows a sustainable, long-term strategy in its markets in line with the commitment to stay for the long haul, and the intention to stick to it. Based on insurances, we think that the insurance industry is by definition sustainable. We provide protection today against risks of tomorrow. It is only because of insurance companies that financial risks can be managed at all, that plans can be pursued and implemented with security. It is therefore the basis of our business model to plan and calculate long-term oriented and economically sustainable in order to fulfill our promises in the future.

WELL POSITIONED FOR CHALLENGES

The corona crisis has triggered an economic crisis practically all over the world. This does not leave us unaffected. But VIG-Group has been strengthened and very well positioned due to the result of successful years. This makes us very confident that we can cope well with this exceptional situation. VIG-Group will follow the way to provide high-quality products in order to fulfill the ambition to protect what matters for their clients. To continue this way of successful protection also in a world of constant change, in which we are also confronted with new challenges, such as combating the current corona pandemic, is our most important target. We learn to deal with this challenge and continue our approach to be a reliable partner for our stakeholders.

BANKS IN SLOVENIA ARE NOW BETTER PREPARED FOR ANY CRISIS

INTERVIEW: **BLAZ BRODNJAK**, CEO of the NLB Bank

"Banks in Slovenia today are much better prepared for any crisis, also the Covid-19 one, since our loan books have been diversified, capital structure has been very solid and further strengthening, while we commend a swift and tangible support, provided to the households and companies by the government. I believe that NLB and entire Slovenian society have tackled the challenges of the new coronavirus pandemic very well. We provided stable services, undisturbed cash supply and smooth-running payments systems. With all this taken care of, we now entered a second stage – understanding and tackling financial impact of this situation on our clients", said Blaž Brodnjak, the CEO of Slovenian NLB Bank, in an interview with the Business Link Magazine.

"Although our starting point has improved, we cannot deny the impact the coronavirus has had and is going to have on our economy. Banking is an industry that is fuelled by confidence, both from consumers and businesses. They have recently been confronted with a high uncertainty and our future is to an important extent dependent on how soon their confidence will return to pre-crisis levels. We on the other hand clearly have to give credit to the entire nation for highly effective management of the health crisis, leading to very favourable evolution of the epidemic, enabling Slovenia to declare the end of it as the first country in Europe", he said.

Economies of all the countries of our presence are relatively smaller in size and dependent on international trade and cooperation, especially with EU countries. So, their recovery will, to the important extent, depend on the pace of recovery in EU.



Photo credit: Iztok Lazar

BL: The world's leading financial institutions are predicting an economic decline by a few percentage, they predict a recession. The economy lacks money and banks are more cautious in lending. How can we get out of this circle?

BB: Projections from the economists can be divided into three groups – expecting V, U or L-shaped recovery. As always, expectations depend on the assumptions applied, the most relevant ones being: duration of eventual lockdowns in relevant countries, measures taken on fiscal and/or monetary level, structure of the economy by industries and assessment of severity of impact on specific ones, time needed for them

to recover, as well as confidence levels investments/consumption of corporates and households. It is too early to determine the expected duration of the crisis and when a consumption and production will recover. More clarity will be reached in a couple of months, what is already clear however, is that the impact on the banking sector will be significant. We will be facing challenges on the revenue and cost side, with cyclically elevated cost of risk.

BL: Are the measures of the countries of the region where NLB operates well targeted to help banks continue to lend to already vulnerable companies during and after the pandemic?

BB: Economies of all the countries of our presence are relatively smaller in size and dependent on international trade and cooperation, especially with EU countries. So, their recovery will, to the important extent, depend on the pace of recovery in the EU. In Slovenia, for instance, we expect more significant hit in tourism and potentially in automotive industry. However we need to take into account that Slovenian economy is also fairly diversified. Hence, we can expect that more resilient industries will mitigate some negative consequences in the most affected parts of the economy. On the other hand, Serbian economy, in our view, is well positioned to overcome impacts of this crisis effectively,



due to high contribution of food industry, relatively lower dependency on EU and tourism industry, as well as established relations with Russia, Turkey and China. It is consequently reasonable to expect for Serbia to come out of this crisis earlier than other regional players, with solid GDP and re-established fast growth track.

We have been closely monitoring the developments throughout the region, noting that most countries have been adopting more or less comparable measures with Slovenia and Serbia standing out in scope and volume of the respective systemic support of governments and other institutions, including some central banks.

BL: And?

BB: As we see them, the measures taken are predominantly focusing on minimising the potential damage

of the crisis to the economic activity and containment of unemployment, while to some extent they have also addressed a stability of financial systems. We can see extensive stimulus packages, temporarily covering labour costs at reduced operations and to some extent private consumption, combined with guarantee schemes, tackling the fresh liquidity needs of the most affected businesses.

Banks and financial sectors in general have entered into this corona crisis in much better shape, compared to the 2008+ crisis. Banks have been self-funded, highly liquid and very solidly capitalised. This time around we have immediately reacted by intensified contacts with clients and provided immediate liquidity support in combination with releasing the burden through moratoria on existing financial liabilities. In the second stage we will now focus on the mid-term align-

ment of liabilities to the newly expected levels of cash flows to weather this situation effectively. We will clearly also productively apply all available public support schemes to inject all available energy into the businesses for their swift recovery.

BL: Unlike the Great Recession of 2008 when the banks were the bearers of the crisis, they are now, in some ways, the mainstay of the economy. How do you see your role in the coming years?

BB: Indeed, I agree very strongly with this conclusion. Unlike in the previous crisis, the role of the banks can this time around be entirely different – NLB Group will most definitely be part of the solution, not the problem. Keep in mind that we are well-experienced in mastering enormous challenges. We have namely just

We have been closely monitoring the developments throughout the region, noting that most countries have been adopting more or less comparable measures with Slovenia and Serbia standing out in scope and volume of the respective systemic support of governments and other institutions, including some central banks.

overcome an extremely severe crisis, which lasted from 2008 and ended only in mid-2016, at least in Slovenia. We have indeed overcome it with the help of the state aid. However, our role today is entirely different. Not only have we successfully restructured and transformed our business model, completed all the commitments to the European Commission and returned the abovementioned aid almost entirely, we and the whole economy have learned our lesson. This time NLB will be the pillar of economic recovery. We will help alleviate the effects of economic hibernation.

BL: That means that you are well prepared?

BB: We are really well prepared for the challenge. Our liquidity position rests on extremely solid own retail and corporate deposits base, which is, besides high capitalisation and recent priceless experience in crisis handling, of key importance to not only fight through the turmoil, but exit from it even stronger. We will apply a high level of responsibility at preserving healthy cores of the regional economy and we will further deepen our relationships with regional retail and corporate clients.

BL: You stated before the crisis that your strategic goal was to strengthen your influence as a regional player. Did the coronavirus slow down the realization of this goal? What is your strategy for next year?

BB: These new circumstances have not affected our aim to leverage the role of a regional specialist. Despite changed market conditions, key medium-term goals of NLB Group remain

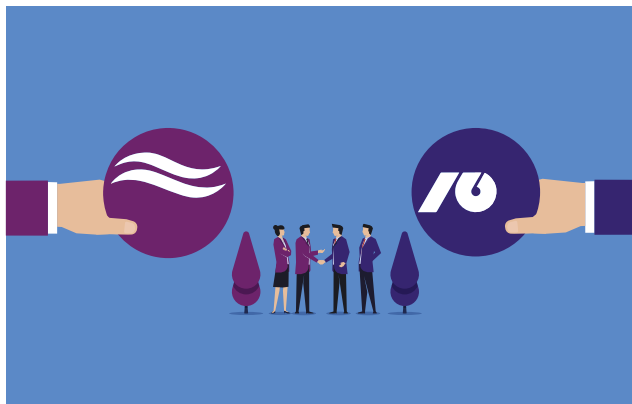
unchanged, yet the crisis will most likely impact our ability to achieve them. However, at the same time it has accelerated the Group's digitisation initiatives, which over time will reduce the physical footprint, improve efficiency and above all enhance experience and consequently satisfaction, as well as loyalty of our clients. Achieving untapped revenue opportunities is clearly much more difficult in the new circumstances. Hence, cost efficiency based on client centricity and relevance has become the name of the game. We might even say that the coronavirus crisis could be considered an opportunity for major players like NLB Group. On one hand, us being the largest banking and financial group with headquarters in this region – we call this region our home – means that people see us as a local domestic name and listen to our messages, while on the other hand, it might just give us an additional push to exploit our true potential.

BL: Do you think about more intensive cooperation with developed EU countries and what are your plans in this regard?

BB: NLB has had broad correspondent network with financial institutions globally. As such it serves as the hub of local businesses to the world and global investors' interest in the region. It is however essential to finally initiate and accelerate the accession process of Western Balkans states to the European Union. There has been absolutely no good reason for keeping these countries outside of the EU, while being surrounded by it. Independently of this process, the region needs to establish a free economic zone, ensuring a free flow of talents, goods and capital following the Scan-

dinavian model as soon as possible. This would namely diminish constraints of complex political boundaries, while at the same time create conditions to increase the importance of the larger 'domestic' market in which local brands are recognizable and respected. And not only that – with such setup it would be considerably easier to overcome the periods of slow economic activity in other key export markets and large-scale crises, which is crucial for small open economies such as ours. Last but not least, this would also ensure a considerably higher interest of investors, job creation and most of all, perspective and opportunities for young people and intellectuals to stay here. In my firm view Slovenia and Croatia should become members of this zone as well.

Despite the consequences of the coronavirus pandemic and changed market conditions, the closing of the transaction (acquisition of Komercijalna Banka) is expected by the end of the year, therefore all the necessary procedures are continuing according to the plan.



The completing of acquisition of Komercijalna Banka is expected by the end of 2020

BL: In Serbia, the acquisition of one of the largest domestic banks has already been completed, where you will soon become one of the strongest players, with a 11% market share. When will the acquisition process of Komercijalna Banka be completed and what is your strategy for Serbia?

BB: As you know, the completion of the procedure for the acquisition of Komercijalna Banka depends on obtaining consents of multiple regulators, including the European Central Bank, the Bank of Slovenia, the National Bank of Serbia and others from relevant markets in the region. Despite the consequences of the coronavirus pandemic and changed market conditions, the closing of the transaction is expected by the end of the year, therefore all the necessary procedures are continuing according to the plan.

I would like to emphasize once again that the Serbian market is of great interest for our Group and represents

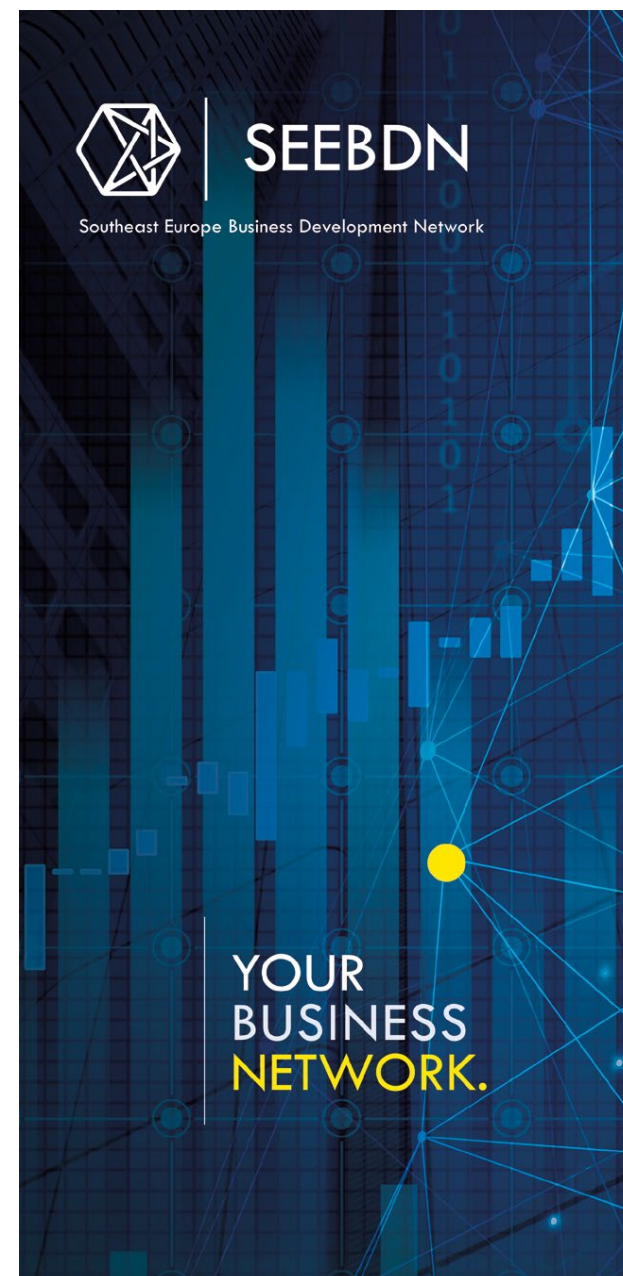
the greatest potential, even without eventual acquisition of Komercijalna banka. After all, it is the largest in our core region, whilst our market share is currently (that is until the eventual closing) the lowest, even though NLB Banka Beograd has grown significantly thus far organically. With the completion of the acquisition process however, NLB Group would become a systemic top 3 player in all markets of our presence, ensuring a position of the leading international bank focused solely on our region.

BL: Slovenia has been an EU member for years. Can the largest Slovenian state owned bank, the NLB, transfer new knowledge, technologies or different principles to the largest state-owned bank in Serbia, Komercijalna Banka? Which ones? What will both sides get from this merging?

BB: First, we should clarify that NLB is not a state-owned bank. The Republic of Slovenia indeed holds a 25%

plus one share. However, NLB d.d. is publicly listed company with an international ownership structure, consisting of the highly reputable base of financial investors. NLB's shares have been traded on the Ljubljana and London stock exchanges.

We believe that NLB and Komercijalna Banka are very compatible, with significant potential for meaningful synergies. For example, Komercijalna Banka is currently the second strongest banking brand on the Serbian market, with a priceless retail deposit base, a vast pool of clients and many very valuable devoted employees with experience and deep understanding of customers, banking in general, trends etc. On the other hand, by gaining a new strategic partner in NLB Group, Komercijalna Banka will further enhance its digital platforms for mobile and internet banking, and gain access to innovative solutions (Omnichannel, CRM platforms, etc.). It will above all get a partner with profound understanding of local specifics, such as culture, mentality, value system, with whom interaction in the local language will be possible. We will jointly reposition the bank as a priceless member of a dynamic regional banking platform for supporting trade flows among our markets and again as a banking powerhouse in Serbia. We believe that by joining our strengths at developing and delivering high quality and relevant services for our clients, as well as by demonstrating true and authentic care for our society through comprehensive corporate social responsibility programme, we will positively impact the quality of life in Serbia and other regional markets. We plan to build a joint master brand, close to the hearts of Serbian people.



REBOOTING

AUSTRIAN AND EUROPEAN TOURISM

MARTHA SCHULTZ, Vice President of the Austrian Federal Economic Chamber
Member of the Presidency of EUROCHAMBRES



The strategy must be twofold: on the one hand, to increase domestic consumption and, on the other, to rely on the safe and sustainable opening of borders.



Tourism including hotels, leisure industries, travel agencies and restaurants are leading industries for Austria and a part of our identity. At European level, too, tourism is the economic driving force of many EU Member States. This success story has been abruptly interrupted by the current pandemic. Tourism businesses have been particularly hard hit by the corona crisis. The turnover of many companies has fallen to almost zero overnight, even though rents and salaries still have to be paid. In Austria, politics decided on a restaurant package that gives restaurants an economic perspective for a successful comeback. I fought for this package, because we all know that the hospitality industry had to overcome many challenges in recent years. Smoking bans, allergen regulations, cash register requirements. In this situation, we need rapid relief.

The reopening of the approximately 30,000 restaurants and cafes in Austria with their more than 100,000 employees is also relevant for the general feeling throughout the country. Restaurants and cafes are an important source of impetus for the entire economic cycle - from trade and commerce to agriculture and forestry.

Now it is important to get everything going again. Whoever goes out again, buys and consumes, helps the country, his family and himself. The calculation is simple: buying and consuming secures jobs.

But the strategy must be twofold: on the one hand, to increase domestic consumption and, on the other, to rely on the safe and sustainable opening of borders. In contrast to other EU Member States, almost 70% of overnight stays in Austria come from abroad.

Restaurants and cafes are an important source of impetus for the entire economic cycle - from trade and commerce to agriculture and forestry.

EUROCHAMBRES

as the Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 98% of which are SMEs – through 45 members and a European network of 1,700 regional and local Chambers.

10% of European businesses belong to the tourism industry. These 2.4 million companies employ an estimated 13.6 million people in Europe.

And there we are at the European level. Imagine tourism without open borders, it's not possible. For it is not only Austrian tourism that is severely affected, but also other countries that have been hit harder by the coronavirus are heavily dependent on tourism.

To underline what is at stake: 10% of European businesses belong to the tourism industry. These 2.4 million companies employ an estimated 13.6 million people in Europe.

Fortunately on 13th May, the European Commission presented a whole package of initiatives to help the industry make a fresh start. Free movement and cross-border travels are of central importance for tourism in Europe: general travel restrictions are to be gradually replaced by more targeted measures.

- The Commission proposes common EU criteria for the safe and gradual re-opening of tourist activities. Health protocols for hotels and other forms of accommodation should enable guests to have a safe stay and employees to work safely. Coronavirus apps on a voluntary basis are intended to help lift border controls and revitalise the tourism and travel industry.

- Europe-wide communication campaigns are to present Europe as the number one travel destination. A European Tourism convention should discuss the future of sustainable, innovative and resilient European tourism through the "European Agenda for Tourism 2050".

- The Commission also recommends the increased use of travel vouchers as an alternative to the reimbursement of travel costs in the coronavirus pandemic.



dem. The Commission is thus taking up a proposal that the Austrian Federal Economic Chamber has also advocated through its European umbrella organisation EUROCHAMBRES. EUROCHAMBRES called to temporarily allow vouchers instead of cash refunds for cancellations. That would be the right solution to defer payment obligations and prevent insolvencies. Customers should exceptionally and temporarily be obliged to accept vouchers to deal with the economic impact of the coronavirus pandemic, which would not constitute a permanent change to consumer rights. However, there is room for improvement. I would still like to see an adjustment to the Package Travel Directive, which would allow the tour operator to issue vouchers to the customers which are obligatory for acceptance instead of reimbursement of the travel price.

A further communication of the European Commission proposes a gradual and coordinated approach to the lifting of internal border controls and the restoration of freedom of movement. Targeted measures against the spread of the coronavirus pandemic are to replace closed internal borders.

Be it national or European, what we need now is a major relief and investment offensive, maximum possible tax reduction as well as a maximum possible elimination of bureaucracy, at national as well as at European level.

DIGITALISATION IS A BIG OPPORTUNITY

ZDRAVKO POCIVALSEK Minister of Economic Development and Technology of Slovenia



EU countries remain by far the biggest investors in Slovenia in 2018, accounting for 85% of total investments.

There are three packages of measures to mitigate the negative effects of the Covid-19 pandemic in companies in Slovenia. The first two are directed towards ensuring liquidity and enabling employees to work from their home. The third package will include support for the sectors of the economy which are harmed the most. It is important to ensure governmental support enabling companies to exit the crisis and to continue developing. Speaking of GDP growth, approximately 8% decline in GDP is expected in 2020, taking into account economic policy measures for alleviating the consequences of the epidemic and assuming a gradual recovery of the economy, which should start in June in 2020 (source; UMR). We should also keep in mind that Slovenian economy is export oriented. Therefore, we support borders to be opened for the transit, because limitations to foreign trade harmfully influence our open economy.

Slovenia strives to become a successful and competitive international economy, it focuses on R&D, investment in high-tech and smart technologies, as well as green economy.



Attracting foreign investments

According to the OECD's FDI Regulatory Restrictiveness Index, Slovenia is one of the most open economies in the whole OECD. EU countries remain by far the biggest investors in Slovenia in 2018, accounting for 85% of total investments.

I believe that our vision of Green.Creative.Smart. Slovenia is the right way for attracting investments also in the future since it encompasses the key future trends that every investor would benefit from. As Slovenia strives to become a successful and competitive international economy, it focuses on R&D, investment in high-tech and smart technologies, as well as green economy. These are the areas where industries create high value added, which will enable Slovenia to compete on a global scale. Therefore, we intend to focus on specific niche areas and products that are highly export oriented and at the same time attractive for FDIs.

Besides our excellent geographic location, which is definitely one of the main competitive advantages, Slovenia is rich in natural resources (wood, soil, water) and has great potential for transition to green economy (knowledge, innovation, existing invest-

ments, and competences). Slovenia is also known as a strong innovator country. The key strength of the Slovenian innovation systems are human resources and international cooperation of researchers and innovators.

Digitalization is definitely the key competitive advantage for today and tomorrow's business and everyday life. Therefore, we will even more encourage the adoption of digital features to conduct business together with new business models, promote digital economy and create a digital-friendly investment climate, which I am confident will help us attract more sustainable and high-added value investments.

Slovenia has a well-developed system of investment tax relief and R&D tax incentives, as well as a highly skilled labour force, offering valuable incentives and creating a favourable business environment for potential investors.

We are also working on the screening mechanism in accordance with the EU framework for the screening of foreign direct investments but only to protect our strategic and critical assets and technologies, without undermining the Slovenian general openness to foreign investment.

IPA FUNDS



The EU will also redirect funds from the Instrument for Pre-Accession Assistance (IPA) to help the recovery of the Western Balkan partners in the short and medium term.

EU support for candidate countries

If we talk about EU support for SEE countries due to the coronavirus pandemic, especially for EU candidate countries such as Serbia, Montenegro, North Macedonia, Albania, the EU has already responded to their immediate needs by supporting the supply of medical devices and personal equipment to the Western Balkans. Also, EU is including the Western Balkans in EU initiatives to tackle the coronavirus crisis, like the joint procurement schemes of protective personal equipment, and has accelerated the implementation of a project with the European Centre for Disease Prevention and Control (ECDC) which will enhance their capacities to survey and control communicable diseases, improve their health emergency preparedness capabilities, and support the development of their public health microbiology laboratory systems. In addition, the EU will also redirect

funds from the Instrument for Pre-Accession Assistance (IPA) to help the recovery of the Western Balkan partners in the short and medium term. This will include support to the private sector, increasing social protection, with a specific attention to the vulnerable groups, and strengthening resilience in the public health sector. Moreover, the Commission is also working closely with International Financial Institutions (IFIs) and relevant financing institutions from EU Member States.

In my opinion, this is the right way as it covers all the relevant areas, from financial to know-how.

In the future a big opportunity will be in focusing and implementing the digitalization in various areas since there is already a strong foundation in the region. This could lead to tackling the labour shortages and strengthen their competitiveness.

Digitalization is definitely the key competitive advantage for today and tomorrow's business and everyday life.

WE ALL NEED TO READJUST AND LEAVE COVID-19 BEHIND

If business will not adapt in time, consequences may be more devastating than those of the 2008 crisis.



INTERVIEW: **SAMIR MANE**,
Chairman of Balfin Group

"Balfin Group" is conducting business in most of the Western Balkan countries and the economic packages have mainly addressed the minimum salary compensation, deferral of tax liabilities and government guaranties for boosting the lending activity. The Governments have targeted all the sectors impacted by COVID-19. I believe that additional measures shall be considered during 2020

in order to vitalize the economy", said Samir Mane, the Chairman of the Balfin Group, in an interview with the Business Link Magazine.

"The EU and strategic development banks active in the Region are providing financial support as well, which is quite substantial and definitely will help the Western Balkans economy", he added.

BL: If we draw a parallel to the global economic crisis that hit the world in 2008, will a new crisis have more devastating consequences?

SM: There are several challenges that we face today due to COVID-19 outbreak crisis that are similar to the ones in 2008. The first important issue relates to uncertainty, as there are many questions that no one can answer to a certain degree with confidence. We don't know how long the crisis will last or if there will be a second wave. For these reasons many businesses around the world have factored the uncertainty as an important factor influencing their decisions. While the 2008 crisis hit integrated financial markets the hardest, I believe that the devastating wave to the real economy was short run. After the crisis, most of the service and manufacturing industries managed to survive while mostly financial institutions had to recompose and think differently in terms of risk and expansion. The impact on the real economy of the South Eastern European countries was more moderate than what is estimated that will happen during 2020.

The COVID-19 outbreak crisis has a larger geography and has affected almost the entire global economy, all industries and all business operations. The fragile economies in South East Europe, depending on the international markets, are seriously affected.

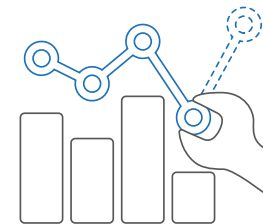
To leave the COVID-19 crisis behind, many businesses would have to readjust to these external pressures and maybe innovate to a completely new business environment. If business will not adapt in time, consequences may be more devastating than those of the 2008 crisis.

BL: What is your estimation, how long will it take for your country to return to the level where it was at the end of 2019, especially if the world slides into recession?

SM: I believe that Albania will manage to achieve positive growth levels next year. This is also supported by many international organizations that estimate a quick recovery in 2021. The structure of the Albanian economy is mostly reliant on domestic consumption and has relatively little ties to the global supply chain and global trade. For this reason, I believe that with the accurate government response and increased confidence from consumers it will result in positive economic growth.

Tourism is becoming an important industry and most likely domestic demand as well as tourists from neighbouring countries will help overcome the many uncertainties facing the industry this season. However, as the uncertainties are mostly related to the public health issues I hope that the government's measures will be appropriate to keep in balance the health of the economy and public health at the same time. These are unprecedented times that are affecting negatively the global economy simultaneously. Albania and other countries in the region will reach the 2019 levels relatively quickly by the middle of next year.

BL: Which approach is best for SEE, especially for Western Balkans candidate countries (Montenegro, North Macedonia, Albania, Serbia)? Do they need to ask the EU for help?



Albania and other countries in the region will reach the 2019 levels relatively quickly by the middle of next year.



The entire region of the Western Balkans is increasingly seen as a single market, offering more opportunities for both foreign investors and local businesses from these countries.

SM: I believe in the EU project and that all countries should integrate and join the EU in the near future. This is a positive political and economic step, which would lead to greater stability, better governance and better business opportunities for businesses operating in the region. The EU has assisted the countries of the region with a bilateral financial assistance during the coronavirus emergency. This is a positive commitment that signals a long-term relationship between the EU and the Balkans and brings confidence to many businesses.

Despite this, most SEE countries could do more to further integrate their economies with each other. Rules and regulations could be better harmonised and at the same time some of fiscal policies should not differ from one state to the other. These policies could be achieved without EU integration. SEE countries are in general less competitive than the EU, and integration process should pay attention to issues relating to good governance, workers training, increased competitiveness, research, and development.

BL: How can financial sector be supported in order to be able to lend to a weak economy later?

SM: Overall, the financial sector has been well prepared to face these extreme shocks to the economy. Contrary to the 2008 crisis, banks are in a more secure position and should strive to build a strong relationship with their clients and understand their financial troubles and offer their expertise to overcome these challenges. Obviously, for some businesses the crisis will only help expose underlying problems they might have inherited before the pandemic. For this reason, some businesses might go bankrupt. However, many other businesses that have had a strong performance in the past will need the banks to overcome these troubles together.

At the same time, not all countries will be affected in the same way. In Albania most banks are well capitalised and have a capital ratio of 18% while the minimum requirement is 6%. So far, the banks have adapted well to the challenges and assisted clients to their requirement. An important factor played the Central Bank which and in collaboration with the government decided to postpone credit instalments by three months.

BL: What are your country's plans for the next year?

SM: Albania is well integrated with the rest of the Western Balkans, and all of these countries expect to integrate into an even larger family, the European Union. This has been a year heavily influenced by the pandemic, but the Western Balkans governments' goal of accelerating membership in the European Union has not changed. Cooperation and joint projects between these countries are also increasing. Meanwhile, the entire region of the Western Balkans is increasingly seen as a single market, offering more opportunities for both foreign investors and local businesses from these countries. All the countries of the Western Balkans are trying to overcome this difficult moment that was created by the pandemic, they are increasing the economic interaction between them, hoping that these efforts will be appreciated by the European Union.



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We are Preparing the Third Set of Measures IN THE FIGHT AGAINST COVID-19

INTERVIEW: **DRAGICA SEKULIC**, Minister of Economy of Montenegro



"So far, the Government of Montenegro has adopted two sets of economic recovery measures that are still being implemented. The first set was adopted during the first days of restrictive measures (at the early beginning of restrictive measures) and it was focused on delaying tax payments by the legal entities to the State, delaying credit payments for citizens and legal entities for three months by introducing a 'credit moratorium' and specific credit line introduced by the Investment Development Fund in order to improve the liquidity of Montenegrin companies", this is part of the answer from Dragica Sekulic, the Minister of Economy of Montenegro, to the ques-

tion - what measures Montenegro has applied in the fight against the coronavirus.

"The second set of economic measures, adopted in late April, which has been implemented since May 2020, assumes direct state aid for the economy through subsidies for salaries of employees. Depending on the category of the company, i.e. whether the company was required to be closed during restrictive measures or jeopardized while the restrictive measures were in the force, the Government of Montenegro provided subsidies for employees ranging from 50% to 100% of minimum gross salary for two-month period (April and May)", she said.

At this point, it is difficult to estimate how long the coronavirus pandemic will last, whether the world will experience a second wave after the summer season, etc....

BL: And that wasn't all?

DS: In addition, the Program specifically distinguished the sector of tourism as particularly vulnerable, as well as those companies whose employees had to be in quarantine, self-isolation in their homes taking care of children younger than 11 years of age as the consequence of arranging online school sessions. Furthermore, the second set included other subsidiary measures for companies such as delay of customs duty payments, fast VAT refund and short-term aid for socially vulnerable categories. In addition, the Ministry of Agriculture and Rural Development designed a specific and generous aid program for the sector of agriculture. We will present the third package of measures very soon. This package will be focused on development.

BL: How long will it take for the economy to return to the level from the end of 2019, especially if the world economy slips into recession?

DS: It is premature to talk about the consequences of the COVID-19 crisis. We are witnessing quite different forecasts by some of the most eminent financial institutions. At this point, it is difficult to estimate how long the coronavirus pandemic will last, whether the world will experience a second wave after the summer season, etc....

BL: Can we compare the new crisis to the one in 2008?

DS: It is similar with comparing the current crisis with any other, including the 2008 crisis. The causes and the way countries and national economies are dealing with the crisis differ, and therefore the consequences. For the same reason, it is inconvenient to discuss the time it takes to recover. I want to be an optimist and to believe in one of the most optimistic scenarios where in the next few years economies will return to the level they were before the pandemic.

BL: What would the crisis at the EU level mean for Montenegro? And do you see a solution at the EU level which could mitigate the consequences of the pandemic?

DS: Every crisis shows a lot - it shows strength of the state, the strength of society and personal strength in each individual. It also reveals good and reliable partners and importance and worth of joint action. This crisis has demonstrated Montenegro's readiness to face such a great challenge, to be the last country in Europe with the first registered case, as well as one of the first countries to be COVID free. This crisis has also demonstrated a strong partnership between Montenegro and the European Union, due to the fact that the Union has shown its

readiness to protect its member states and candidate countries. Therefore, I believe in even stronger support in the period ahead.

BL: Which approach is the best for SEE countries to preserve their economies, especially for Western Balkan countries? What is key to recovery and what are your country's plans for the next year?

DS: Every country has different challenges; each sector has different challenges as well. It is mandatory, following the analysis of effects of economic packages of measures, to clearly define the needs and based upon the needs and to create demands i.e. the future acting. That can sometimes be money, sometimes technology and know-how, sometimes equipment. After preserving the health and life of every citizen, each country will have economic recovery set as a priority, so that will be the priority of Montenegro and other states in the region. Economy can be strengthened by supporting each company, providing new investments, capital projects and creating new employment opportunities (jobs). With that regard, our country will provide multiplicative support for companies in the upcoming period through several programs and measures, with particular attention given to the domestic production.

THE DAY AFTER COVID-19



MARTIN ENGELBERG
Member of the Austrian
Parliament

There will be some dramatic changes, especially in Europe. The idea is to save the European idea, a community of cooperation, free trade, peace and prosperity.

One often reads that after Covid-19, nothing would be the same. It seems to me that ideological ideas are too often packed into predictions. Here is an attempt for a sober analysis:

Firstly, some things will change, but not nearly as much as some people dream of. People and systems have the natural tendency to return to the usual and safe routine very quickly. Or as the German philosopher Georg W.F. Hegel so aptly said: "But what experience and history teach is that peoples and governments have never learned anything from history."

Secondly, the analysis of data will definitely make a (further) quantum leap forward. The merging of cell phone data, face recognition, algorithms and biological monitoring has made a decisive contribution to coping with the Covid-19 virus in some countries. Regimes like that of China will certainly not give up the opportunities that have been gained and will continue to advance them. In Western countries, the rule of law and civil society institutions will face the major task of not throwing the baby out with the bathwater: On the one hand to use the absolutely beneficial possibilities of data analysis and not to demonize everything and on the other hand not to give in too quickly when the pressure for more state access to the data of the citizens increases, especially under the title of health care.

Thirdly and speaking of China: Covering up and denying the Covid-19 virus for too long is harming China's reputation and position. And there are several more suspicious facts not yet clarified.

Fourth, there is a certain chance in Iran that the mullahs regime will ultimately be overthrown by the disastrous consequences of Covid-19 in their country. This crisis can also be just as destabilizing for Russia and Turkey. In some countries, especially in Africa and South America, the consequences are still unforeseeable.

Fifth, there will be some dramatic changes, especially in Europe. The idea is to save the European idea, a community of cooperation, free trade, peace and prosperity. But honestly speaking: the EU institutions themselves have largely failed in their role of coordinating a common approach against the virus, coordinating the measures, and allocating the best possible aid measures. In this regard, nothing will be the same as before.

Sixth, regarding Austria it can be said that Chancellor Sebastian Kurz has finally established himself as an excellent leader far beyond Austria. His professional, calm and at the same time determined action in the crisis has received the greatest recognition across all party and national borders. Sebastian Kurz's word will have even more weight in the EU in the future.



He is predestined to take on important functions at international level.

Seventh, the future of the euro, the common currency, will be seriously challenged very soon. Italy, Spain and possibly France are facing very serious budgetary problems. Particularly since they were in a bad condition already before. Or as Warren Buffett has put it so greatly: "Only when the tide goes out do you discover who's been swimming naked". There will be a lot of blood, sweat and tears.

Eighth: The economies of the countries of the Western world and those of Asia including China, which were economically healthy before the crisis, will rebound soon. Due to the experience during the Corona crisis, professional trips may be replaced somewhat by increased video conferencing. A stronger tendency towards home office is rather unlikely, especially since a peak was passed in the

United States already a few years ago and the creative potential of working together in one place was recognized. The trend towards online learning was very strong even before the Corona crisis and will certainly continue.

Last but not least: 2020 and 2021 will show very strong birth cohorts. But will probably also be those years when divorce rates will make a big leap.

Martin Engelberg is Member of the Austrian Parliament, member of the Foreign Policy Committee and spokesperson for International Development Cooperation of his party (ÖVP). He is a leadership consultant and coach and lecturer at the Vienna University of Economics and Business. Furthermore, he is president of the Sigmund Freud society and columnist with the Jewish magazine "NU".

The future of the euro, the common currency, will be seriously challenged very soon.

WE PLAN TO INVEST 21 BILLION EUROS IN EBRD COUNTRIES

INTERVIEW: **ZSUZSANNA HARGITAI**, Regional Director for Western Balkans EBRD



In 2020, we expect our support to the Western Balkans to rise by around one-third up to €1.7 billion from a record €1.3 billion in 2019.



One billion euros in financing was the EBRD's initial response just at the beginning of the pandemic. Since then we have significantly expanded the support available for countries in our regions to combat the impact of the coronavirus and support the recovery. Over the period 2020-2021 we are prepared to provide financing worth €21 billion in the 38 economies where we currently invest, said Zsuzsanna Hargitai Regional Director for Western Balkans EBRD in an interview with the Business Link Magazine.

"In the Western Balkans, we are planning a sharp rise in financing. In 2020, we expect our support here to rise by around one-third up to €1.7 billion from a record €1.3 billion in 2019. The EBRD will specifically target micro, small and medium-sized enterprises and trade finance, as well as infrastructure services in the energy and municipal sectors. The Bank will also deliver investments aimed at supporting economic recovery, supporting new investment, whether private corporates or in public infrastructure - help with economic rebound and creating jobs. I trust you will see palpable impact of our investments that will be combined with advice on policy reform needs on the path to EU accession. Our support will focus on improving efficiency and transparency of public governance, developing competitive and inclusive economies, significantly accelerating transition to a green economy, enhancing, and reaping the benefits of regional integration", she said.

public infrastructure - help with economic rebound and creating jobs. I trust you will see palpable impact of our investments that will be combined with advice on policy reform needs on the path to EU accession. Our support will focus on improving efficiency and transparency of public governance, developing competitive and inclusive economies, significantly accelerating transition to a green economy, enhancing, and reaping the benefits of regional integration", she said.

BL: How much have you invested in the Western Balkans so far and in which sectors?

ZH: The Western Balkans is a priority region for the EBRD and to date we have provided €13 billion total financing to the six countries. Our financing is for a wide range of sectors that are key to the economic growth of the region: agriculture, manufacturing, tourism, renewable energy, environmental, digital and transport infrastructure and the financial sector – to reach out to SMEs. Our focus is on increasing the competitiveness of the private sector, the green agenda for the Western Balkans and contributing to connectivity in the region and with the EU.

BL: Do you predict different measures for large companies in difficulties and for small ones? What kind of measures?

ZH: All businesses have been affected by the coronavirus one way or another and just like Tolstoy's unhappy families, all companies – large and small – are affected in their own way.

Some food producers are doubling, if not tripling their efforts to meet increasing demand. Others, like electricity companies and municipal service providers, are experiencing a financing gap as collection rates drop due to a lower demand. It is also inevitable that many companies will need more than just new or restructured loans to survive and protect assets. The EBRD offers tailor-made business advice in technical assistance programmes where local and international consultants help companies cope with the current crisis and then grow again. This support

The EBRD offers tailor-made business advice in technical assistance programmes where local and international consultants help companies cope with the current crisis and then grow again. This support is co-funded by the EU.

is co-funded by the European Union. Recently we have rolled out a dedicated EBRD-EU programme in North Macedonia, which combines credit lines to participants like Sparkasse Banka, Ohridska Banka SG and Komercijalna Banka with investment incentives and technical assistance. SMEs can use the funds to improve their production capacities and enhance processes and product quality with the introduction of EU standards in environmental protection, product safety and quality and similar.

BL: What does the Solidarity Package mean precisely? Is that a guarantee scheme, or some other instrument? Which one?

ZH: Our Solidarity Package is a comprehensive series of response and recovery measures.

- Its central pillar is a Resilience Framework providing finance to meet the short-term liquidity and working capital needs of existing clients. Demand is strong and, as part of the scaled up response, financing available under the Framework will increase to €4 billion from €1 billion until a further assessment of needs before the end of this year. We have widened the framework's scope to include the affiliates of existing clients.

- We are expanding financing under our Trade Facilitation Programme, keeping open the channels of commerce.
- We are also offering fast track restructuring for distressed clients.
- Another element is a new Vital Infrastructure Support Programme to meet essential infrastructure requirements, including financing for working capital, stabilisation and essential public investment.

The emergency support is available for all key sectors of the economy.

BL: How can companies apply and when is this package available?

ZH: Companies with financing needs above EUR 5 million should contact our offices in our respective countries, with contact details on www.ebrd.com. Those that require smaller funding should contact the EBRD's partner banks in their countries.

BL: Do you think about support after the pandemic, because the economy can't be recovered overnight when fight with the virus is finally over?

ZH: We are committed to financing the post-coronavirus recovery. As President Suma Chakrabarti said, the €21 billion package is "a sort of down payment—not the end of the story."

After the Crisis is Before the Crisis: BUT NOW IT'S ABOUT ECONOMY

DR. WALTER DÖRING

Deputy Prime Minister and Minister of Economics of Baden-Württemberg (ret.)
Managing Partner ADWM GmbH - Akademie Deutscher Weltmarktführer



Photo credit: Hans Kumpf

The Federal Government has started an enormous liquidity aid program fast, but these aids will mainly benefit larger companies, but small and medium-sized enterprises can fall by the wayside.

No, the corona crisis is far from being overcome. The easing that is now talking place in Germany, which varies in the 16 German Federal States, must not obscure the fact that this easing of restrictions is granted only on an experimental basis and, for the first time, only on a temporary basis – under strict monitoring of the current infection figures, which have now been set at clear maximum figures from which the easing must be immediately withdrawn.

If it had gone exclusively after the German chancellor, this easing would not yet exist.

The Federal Government has started an enormous liquidity aid program faster than anybody has expected, but the problem is: These aids have been and will mainly benefit larger companies, but small and medium-sized enterprises are in danger of falling by the wayside.

And as always, when State subsidies should be distributed fast and in an unbureaucratic manner, there is unfortunately the danger that fraudsters might try to profit from these benefits. So we urgently need to look closely, and that costs time. Time is what small and medium-sized enterprises do not have.

Moreover, the zero-interest-rate policy has been dragging some firms from cheap credit to cheap credit for years – and these “Zombie firms” should now not longer be kept alive artificially by Government funds, so it is necessary to look twice carefully, what requires twice the time.

Taking all into consideration, we nevertheless have to think of what has to be done for the companies in order to ensure their existence for the next years; we need an extensive recovery program.

So, what has to be done? I propose a nine point program.



1. Let's launch an offensive for a modern infrastructure!

- » Instead of sitting on the plane just sit at the desk. And there we note that there is a lack of comprehensive broadband and mobile communications. Now it is high time for the expansion of the digital network infrastructure.
- » We must build a European high speed network. This would be a flagship project and a symbol of a European recovery program – For a Europe that does not break up, but finally grows closer together.
- » Digital Pact 2.0 and an innovation offensive for schools and universities.
- » Digital turbo for public administration.



We have to think of what has to be done for the companies in order to ensure their existence for the next years; we need an extensive recovery program.



2. We need reforms in the tax system and an incentive for new jobs.

- » Here is a new idea for modernization: Why do we not let the State take over social security contributions from tax resources for all new hires by the end of 2020?
- » Research funding worthy of the name.
- » Introduction of degressive depreciation.
- » Tax cuts for small and medium-sized incomes to stimulate the economy.
- » Complete abolition of the so-called Soli. This would help the middle income classes.
- » Germany must allow more employee participation in the companies.
- » A very fast and simple help would be: You just have to allow the companies to offset past tax years. And if you furthermore pay back these companies the income taxes they had already paid in 2020, then they would have immediate liquidity. A further advantage of this proposal: Nobody could call it a “subsidy”.

3. Promoting innovation for climate protection

» Priority for climate protection through innovation. An example is the future topic of hydrogen.

4. Shorter planning and approval procedures

» The corona crisis has shown, and still does, that decisions can be taken quickly – if only the authorities want it! We also need this spirit now for large infrastructure projects and the expansion of electricity and gas networks for renewable energies.

5. We need a boost for mobile work

» First it was a compulsion to work in the home office, then it became a habit and finally almost a passion. We urgently need a legal framework for mobile work, just the same as the one the Netherlands has introduced.

» A boost is also necessary for safe data protection as well as for data applications and research to artificial intelligence and e-health, as we learn from the discussions around a corona tracing app.

6. We need a comprehensive stimulus package program

» We need a recovery plan designed in such a way that it has as great an impact as possible on aggregate demand.

» Part of this should be: Public payment morale offensive.



INNOVATION



SHORTER PLANNING



MOBILE WORK



STIMULUS



SUPPLY CHAIN



EUROPEAN SOLIDARITY



CONTRIBUTION

7. Very important for the European industry: Functioning supply chains

» The smooth working of supply chains is a critical requirement for the industry to get started again. This requires an internal European vote as a matter of urgency.

8. Without European solidarity, no country is recovering

» No question: Every head of Government has taken his/her oath to do the best for his/her country. But this must include: It can only go well if its neighbors are also doing well.

9. No benefits without own contribution

» It cannot be that the same companies which pay their managers bonuses in the time of corona ask for subsidies, which all taxpayers have to finance. Only those companies should have the chance to profit from subsidies, if they renounce on bonuses and dividends for their shareholders. It is necessary to prove capitalism to be able to manage the corona crisis, help the poor and spend money for recovery programs to enable the small, medium-sized and big enterprises as well to keep their employees "on board", pay fair wages and salaries and thus pave the way for new wealth in every European nation.

THREE SETS OF MEASURES WILL "CURE" THE ECONOMY FROM COVID-19

MILA CAROVSKA

Vice Prime Minister of North Macedonia



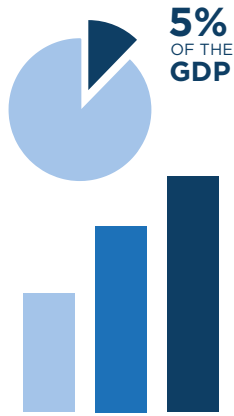
We created three sets of measures with a total value of 555 million EUR, i.e. 5% of the GDP of the Republic of North Macedonia for 2019.

In the very beginning when the COVID-19 pandemic was declared by the WHO, the Government of the Republic of North Macedonia has recognized the dangers that might occur for its citizens and companies. Therefore, using analytics and close cooperation with the chambers of commerce, unions and civic organizations, we instantly started a process of creating measures. We created three sets of measures with a total value of 555 million EUR, i.e. 5% of the GDP of the Republic of North Macedonia for 2019.

The joint work and commitment have helped us to come out in April with two sets of economic measures that responded to each of the three scenarios and whose main objective

was to maintain the liquidity of companies and to save jobs in the first two months of the pandemic. We mostly focused on supporting the companies in the most affected sectors, such as tourism, HoReCa and transport which, due to the closure of borders and the protective measures, were definitely most limited, but also for other affected companies.

The first two sets of measures were directed at maintaining the liquidity of companies, savings jobs, but also for those who will lose their jobs, and the most vulnerable social categories. Here I would like to emphasize the interest-free loans, but also the financial support for payment of salaries or the possibility to use 50% subsidies for contributions. The companies have



We created three sets of measures with a total value of 555 million EUR, i.e. 5% of the GDP of the Republic of North Macedonia for 2019.

shown great interest in the two sets of measures; this shows that the measures were designed appropriately and reflect the real needs of the companies. National Bank enabled postponement in settling loan obligations for both the companies and the citizens. We implemented several other tax and customs duty relief that contributed to increased liquidity of the companies.

It is also important to mention the care of the state for the workers who, unfortunately, lost their jobs due to the crisis. Some of them used unemployment benefits through the Employment Agency, whereas others were registered in the reformed social protection system. This points to the fact that we faced the corona crisis with fully prepared systems thanks to the set of reforms that were conducted in the area of social protection in the period before the global pandemic. At the same time, we enabled paid leave for one parent with children of up to 10 years of age, as well as continuation of the paid maternity leave until the end of the state of emergency.

But we did not stop there. The third set of measures is in its operationalization phase. These measures will stimulate personal consumption and will maintain the level of liquidity of the companies while providing opportunity for finding new markets.

This crisis has shown that interventions from the state are inevitable so that we can create conditions for functioning in the new normal. It has taught us that we will need to get used to functioning with the coronavirus and that nothing will be as it was before. The crisis requires coordination between the countries, at a very high level, most of all to protect the health of the citizens.

Like everywhere in the world, 2020 will end in recession with an estimated fall of the economy. According to estimations by the World Bank, the IMF and domestic institutions such as the NBRNM and the Ministry of Finance, the movements are from -1.4% to -4% (according to the IMF -4%; MF -3.7%; NBRNM -3.5%, WB -1.4% up to -3.2%).

Using the third set of measures we expect gradual recovery, especially when borders reopen and the large multinational companies start working again. In the fourth quarter, if things are going in a good direction, we expect a mild economic growth.

In 2021, according to international financial institutions, greater rates of economic growth are foreseen, up to 7%. However, we cannot claim that this will happen for sure because many parameters are involved, most of all the spreading of COVID-19. The fact that we are a small country can be used as an advantage, because by using flexibility and adjustment, we can enter these flows and impact positive economic trends.

I am very pleased with the fact that in these difficult times, when we are fighting an unknown enemy, we are not alone. The EU is our strategic economic partner; our strong ally is the NATO Alliance and North Macedonia has become its full-fledged member. I believe that even closer cooperation between the governments of the member states, as well as the governments of the candidate countries would contribute to faster recuperation. It is a key to use this period for adoption of cohesive measures and harmonized protocols for the use of the measures for all EU member-states.

PRESERVING JOBS WILL BE THE BIGGEST CHALLENGE

DAVOR MAJETIC

President of the Croatian Employers' Association (HUP)



The crisis of COVID-19 caused the cessation of all economic activities in the whole world, including Croatia. In this situation, the companies, which were good and successful, were left without goods, but also without demand. The most severely affected are those sectors that could not do business during the coronavirus lockdown, namely tourism and catering, and retail chains that specialize in non-food products. Also other service activities, mostly small and micro entrepreneurs and craftsmen, such as hairdressers, beauticians and all those who, due to protection measures, could not provide their ser-

vices to clients in any way. Due to the relaxation of measures, most companies have started operating again and optimism is back.

The measures adopted then had their effect and were good for the purpose of preserving jobs, and reduced initial nervousness among employers. Further effects depend on future developments and business growth until the end of the year.

The economy-supporting measures had to be adopted quickly in order to prevent the initial negative effect as soon as possible. Now, when most companies have started operating, it is necessary to adopt new measures.

Now, when most companies have started operating, it is necessary to adopt new measures, which will be adapted to this period.

That is why the Croatian Employers' Association (CEA) requested and held a meeting with the Prime Minister and Ministers of the Republic of Croatia to raise issues of additional measures aimed at preserving jobs, restoring liquid funds to the economy, turning to domestic consumption in a way that the state and local communities do not stop investing, as well as a more significant turn towards domestic products and services. According to the announcements from the governments, new measures will be adopted soon.

Challenges

In the next period, the biggest challenge will be to preserve jobs in conditions of reduced consumption and business activity. Now that the normalization of business operations is underway, liquidity is crucial and therefore new measures need to be adopted as soon as possible so that employers know what to expect. We will see to what extent the economy can be recovered, what will domestic consumption be like, to what extent our neighbours and our key export markets will recover, whether people will refrain from traveling, especially outside their countries, and also whether a second wave of infection will occur and repeated quarantine measures.

When it comes to tourism, the multiplier effect of the lack of tourist income will have the biggest impact on the Croatian budget, so the new measures need to ensure maximum preconditions to recover a lost tourist season. Tourism accounts for 17 percent of Croatia's GDP and is vitally important to be improved. But this

crisis has also highlighted the importance of creating conditions needed to advance other parts of the economy, such as the food industry, the metal-working industry, the ICT industry, and increase greenfield investments that are lacking. This will make tourism grow, but its share in GDP will be lower, making us less sensitive.

Unity or solidarity at EU level?

In this fight we must be united. I believe that work will be done at EU level to establish a common framework for assistance, as indicated. According to available information, the European Union is mobilizing the resources at its disposal to help Member States in this crisis.

We believe that Croatia will try to use all available EU funds to overcome this crisis. Employers, also have high expectations of the EU, which is expected to ensure the free movement of people and goods.

Elections and decisions

The parliamentary elections are ahead of us, and in the period of 'technical' government we cannot expect any more substantial moves. The task of the new government must be to restart the economy. As before, the CEA will introduce the new government to our demands and will continue to advocate reforms such as the reduction of para-fiscal levies, adjustments to the Labour Act, and judicial reforms as the three most important issues for the improvement of the business environment. The list of priorities includes the issues of sick leave regulation, more efficient territorial organization and comprehensive reform of the health system.

Now that the normalization of business operations is underway, liquidity is crucial so that business can be reactivated and therefore new measures need to be adopted as soon as possible so that employers know what to expect.

Positive side

The positive effect that COVID-19 has had on us is that we are ready to do business online. For the last three years, the CEA has been emphasizing the need for a digital revolution in order to be more productive through the use of new technologies. Moreover, the government itself has shown that it can also go digital if necessary. We insist on further digitalization of the government and the economy and on building a new structure of public administration on this experience. Digitalization has proved to be crucial for the continuation of the business of many entrepreneurs in this crisis, so we must fully embrace it in order to be ready for new challenges.

BUSINESS RECOVERY FROM "CORONA SHOCK"

Federal Economic Minister Altmaier came out with a four-step plan to give the economy a perspective of hope and to launch an economic restart, provided, that the pandemic can be successfully contained.



MARJOKE BREUNING
President of the Chamber of Commerce and Industry of the Stuttgart Region

The effects of the coronavirus pandemic on all aspects of life in Germany are tremendous. The economy went down at frightening speed and many companies are still in a state of shock, some are on the brink of financial ruin. The German government has done as much as it could to help the economy to survive the crisis. Federal Economic Minister Altmaier came out with a four-step plan to give the economy a perspective of hope and to launch an economic restart, provided that the pandemic can be successfully contained. The four-step plan includes increased possibilities for companies to use short-term work. Short-term work has gone up to a peak of more than 10 million employees at the end of April. Despite this the federal plan provides

a variety of further immediate measures and most importantly, it comes up with a needs-based economic stimulus package. Specially designed for small and medium-sized companies is the KfW-Quick loan program with accelerated payment and simplified conditions. Since the SMEs are the backbone of German industry and particularly affected by the crisis, it is crucial to give utmost support to these companies. Another key component in the support measures for companies is the emergency aid program that helps solo-employees, freelancers and companies up to 50 employees. The Federal Government and the Länder are working closely together to make sure the aid reaches those who need it the most.



In Baden-Württemberg companies can get from 9,000 up to 30,000 euros depending on their size. The money is a financial contribution in the form of a non-repayable subsidy.

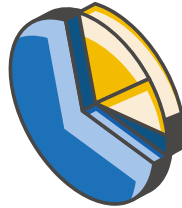
In Baden-Württemberg companies can get from 9,000 up to 30,000 euros depending on their size. The money is a financial contribution in the form of a non-repayable subsidy. The Chambers of Commerce and Industry and the Landesbank of Baden-Württemberg jointly work on the applications. In a unique and unprecedented cooperation payments were executed rapidly and easily. By May 11, 2020, the Chamber of Commerce and Industry for Stuttgart Region processed more than 80,000 applications for emergency aid. This is a great success.

But not only financial aid is needed right now. Many companies are not able to fully restart their business due to logistic problems. In many cases international supply chains are still being disturbed or interrupted. Container ships with loads of components don't get the permission to land, custom clearance is not carried out because of certain restrictions or components can't even be produced because of a lack of material or manpower. There is a vast range of possible obstacles within the supply chains and they are preventing companies from heading back to the pre-corona production rates.

That's why the German government has recently also come up with a program to support companies in re-ensuring their supply chains, which is carried out in Baden-Württemberg by the German Chamber of Commerce for the Stuttgart Region. It provides information to companies whose supply chains are affected and supports them in finding a solution. It also reflects the companies' needs to the government so that political decisions can be influenced by the reality that companies face these days. The German Chambers of Commerce are well skilled for this task. They have a great experience in accompanying their member companies' international affairs over many years and they can rely on a huge international network of partners such as the German Chambers Abroad or the German Embassies.

We are convinced that working together in this and in many other ways is the key to getting the business of our region restarted even under past lockdown conditions and we hope that the close relationships of the Baden-Württemberg economy to our foreign partners can fully be revived.

FOR COMPANIES



9.000 -30.000€

WE NEED TO CHANGE OUR BUSINESS MODELS FAST

INTERVIEW: **HRVOJE KOLARIC**

CEO of Belupo and Member of the Podravka Management Board



Solution to the crisis is to quickly identify the weaknesses of the existing business paradigm and create a new one and build an organization, offer and market that will be in line with the new logic.

"The crisis caused by the SARS-CoV-2 pandemic is an example of a disruptive crisis that has changed the existing paradigms of both the social and economic systems. It has subjected us to numerous restrictions but also pointed to new opportunities. It has changed the company management logic by redefining the processes. It additionally boosted the digital transformation and changed the work organization process in some organizational units, driving it toward smaller teams, as well as the use of new communication channels and tools", this is how CEO of Belupo and Member of the Podravka Management Board Hrvoje Kolaric answered to what extent the coronavirus has affected his business.

Belupo is the second largest pharmaceutical company in Croatia. It is strategically oriented toward increasing exports and developing new products that meet the needs of the demanding foreign market, so in the countries of Central and Eastern Europe, where it has its branches and companies, it is developing and growing. But, in the new circumstances, all companies need to be fast, Kolaric said, because the present knowledge, competences and resources lose their value in a crisis.

"In this context, we needed to change ourselves and our business models since 'best practices' no longer apply due to the reshaping of their former context. New assumptions have emerged, upon which we need to build our future business logic. I dare to say that we have handled our adjustment to the rapid changes very well, kept pace with our defined business plans, and achieved results", he said.

BL: Do you have an internal strategy for overcoming the crisis and which one?

HK: In a crisis such as this one, it is obvious that the pharmaceutical industry is every country's strategic industry. The sustainability of the healthcare system depends on its strength. In the past few months, Belupo did not face any significant drop in sales revenues – moreover, we are close to reaching the planned figures for the first five months of this year. Nevertheless, one of the greatest challenges that have systematically impeded our business on the Croatian market is debt collection – we are now managing to collect our accounts receivable after 120 days.

However, in the context of revenues earned on our export markets, in particular the Russian Federation where we obtain over fifty percent of our export revenues, we are facing unstable Ruble exchange rates in relation to euro and HRK. Still, with intensive and focused work on our internal adjustments and with putting additional efforts in managing our costs side, I believe we will be able to compensate for the foreign exchange losses incurred so far by the end of the year.

BL: Are you a beneficiary of any of the measures put in place by the Croatian Government?

HK: Many Croatian companies have survived thanks to these measures. Belupo has not used them so far because there was no need.

BL: Do you need state support in some other way - which way?

HK: The Croatian pharmaceutical industry needs direct strategic support



from the Government to release all its potentials, for the benefit of the entire society. This process commenced by amendments to critical legislation in the area of medicines, which took almost a decade and was completed in early 2019 when the new Medicinal Products Ordinance was enacted. The upcoming part of the process comprises further stronger inclusion of generic medicines in the treatment of patients in Croatia, following the models applied by wealthier countries that use this medicines portfolio in their treatment pyramids to make them available to as many patients as possible and to achieve significant savings. This should also be done in Croatia, for which the Ministry of Health and the Croatian Health Insurance Fund are directly responsible and authorized.

BL: When do you expect that the business activities will return to normal and what are necessary prior circumstances?

HK: The solution to the crisis is to quickly identify the weaknesses of the

existing business paradigm and create a new one and build an organization, offer and market that will be in line with the new logic. It will take us some time.

In the past three months in Belupo, all organizational and business processes have been proceeding at a more intensive pace. Our production worked in three shifts, including Saturday, quality control as well. We felt occasional delays in logistics and distribution and procurement, but with a proactive approach and contacts with diplomatic and consular missions in the markets in which we operate, we managed to ensure continuity of supply. No market and no patient was left without the necessary therapy. I am extremely proud of all my associates who have enabled the smooth operation of all organizational units over the past months.

The crisis has given us an opportunity to take a proactive approach by questioning and modifying the existing business logic. Based on my experience, I strongly believe we will know how to use it.

WE MUST MAKE TECHNOLOGY AVAILABLE FOR ALL

CHRISTINE ANTLANGER-WINTER, Country Director Google Austria



Technology can both help us come out of the crisis faster and create a more resilient and more human future.

The past few months have left their marks. While parts of the economy have been able to continue with some semblance of normality thanks to advances in remote work, online shopping and telemedicine, many areas have faced huge challenges.

Throughout lockdown, it has become clear that the use of technology has been critical. Things that felt novel at first - like working remotely, or hosting video conferencing are now becoming the norm. People searching

for online shopping or how to buy online grew by 200% worldwide. Information, shopping, learning, entertainment and connection became online first as we searched, messaged and streamed, accelerating the adoption of technology by many.

Repairing our economies quickly is paramount but we must also fight the urge to restore what we had before. In the face of dramatic change, we should plan not just for recovery but for a review of our economic policies and values. Technology can both help

300% INCREASE



We saw a 300% increase in people taking training during lockdown, and we will do more to understand what tools and certifications can help reach those displaced or vulnerable to this crisis.

us come out of the crisis faster and create a more resilient and more human future, the one that reflects our new values. Yet this will only happen if technology is equally available for everyone, and that responsibility falls to both industry and governments. Firstly, that means helping people find work. By partnering with political-economic stakeholders we can help those who are the most vulnerable from the crisis and ensure they have the opportunity and means to access new types of jobs or training.

We're accelerating our Grow with Google skills training to help people get the skills they need for future jobs or for a change in career. We saw a 300% increase in people taking training during lockdown, and we will do more to understand what tools and certifications can help reach those displaced or vulnerable to this crisis.

Next, we need to help small businesses recover quickly, as they represent the

backbone of our economy and create 85% of new jobs. This is especially true of our local businesses which have heroically helped us all through this crisis, many of which had to quickly pivot online to support their bottom lines. Consumers are likely to continue to shop more online and most businesses will operate under social distancing and restriction for many months.

It will take many years for our economies to recover from the effects of this crisis, and the way we work and do business is changing more quickly than we could have imagined. Google has responded during this crisis in order to help businesses digitise and help countries take advantage of new technologies. Focusing on what we can do better, and not just on what we had before, will build resilience and make European businesses stronger than ever before.

STRATEGIC WORK ON MODERNISATION IS THE ONLY WAY

JANOS ZEMBERI
Owner, SAT-TRAKT Company



Because of the new circumstances, we had chosen to immediately fund the expansion of network capacities, which was an unplanned investment for this period.

I believe that there was no business venture or economy left unaffected by the novel coronavirus and the SAT-TRAKT company had been grappling with the problem since the day it began.

Our company is specialised in the wholesale trade of telecommunication services. On offer are a wide range of telecommunication services and altogether we are the leading distributor of cable television in Vojvodina, as well as one of the leading internet providers in Serbia. Due to the state of emergency in our country caused by the epidemic and because a large

number of our customers had started working from home, there has been a significant increase in internet traffic, as well as in the use of landlines.

Because of the new circumstances, we had chosen to immediately fund the expansion of network capacities, which was an unplanned investment for this period. We do not, however, regret this decision, as it allowed for the unencumbered functioning of the system. It also demonstrated our flexibility in a particularly difficult period. Showing our social responsibility, we also accommodated requests to temporarily suspend services to users who

did not need them during the state of emergency - such as educational facilities, some public enterprises, as well as catering and sports facilities. We had also immediately organised and opened an emergency line for elderly citizens in quarantine so that our employees would bring them food and medicine.

Regarding wholesale capacities, there has been a slowdown, and we have indeed had significantly fewer inquiries into our capacities abroad. However, none of our existing users had cancelled their existing subscriptions. Despite continuing to analyse in detail the situation, its consequences, as well as potential future opportunities, we are noticing that business is starting to awaken and that new service inquiries are coming in.

The state reaction to this crisis was timely and very useful. As a larger business entity with hundreds of employees, we can compare assistance in the amount of three minimum wages for each employee to just the right amount of oxygen we needed to breathe.

All in all, during this great crisis, SAT-TRAKT has shown great flexibility and efficiency. We can say with certainty that our years-long work on infrastructure modernisation has led to our belief that, once the pandemic subsides, we will be a healthy and strong company.



The BWGV members consist currently of 168 cooperative banks, 317 agricultural cooperatives and 313 commercial cooperatives. More than 32,000 people work for these cooperatives.

THE “LAND OF COOPERATIVES” JOINTLY FIGHTS COVID-19

DR. ROMAN GLASER

President of the Baden-Württembergischer Genossenschaftsverband



Compared to Baden-Württemberg, there is no other federal state in Germany with a higher relation of cooperative members to residents. Therefore, we call it the “land of cooperatives”. About 4 million of Baden-Württemberg’s 11 million inhabitants are member of a cooperative organization. Although most of them are members in one of the multiple Volksbanken and Raiffeisenbanken cooperatives, they exist in more than 50 different business sectors – like agriculture, crafts, services, trade and renewable energies. Cooperatives are jointly owned and democratically controlled enterprises with the legally defined goal of promoting the economic activity and the success of its members. For more than 150 years, cooperative organizations are based on the principles of self-help, self-responsibility and solidarity – and they are doing better

than ever before. Cooperative companies are sustainable, secure and reliable and this way a perfect example of social market economy. In 2016, the UNESCO showed its appreciation for the cooperative idea by adding it to the famous “list of intangible cultural assets”.

The Baden-Württembergischer Genossenschaftsverband (BWGV) acts as an association of more than 800 cooperative companies in the federal state of Baden-Württemberg. The BWGV is already 156 years old and serves his members with high quality services including audit, consulting, education as well as political and public affairs. The BWGV members consist currently of 168 cooperative banks, 317 agricultural cooperatives and 313 commercial cooperatives. More than 32,000 people work for these cooperatives.



During the past decade, 280 cooperatives were founded in Baden-Württemberg in many different sectors – like, for example, urban and rural development, digitalization and platforms, renewable energy, mobility, as well as medical care. The core concept of cooperatives can be flexibly applied to the most diverse industry structures. Thus, we can look forward to many more cooperative approaches in the future.

The cooperatives in Baden-Württemberg – as well as the whole economy – are heavily affected by the COVID-19 pandemic but they are also key players in overcoming it for their members and customers. The BWGV supports its members by offering many practical services, strong political advocacy and professional communication. A digital platform with all relevant in-

formation and services on COVID-19 as well as webinars and other support measures are positive examples of the association’s support for its members. Despite the very challenging situation, the crisis can be a big chance for urgently needed economic and social changes. During the COVID-19 lockdown, people seem to have changed their view on the importance of regional products, services and companies. This could – if it lasts – once again lead to a renaissance of cooperatives and the outstanding cooperative idea. The BWGV is convinced that the cooperatives as well as the small and medium-sized economy in Baden-Württemberg in general will jointly cope with the economic crisis and will become stronger through this challenging situation.

The cooperatives in Baden-Württemberg – as well as the whole economy – are heavily affected by the COVID-19 pandemic but they are also key players in overcoming it for their members and customers.

EUROPE, CORONA AND WESTERN BALKANS

FRANZ SCHAUSBERGER

Professor of Modern Austrian History
Former governor of Land Salzburg
President of the Institute of the Regions of Europe



The corona crisis hit all European, state, regional and local levels with full force. While the European Union, after initial hesitation, tried to activate the necessary coordinating and financial support in line with its very limited responsibilities in the health sector, the EU Member States acted very differently.

Where the EU has competences regarding the corona crisis, there are effective measures, for example in the area of economic aid.

The corona crisis has shown the urgent need for much more technological sovereignty and self-sufficiency in Europe vis-à-vis other players such as China, the USA and Russia. Only in this way will Europe manage to be a strong common economic and political player towards all those whose intent is to weaken Europe as politically as possible. Climate protection and digitization must also be part of an innovation program for greater prosperity.

The common, applicable EU rules regarding budget and debt policy have resulted in sufficient financial resources being available during the crisis so that the preventive state can fulfill its tasks. After the crisis, it will be necessary to return to these rules. To be prepared for a coming crisis. Because the next pandemic is bound to come, even if we don't know from where, where and when.

The force of the pandemic necessitated rapid government action - also at the risk that parliamentarism and democratic practices would be reduced and freedom rights were drastically restricted. This was neither out of joke and madness nor from the intention to transform democratic states into authoritarian ones. It was in the interests of human health and safety. However, once the pandemic subsides, normal democratic standards must be restored as quickly as possible.

Despite the corona crisis, there has been noticeable progress in the relationship between the EU and the Western Balkans. At the end of March, the go-ahead for negotiations with North Macedonia and Albania was given. At the virtual Western Balkans Summit on May 6, the EU Commission announced that it would receive Corona aid worth over three billion euros. In addition, agreement was reached on support as part of a longer-term economic and investment plan.

The visit of the two Austrian ministers, Schallenberg and Edtstadler, to Albania, Serbia and Kosovo* on May 29 should also underpin this perspective of a rapprochement with the EU. The task now is to make progress in the reforms demanded by the EU, particularly in the areas of justice, the constitution, the rule of law and freedom of media.

The common, applicable EU rules regarding budget and debt policy have resulted in sufficient financial resources being available during the crisis so that the preventive state can fulfill its tasks.

The countries of the Western Balkans are far less affected by the corona wave than some other European countries. Governments in Southeast Europe have responded to the pandemic with strict measures from the start. Strict exit restrictions, curfews and closed borders have largely protected the population and prevented rapid spread. The ailing health systems, weakened by corruption, also managed to some extent to meet the current challenges.

Due to poor pay and nepotism, many medical professionals have left the Balkans in recent years. The current scandal about the Prime Minister of the Federation of Bosnia and Herzegovina over the suspicion of abuse of office, money laundering and bribery in connection with the purchase of 100 ventilators for people with corona shows how vulnerable and fragile this system is.

In Bosnia-Herzegovina, with perhaps the most complicated state structure in Europe, the ethnic-national incendiary speeches that were common before the corona have almost completely disappeared. The chronically

disputed state presidency suddenly came together to call for unity to all citizens of the country.

Many of the so often blocked institutions suddenly showed an unknown ability to act. For the first time in a long time, the people of Bosnia had the impression of a functioning state. It remains to be seen whether this situation will continue.

To fight the pandemic in the Republika Srpska, the regional health minister Alen Seranic, a Bosniak, has achieved great popularity in the crisis. As an epidemiologist with practical experience, he has a high level of expertise. He provides careful information about the situation and gives credible recommendations for action.

It was also possible during the crisis that the EU Council on 26th May adopted two agreements with Montenegro and Serbia on border management cooperation between these countries and the European Border and Coast Guard Agency (Frontex). These agreements allow Frontex to assist Montenegro and Serbia in border management against illegal immigration and cross-border crime.

In the first big conference, the Institute of the Regions of Europe (IRE) will deal with all questions about "Europe and Corona - Dangers and Chances" at the 16th Salzburg Europe Summit from September 27th to 29th, 2020. High-ranking representatives from business, science and politics will discuss the effects of the pandemic on economy, finance, democracy, European integration and how to deal with the consequences of the crises.



WE NEED TO ADAPT AND REACT QUICKLY

BERAT RUKIQI

President of the Kosovo Chamber of Commerce

Different scenarios have been designed locally and globally, however, I believe that we will need two to four years to recover.

The effects of the pandemic Covid-19 have already been devastating for Kosovo's economy. Economic growth is expected to decrease from -2% to -5 %. The pandemic had negative impact in remittances and FDI, decrease in exports and general decline in economic activity. Furthermore, there are over 100,000 people who are not in the workplace, since the imposition of restrictive measures, to prevent the spread of the pandemic. It's a fact now that the pandemic has affected the supply and the demand side locally and globally. The productive capacities of countries across the world are being affected, as the measures mean less people working and disruptions to supply chains. Demand is also being affected as fewer jobs and less income means less spending locally and globally. On the other hand, during and after the world economic crisis, Kosovo has experienced a decrease in exports and mainly in attracting foreign direct investments. Moreover, the biggest impact was the decrease of remittances considering that diaspora was living and working in countries that were more affected by the crisis. How long the economic impact will

last is difficult to predict and depends on various factors (we can and can't control). One thing is clear, that the economic cost and consequences of Covid-19 are going to be considerable and we need to adapt and react quickly so the recovery doesn't last for years and years. Different scenarios have been designed locally and globally, however, I believe that we will need two to four years to recover. This is dependent on the policy response and the adaptation of different sectors of our economy to the new circumstances. Having in mind that the crisis has also affected the mindset of the population, this could potentially be the opportunity for further development of the sectors of economy which include new technologies, innovations, digital transformation of current businesses, etc.

Surviving of a small business

The majority of businesses operating in sectors affected by the preventive measures had turnover zero for two months and about 50% of active businesses were closed due to the preventive measures (this percentage

reaches about 70% when it comes to small businesses). Such figures show us small businesses will be the hardest hit from the current COVID-19 pandemic, however, the effects of the ongoing coronavirus crisis are being felt in every sector of the economy, directly and indirectly.

However, during this crisis, assistance should be targeted to those types of businesses likely to bear a large burden of negative impact (HoReCa, tourism companies, individual farmers, etc.). The majority of businesses were/are impacted in the following areas: sales, staff availability, supply chain and finance. It is very important for all sectors, especially small businesses, to be provided with support by government and financial institutions. Securing liquidity is crucial at this point, therefore, small business should advocate for efforts to provide immediate liquidity and keep companies solvent in order to combat this challenge. Moreover, it is very important for businesses to adapt to the new circumstances, upskill the staff, reorganize, reprioritize and restructure their business model, reshape their mindset and shift to digital where needed.

Our recovery package

The Kosovo Chamber of Commerce, in the capacity of legal representative of the business community, with a network of 15,000 members, organized in 30 sector associations and 7 regional units, has already prepared the first draft of proposals for the economic recovery package. Such package is divided in four areas including: liquidity, competitiveness and integration in global supply chains, digitalization, tax and non-financial instruments/measures. Some specific measures of this proposed package for economic recovery include:

It is very important for businesses to adapt to the new circumstances, upskill the staff, reorganize, reprioritize and restructure their business model, reshape their mindset and shift to digital where needed.

- Grants dedicated to investments in new equipment, staff training and retraining, certification, and a scheme to support employment.
- Partial payment of electricity costs or investments in energy efficiency.
- Subsidy of salaries (in the amount of 170 euros), for sectors with significant decrease in turnover, at least until 31 August 2020.
- Rent compensation (50% of the value), at least until 31 August 2020.
- Grant for preparations of firms to export: dedicated to: staff re-training, implementation of protection measures and safety and health standards for COV-19; implementation of international standards and criteria for export, promotion of companies and products;
- Lending with 1%-2% interest, for increasing the export capacity of the sector: wood, metals, plastics, food and ICT.
- Grant allocation for digital transformation and creation of e-commerce platforms.
- 'Tax breaks' up to 5 years, depending on the value of investments, for new investments, including foreign investments.
- VAT at the rate of 0%, for production inputs and equipment purchased by local producers.
- Differentiated VAT rate (8%), for the tourism, HoReCa, real estate and transport sectors.



As we continue to adapt to this unprecedented situation, Kosovo Chamber of Commerce is committed to serve as a voice of businesses and advocate for all businesses affected by Covid-19. As a chamber and legal representative of businesses we will continue to advocate and work in the economic recovery plan and help businesses recover as fast as possible. On the other hand, considering the importance of digitalization during this time, we will help businesses digitalize, through the Center for Digital Transformation (a part of Kosovo Chamber of Commerce). At this time, it is important for all the key stakeholders to coordinate their efforts, including government, business associations, local and international partners and every citizen, so we could mitigate the crisis and get back to normal again.

AUSTRIA – COUNTRY OF POSSIBILITIES AND HIDDEN CHAMPIONS

INTERVIEW: **GERLINDE GAHLEITNER**, Director Southeastern Europe at ABA – Invest in Austria



We advise foreign companies and startups interested in establishing business operations in Austria on all business location issues.

“Austria ranks among the most innovative and successful countries in the European Union. The dynamic business location stands out thanks to its modern infrastructure, high-quality technologies and well-trained, highly motivated specialised personnel. However, unknown to many, Austria is also a country of hidden champions”, said Gerlinde Gahleitner, Director Southeastern Europe at ABA – Invest in Austria.

She explained that Austria boasts the most world market leaders in relation to the number of inhabitants. “Niche players in all sectors such as Kreisel, Doppelmayr and ViraTherapeutic manufacture outstanding, leading-edge products. FACC helps the international aviation industry to reduce fuel consumption by deploying new materials. Companies such as Red Bull, Swarovski and Manner which are not necessarily perceived as Austrian brands have gained a worldwide reputation”, she said.



Is Austria still an “East-West bridge-head” despite our radically changed world?

Austria’s central location at the interface of important transport routes enables optimal market access i.e. as the starting point for the prosperous DACH markets (100 million consumers) or as a hub for the entire EU region. Not only does it leverage the benefits of a common internal market due to its EU membership but serves as a North-South and East-West interface, offering strategically crucial advantages for international trade in Europe. Austria is still the number one business location for building up ties to South East and Eastern Europe. These dynamic markets are a magnet for many multinationals. Moreover, Austria has more qualified specialists with foreign language skills for doing business internationally than other Western European countries.

About 20 percent of the population have a migration background, and three-quarters of them come from Central and Eastern Europe. These migrants have above-average qualifications and speak an average of three languages.

How does ABA specifically support international companies aiming to set up business operations in Austria?

We advise foreign companies and startups interested in establishing business operations in Austria on all business location issues. Services range from site selection, consulting on labour and tax regulations, funding and financing possibilities, cooperation partners and support in handling formalities with public authorities to gathering information on schools for employees’ children and the best residential areas.

ABA – Invest in Austria has already received multiple awards for its consulting services, including being named the world’s best investment promotion agency by the World Bank.

ABA – Invest in Austria (ABA) is the first contact for innovative company founders and interested investors.

ABA – Invest in Austria is the investment promotion department of the national business development agency ABA (Austrian Business Agency), which reports directly to the Federal Ministry for Digital and Economic Affairs (BMDW). With its three departments i.e. ABA – Invest in Austria, ABA – Work in Austria and Location Austria, Austrian Business Agency promotes Austria abroad as a business and research location, an attractive labour market for specialised and skilled employees and as a film location for international film productions, advising clients proactively and individually. ABA – Invest in Austria has already received multiple awards for its consulting services, including being named the world’s best investment promotion agency by the World Bank.

ADVANTAGES AND POSSIBILITIES OF ALUMINUM

KEVIN KRETZ, Managing Director, Alutec metal innovations GmbH & Co. KG



The combination of high precision, process capability, the light weight and many other excellent properties of aluminum, enables alutec to deliver millions of parts per year to automotive business customers worldwide.

Alutec has been a family owned company for more than 30 years in the market for impact extruded and machined aluminum parts. With its 200 employees Alutec is located in Sternenfels, a small village in the southwest of Germany close to Stuttgart. The area is well-known for its high-tech automotive and mechanical engineering companies. The technology of aluminum impact extrusion has the great advantage of forming cold material into an almost perfect net shape by one press stroke in very short processing time. Only a small amount of material needs to be machined by standard technologies like drilling or milling in highly productive and pre-

cise CNC-production lines. The surplus material is no waste. It's recycled almost 100% to become again a raw material for alutec. With a big range of impact extrusion presses and machining equipment, alutec is able to process about 2,000 tons of aluminum per year.

The combination of high precision, process capability, the light weight and many other excellent properties of aluminum, enables alutec to deliver millions of parts per year to automotive business customers worldwide. As a 2-tier supplier for automotive OEMs, alutec knows the market rules concerning "zero-defect" deliveries at a maximum of effectiveness. The

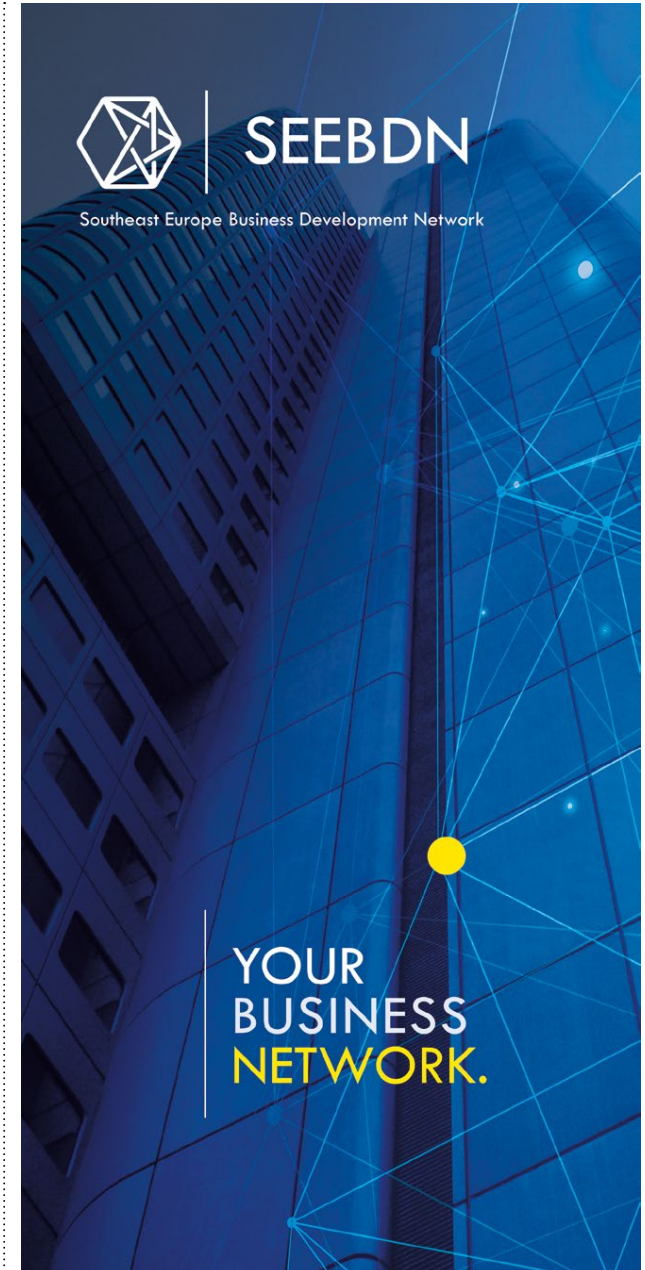
Serbia seems to be one of preferred locations. It combines the potential of motivated human resources to build up a new business and create local employment with the aspiration of getting connected to the European market and all its possibilities.

challenge of global sourcing strategies, best flexibility on customer requirements for a competitive product is daily business.

Sometimes it is demanding and it affords all the creativity to design technological high-end solutions with commercial cleverness and fast adaption to continuously changing conditions.

The three managing partners of alutec, all experienced hands-on managers who are in this business for many years now, are united in their fascination of these challenges.

With the intention of business development, the managing partners believe in their global expansion strategy in order to establish alutec technology clusters at places with best conditions. As part of this strategy, Serbia seems to be one of these preferred locations. It combines the potential of motivated human resources to build up a new business and create local employment with the aspiration of getting connected to the European market and all its possibilities. Alutec will evaluate both, chances and risks, again with optimism, creativity and strong belief in shared success.





SEEBDN

WHO WE ARE AND WHAT WE DO?

The Southeast European Business Development Network (SEEBDN) is an independent business association of prominent managers, entrepreneurs and diplomats from the countries of Southeast Europe, Germany and Austria. We are a not-for-profit association (eingetragener Verein) based in Vienna.

The SEEBDN aims to enhance international business operations of SEE economies, particularly with the EU market, focusing particularly on developing new business networks and stimulating business operations of small and medium-sized enterprises (SMEs) on external markets, but we are not neglecting large companies either.

In this process, the SEEBDN will seek to support inclusion of SEE economies in European Commission's development projects, as well as in national projects of EU members states, aimed at boosting foreign economic ties.

For the benefit of its members, the SEEBDN will use different resources. The SEEBDN shall seek to link business people, scientists, politicians and other stakeholders in European and regional processes of importance for the SEE economies. We shall also strengthen the flow of reliable, topical, economic, financial, business and political information and analyses of importance for the SEE region.

We are offering advertising opportunities in the region, as well as in the EU and the international market, mainly through the Business Link magazine, and organization of occasional meetings for business people from the SEE and the EU in order to connect them with companies interested in business partnerships.

Our organization would mainly focus on business activities of small and medium-sized enterprises, modern technology transfer, know-how, and would also stimulate the use of digitalization and enhanced activities towards developing a business network aimed at linking SEE countries with interested companies in the EU.

The SEEBDN shall provide additional financial resources from EU funds, funds of EU member states and other sources. Provision of regular online access to programs of support to SMEs, which are offered by the EU or state and business agencies from the region and the EU (tenders, other calls for proposals).

If you wish to join our association and use all business opportunities that we can offer to our members, for more information please visit our official website: www.seebdn.eu.

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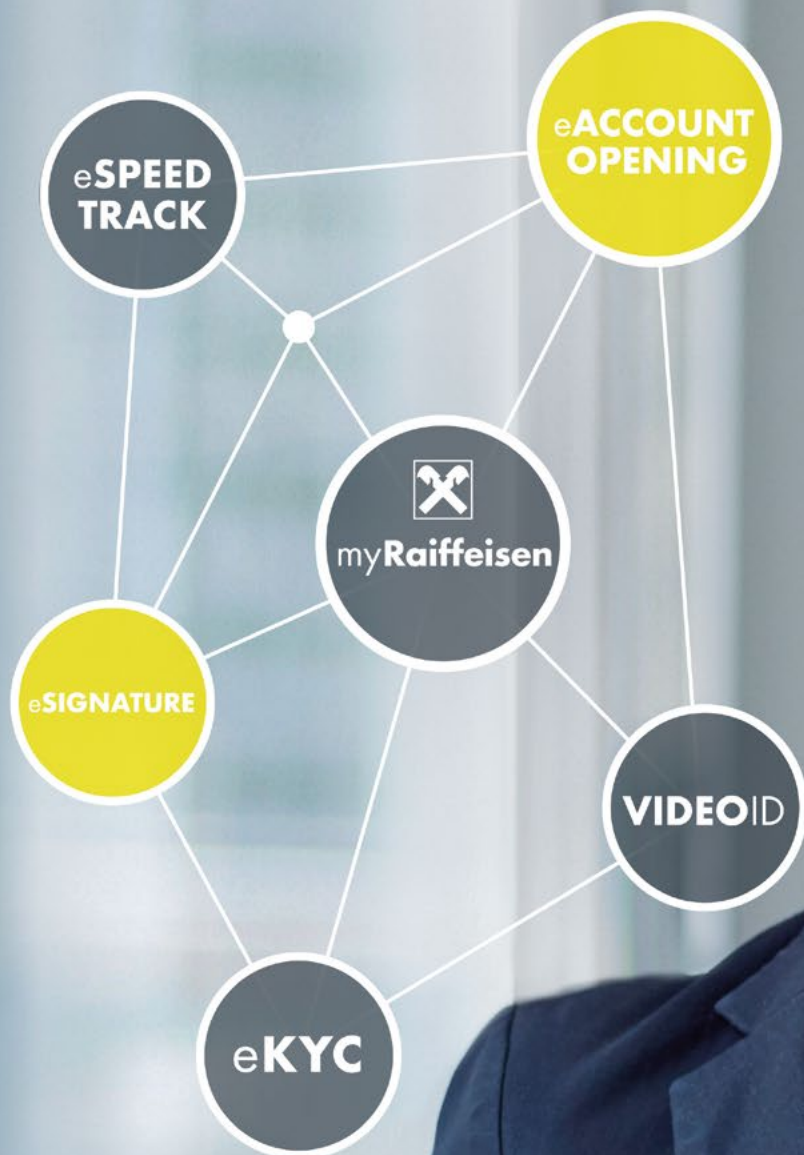
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