



Weekly Briefing

**Serbia economy briefing:
The Serbian National Recovery
and Resilience Plan supported by the EU**
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Abstract

As other countries in the world, apart their inner weakness, Serbian economy is confronted with the challenge brought by pandemic of the COVID-19. Given to the seriousness of the disease, the most of the available funds was reallocated in order to secure functioning of the medical system and to obtain necessary medical supply in order to preserve lives. Coping with this challenge would face even wealthier countries with the lack of finances in case that there were no other resources. In this this particular case, that resource is the European Union.

Introductory notes or the basement of the EU support to the Republic of Serbia

After the change of government in Belgrade on October 5, 2000, membership in the European Union became the leading goal of the new political elites. Then, Serbia, as a member of the Federal Republic of Yugoslavia, became part of the Stabilization and Association Process (November 2000). During the Thessaloniki European Council in 2003, Serbia – along with 5 other Western Balkans countries – was identified as a potential candidate for EU membership.

The Serbia National Assembly in October 2004 adopted a Resolution on Accession to the European Union¹. The biggest breakthrough on the country's path to the European Union was made in Luxembourg on April 29, 2008, at the meeting of the General Affairs and External Relations Council of the EU, by signing the Stabilization and Association Agreement and the Interim Trade Agreement.²

In line with the decision of the European Council in June 2013 to open accession negotiations with Serbia, the Council adopted in December 2013 the negotiating framework and agreed to hold the 1st Intergovernmental Conference with Serbia in January 2014. Held on

¹ Резолуција о приступању Европској унији, Народна скупштина Републике Србије, 13/10/2004, <https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/skupstina/rezolucija/2004/112/1>, accessed on 30/09/2021.

² In February 2010, the Interim Agreement on Trade and trade related matters entered into force and in June the unfreezing of the Stabilisation and Association Agreement (SAA) was decided, putting Serbia solidly back on the path towards EU Membership. The SAA between the EU and Serbia entered into force in September 2013. Dragan Đukanović, Ivona Lađevac, „Prioriteti spoljnopolitičke strategije Republike Srbije“, *Međunarodni problemi*, godina LXI, broj 3, 2009, str. 343-364.

21 January 2014, the 1st Intergovernmental Conference took place, signaling the formal start of Serbia's accession negotiations.

With more than 3 billion EUR in non-refundable aid over the past two decades, the European Union became the biggest donor in Serbia and the country's number one partner in supporting development and ongoing reforms.

First programs of support were realized through Community Assistance for Reconstruction, Development and Stabilisation Programme (CARDS). In 2006, the CARDS Programme was replaced by the Instrument for Pre-accession (IPA) which ran until 2013. The IPA was followed by the IPA II which brought Serbia 1.5 billion EUR in grants in the period from 2014-2020 (some 200 million EUR per year). The IPA II Programme is focused on the key areas which should facilitate Serbia's preparation for its membership in the European Union.

Serbian economy and the EU's ongoing programme of support

With a relatively low economic contraction in 2020, Serbia is among the least affected by the COVID-19 pandemic in emerging Europe. According to the National Bank of Serbia, Serbia was among the countries that were less impacted by the pandemic due to the achieved macroeconomic and financial stability, growth momentum, fiscal space created in previous years, large and timely monetary and fiscal package, and structure of the economy.³ Such circumstances allowed Serbia to prepare and conduct "Programme of Economic Measures to Mitigate the Negative Effects Caused by the COVID-19 Pandemic and Support the Serbian Economy in 2020 and 2021".⁴

Implemented measures were delivered in five groups – tax policy, direct assistance to the private sector, measures to preserve liquidity, other measures and additional package. Their effects were foreseen to foster positive trends in the area of the labor market, macroeconomic and fiscal stability, overall growth and investment activity.

Besides all these, Serbia still needs support in order to achieve long term stability which will boost its development and take it faster to the European Union membership. In that respect,

³ "Macroeconomic Developments in Serbia", National Bank of Serbia, https://nbs.rs/export/sites/NBS_site/documents-eng/finansijska-stabilnost/presentation_invest.pdf, accessed on 30/09/2021.

⁴ Ibidem.

Serbia continues to work close with the EU and each year signs the IPA financial agreement for projects whose implementation is planned in the coming period.

In order to help recovery of the Serbian economy, but also to help in dealing with the environmental issues, the EU is focusing on mid and long term recovery. As expected, this focus is connected with the acceleration of Serbian accession process. The latest programme of support, signed in 2021, is worth over 86 million euros.⁵

This package is divided into three lines

The first is *the competitiveness and economy* and under this line 17 million EUR is envisaged to be used in order to support competitiveness of small and medium sized enterprises, particularly in the tourism sector. If one knows that small and medium sized enterprises are the backbone of each economy, there is no need to explain this further. There is no surprise when comes to the tourism, due to the pandemic this sector was among the most affected. It is expected that this support will allow for improved economic growth in targeted municipalities; improved social infrastructure and social cohesion and upgraded tourism/cultural facilities and stakeholder's skills as part of the Tourism Development Strategy of the Republic of Serbia implementation.

The second line is *the environment*. Under the environment, climate action and energy block, there are two components. The first is a large EUR 45.55 million programme for the environmental sector. An innovative facility is dedicated to the implementation of pilot measures for environmental policy and climate change in alignment with the Green Agenda Funds will further support capacity building for Novi Sad Municipality in solid waste management. It will also provide water monitoring units for the water districts of the Danube, Sava and Morava rivers, as well as improved air quality monitoring across the territory of Serbia. Waste water treatment facilities will be built for the cities of Loznica, Cacak and Sokobanja.

The results expected include unlocking the potential for more green investments under Green Agenda, the construction and operation of 3 modern wastewater treatment plants to serve around 160,000 population equivalent. In the targeted cities, wastewater will be fully treated,

⁵ Recovery and Resilience Facility, European Commission, Brussels, https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en, accessed on 30/09/2021.

as compared to current situation where the wastewater is discharged directly without any treatment into rivers.

A second part of that block is the support to the Regional Energy Efficiency Programme for a dedicated window for financing projects in Serbia, in the value of EUR 9 million. The programme will support projects leading to buildings retrofitted in line with the energy performance standards set out in the Energy Performance of Buildings Directive, leading in the future to CO2 reductions.

This entire line will be delivered to Serbia in a form of grant which prove that the environmental issues are among the top priorities of the EU.

Good governance is the third line. It is worth 14 million EUR which will be dedicated to support the reforms on governance, acquis reforms and Serbia's participation to EU programmes.

The EU accession process of Serbia implies ambitious and comprehensive public administration reform (PAR). Bearing in mind that since 2014 PAR is defined in the main strategic documents of the European Commission as one of the three reform pillars in the EU enlargement policy, focus on this horizontal reform – which represents substantially a prerequisite for achieving success in all other sectoral policies – has significantly grown.

The project “Partnership for Public Administration Reform and Public Services in Serbia – PARTnerships” aims to contribute to the creation and implementation of policies in the area of public administration reform ensuring more participatory and citizen-centric design and improving accountability and responsiveness of the Serbian government for the quality of services it delivers. Working both at the level of policy development and community level, the project will focus on improving quality and transparency in designing and delivering the most requested types of public services in the area of health, education and internal affairs.

Public Administration Reform Strategy 2021-2030 and its accompanying Action Plan was made with the assistance of the European Union to experts from two projects in support of public administration reforms in Serbia funded by the EU - the project “EU4PAR” and the project “Visibility and Communication PAR”. The projects started in 2018 and will last until 2023. Aforementioned sum will be allocated to activities that will lead towards the fulfillment of the goal of achieving the good governance.

Conclusion

Notwithstanding Serbian relatively fair response towards the COVID-19 crisis, set of national recovery plan and enhancing country's resilience would be almost impossible to achieve without international programs. Given to the fact that Serbia is dedicated to its foreign policy goal – to become the European Union member state – programs provided by the EU is among the most important. This year's program is worth above 86 million EUR and covers three very important aspects: the environment, competitiveness and economy and good governance.