

Donor-Funded Assistance to Serbia

Table of Contents

Introduction	03
Donor Activity in Serbia 2010-2015	04
Donor Organisations and Donor Countries	06
Nr.1 bilateral donor: United Arab Emirates	06
Nr.2 bilateral donor: Germany	07
Nr.3 bilateral donor: Japan	08
Nr.4 bilateral donor: United States of America	09
Top 3 Contributors by Multilateral Organisations	10
Largest multilateral organisation: The European Union	10
Second largest multilateral organisation: OSCE	12
Third largest multilateral organisation: The United Nations	13
Assistance Breakdown by Sectors	15
Foreign Direct Investments	16
Remittances	17
Conclusions	18
References	19

Introduction

The Republic of Serbia, a landlocked parliamentary democracy in the central Balkans, has a population of approximately 8.8 million. Serbia is an upper middle income country with a GDP estimated at \$37.7 bn or \$5,376 per capita in 2016 (IMF, 2017).

Serbia officially applied for European Union membership in 2009 and received the full candidate status in 2012. The EU is Serbia's main trading partner, accounting for 66.1% of Serbian exports and 63.1% of imports to Serbia in 2016 (Statistical Office of the Republic of Serbia, 2017).

The labour market and the social situation are challenging. The unemployment rate was at a record high of 24% in 2012 and it decreased to 19.7% at the end of 2016. Nearly 9.6% of Serbian people are estimated to be living in poverty (UNDP Serbia, 2017). International Financial Institutions and donors have provided major loans and grants for projects in transport, environment, energy and competitiveness sectors.

This report presents the state of ODA received by Serbia based on a thorough analysis of official reports from international organisations (such as the OECD, the UN, the EU, etc.) published during the period 2010–2015.

It begins with a short description of donor activity in Serbia from 2010 to 2015, and continues with an analysis of the top four donor states and the top three multi-lateral donor organisations to Serbia.

This report also contains broad information on direct investments and remittances.



(Photo: subotica.rs)

Donor Activity in Serbia 2010-2015

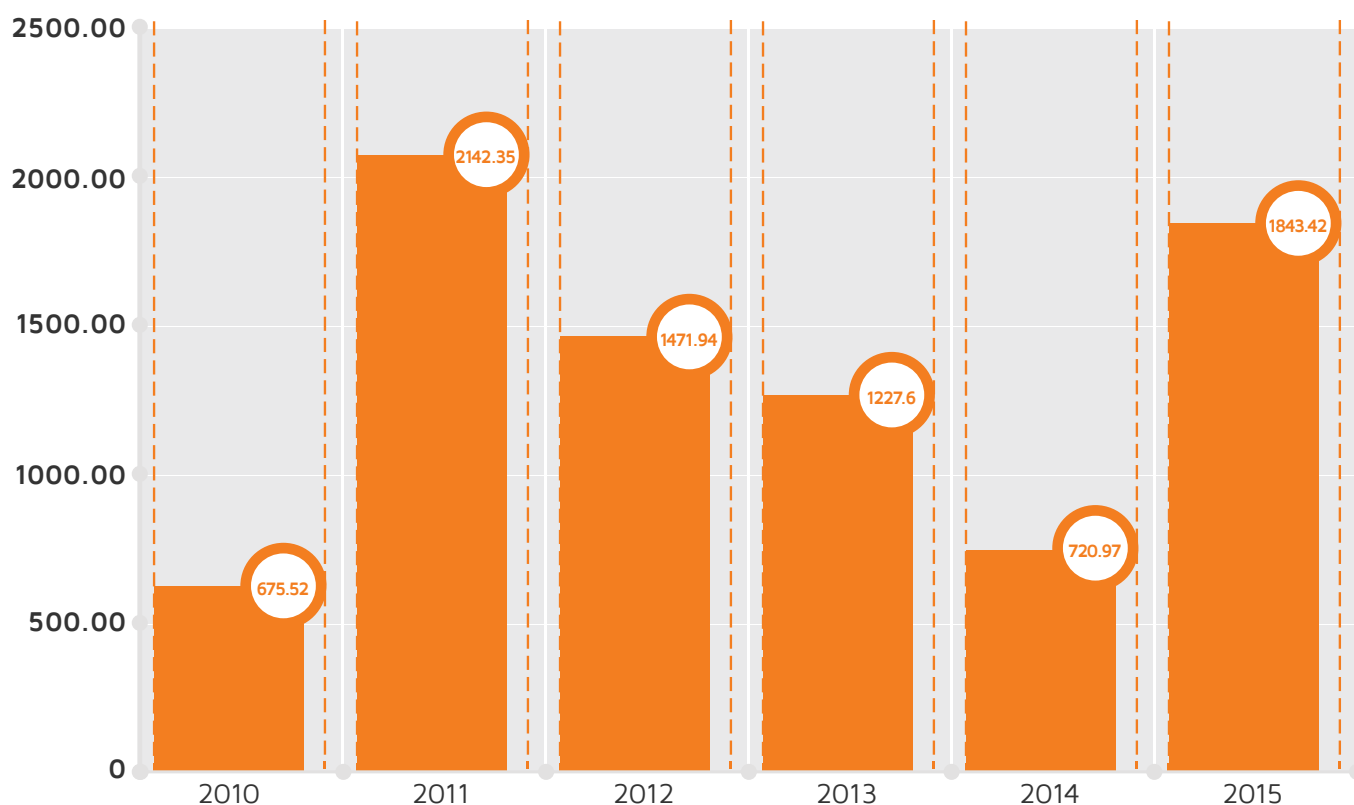
According to the OECD database, in the period 2010-2015, the disbursed development assistance to Serbia amounted to USD 8081.80 million. This amount was spread rather unevenly over the years. The lowest level of development aid was recorded in 2010. This was a direct consequence of lower donor budgets resulting from the world economic crisis.

2011, on the other hand, was characterised by a stable political situation and a wide consensus resulting in significant steps and commitments towards EU integration. This resulted in the highest recorded level of development aid disbursed to Serbia. In the following years 2012, 2013 and 2014 aid levels have shown a declining trend. This was caused by frequent bottlenecks in relation to Serbia's absorption capacity of large donor funds. (Source: European Court of Auditors, Special Report: EU Pre-accession Assistance to Serbia)

In 2015 development assistance levels grew considerably as a result of the catastrophic floods that hit Serbia in 2014 and caused considerable damage. It was further a result of an unprecedented refugee crisis that hit the Western Balkans in 2015. This prompted donors to increase the amount of funds allocated to Serbia for an effective management of the migration flow and improved reception conditions.

Development Assistance Inflows to Serbia (\$,m)

2010-2015



Source: OECD, 2017.

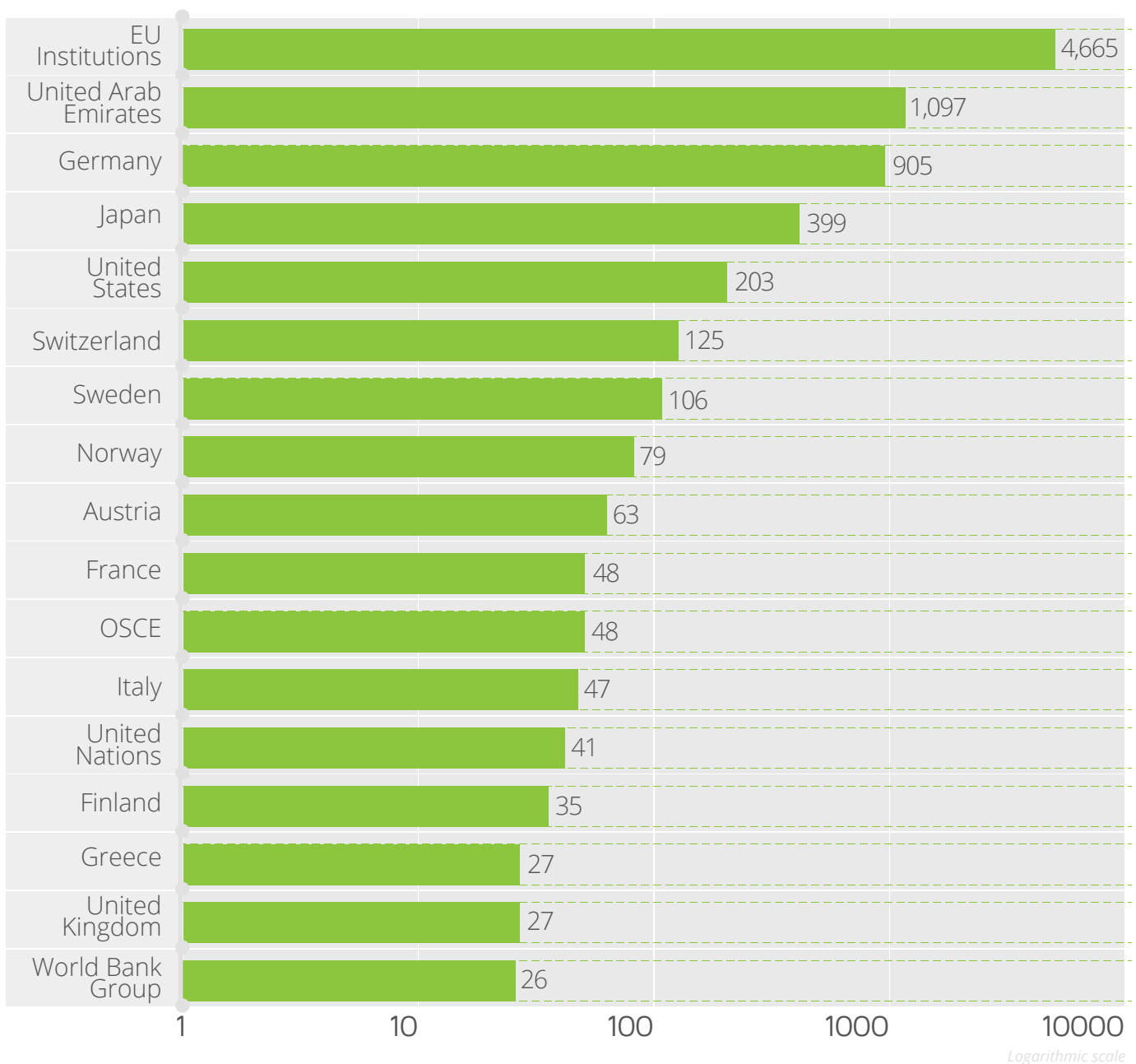
With a desire to complete European Union (EU) accession, the various EU institutions* clearly outrank all other countries and organisations in donations to Serbia.

Following the EU, the OSCE and the UN make up the top supranational donors.

The top donating individual countries (in order of assistance given) are the United Arab Emirates, Germany, Japan and the United States.

Assistance to Serbia from main donors (\$,m)

2010-2015



Source: OECD, 2017.

*Following OECD guidelines, EU Institutions also include the European Investment Bank (EIB).

Donor Organisations and Donor Countries

Nr.1 bilateral donor: United Arab Emirates



*Former Serbian President Tomislav Nikolic visiting the United Arab Emirates
(Photo: predsednik.rs, 2016)*

In 2015, the United Arab Emirates, the largest bilateral assistance provider, offered a soft loan for direct budget support in the amount of \$1 bn. The goal of the loan was the support of the economic development of Serbia through the reduction of financing costs, improving the economic situation in the country, and for refinancing existing debts.

Source: ft.com, 2016.

Nr.2 bilateral donor: Germany

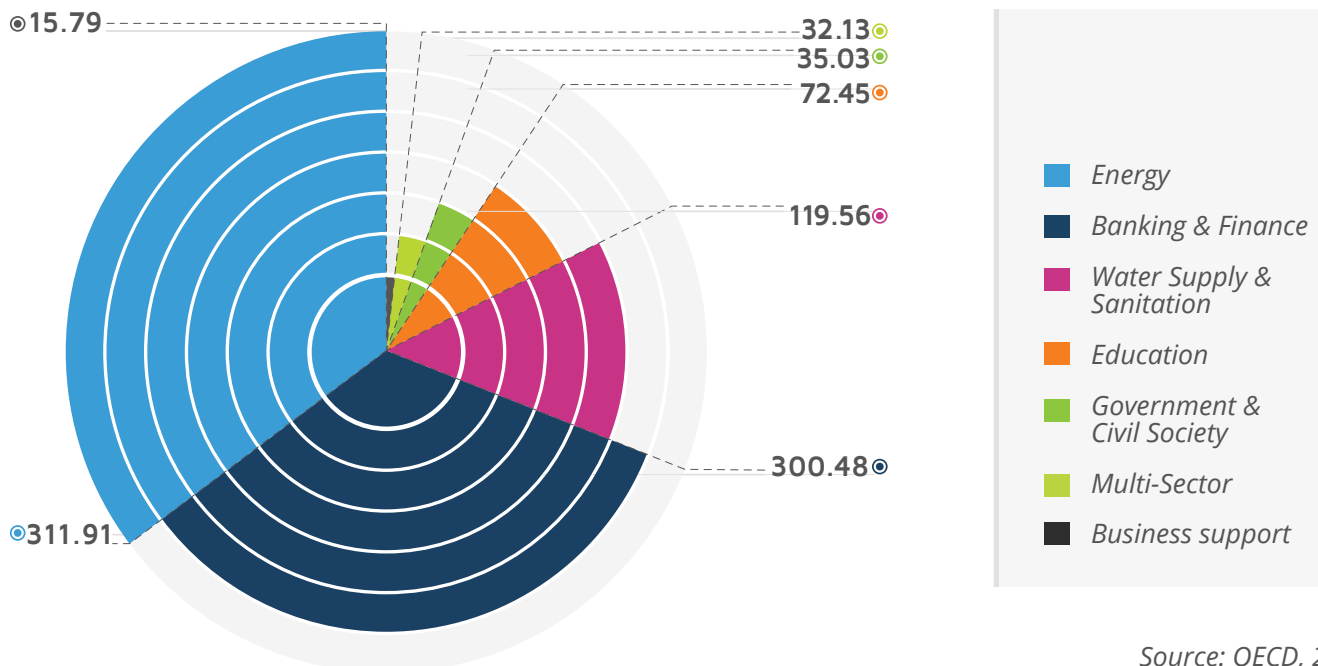
Germany is the second biggest bilateral partner in development cooperation with the Republic of Serbia. The assistance it gives is aimed at contributing to peace, stability and prosperity in Serbia, and in the region. An important objective of the German development cooperation is to help Serbia in its EU Accession process.

The cooperation focuses on the following priority areas:

- | Public infrastructure
- | Sustainable economic development and employment promotion
- | Democracy, civil society, public administration

Source: Federal Ministry for Economic Cooperation and Development of Germany, 2017.

Top Sectors by Commitments from Germany (\$,m) 2010-2015



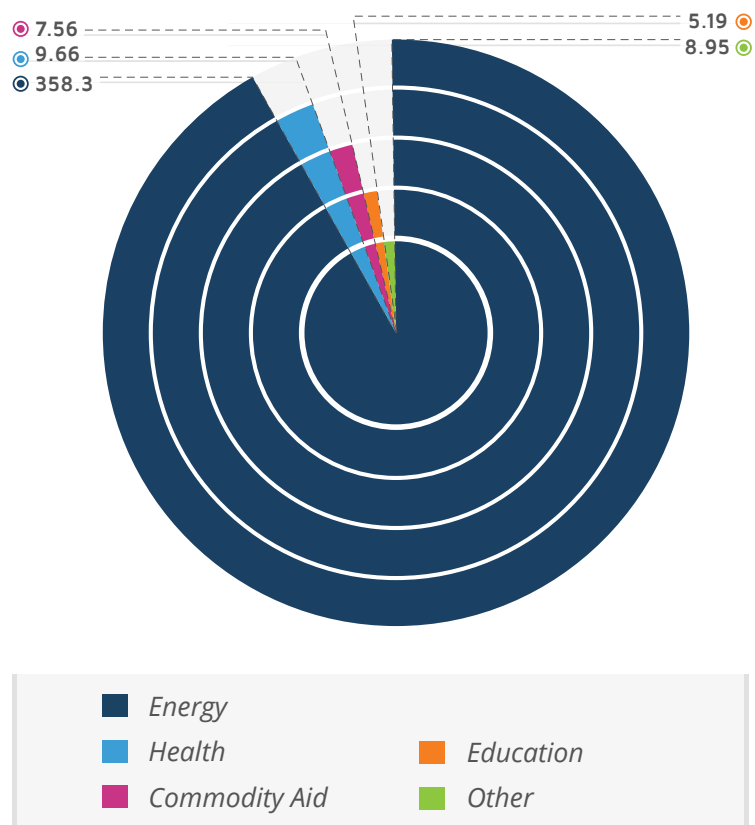
Source: OECD, 2017.

Biogas plant Mirotin Energo
in Vrbas, Serbia
(Photo: GIZ, 2014)

Nr.3 bilateral donor: Japan

Top sectors by commitments from Japan (\$,m)

2010-2015



Source: OECD, 2017.

Of the total assistance provided by Japan (slightly less than \$400 million), \$354 million is represented by a Japanese ODA Loan for the construction of a Flue Gas Desulphurization Plant for the Nikola Tesla Thermal Power Plant.

The desulphurization plant, to be constructed in the abovementioned project, will make it possible to greatly decrease air pollution, and will be the first built in the Republic of Serbia. Not only will implementation of the present project transfer expertise in areas such as SO₂ reduction and environmental monitoring, but as a model case, the project is expected to have a ripple effect on other thermal power stations in the country. The project is expected to be completed in June 2017.

Source: JICA, 2017.



*Signing of the Loan Agreement between Government of Japan and Government of Serbia
(Photo: eps.rs)*



Nr.4 bilateral donor: United States of America

Top sectors by commitments from USA, 2010-2015	(\$,m)
Government & Civil Society	106.53
Business support services	32.95
Humanitarian aid	18.51
Trade	16.82
Agriculture	8.83
Other	20.14

Source: OECD, 2017

US assistance focuses on helping Serbia further integrate into the EU as it moves forward with the negotiations and the accession process. USAID's strategy includes two assistance objectives:

- | **Strengthening accountability of key democratic institutions;**
- | **Improvement of broad-based, inclusive economic growth.**

In regard to key democratic institutions, the focus is on **promoting good governance;** and **strengthening the rule of law and combating corruption.**

The second objective emphasizes improving the business environment, assisting the Ministry of Finance and Economy to improve its ability to conduct fiscal analyses and formulate strategies; increasing judicial independence; and supporting changes to the business environment that will lead to improved SME access to finance. Since 2010, USAID has allocated over \$200 million to address areas that are important to Serbia's long-term development goals, and U.S. interests.

Source: Country Development Cooperation Strategy 2013 – 2017

USAID and Divac Foundation help Refugees in Belgrade (Photo: USAID, 2017)



Top 3 Contributors by Multilateral Organisations

Largest multilateral organisation: The European Union

New Žeželj rail-road bridge over the Danube financed by European Union (Photo: manitowoccranes.com)

The EU is the largest actor providing financial assistance to Serbia. According to the OECD Database development aid to Serbia over the period 2010-2015 is estimated at \$4.66 bn. This assistance has taken the form of humanitarian aid, soft loans and non-refundable grants (including macro-financial support).

The non-refundable grants are provided through such programmes as IPA (2007-2013) and IPA II (2014-2020). Serbia received over \$1 bn in non-refundable grants from EU pre-accession funds in the period 2010-2015. The financial assistance has been spent on programs and projects that are necessary for future EU membership: rule of law, public administration reform, social and economic development, environmental protection, cross border cooperation, etc.

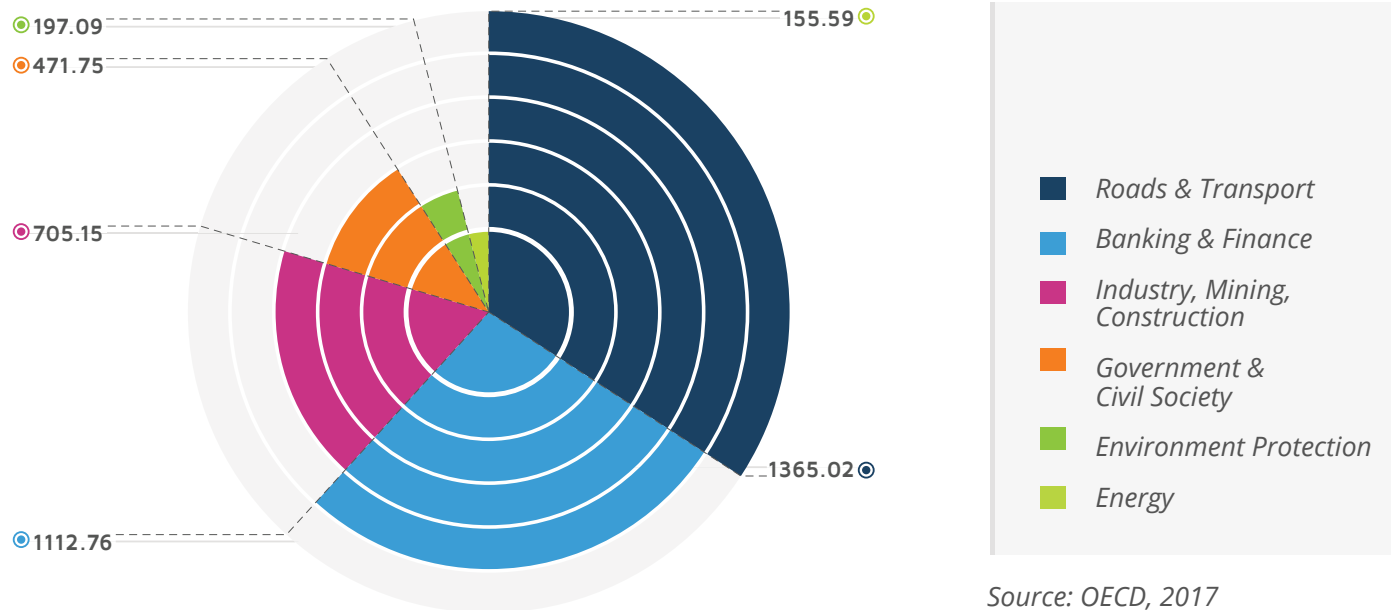
In 2014, Serbia took over management of EU funded projects and passed to the Decentralised Implementation System with ex-ante control. This allowed more liberty for the local authorities since they act as a contractor, while also conducting activities related to contracting and payment. The role of the EU comes down to a mere evaluation after the project was implemented.

Over the last years, the EU invested in Serbia's transport infrastructure (Gazella, Sloboda and Zezelj bridges), health care (supply of emergency medical vehicles), water and sanitation (Kolubara Regional water supply scheme), solid waste (Subotica Regional Landfill, Sremska Mitrovica/Sabac Landfill) and reforming the public administration to deliver better services to citizens.



EU Assistance to Serbia. Top 6 Sectors by Commitments (\$,m)

2010-2015



Source: OECD, 2017

Currently about 600 EU projects are implemented in close cooperation with Serbian authorities, municipalities, businesses and NGOs. The EU is also traditionally Serbia's key trading partner, accounting for almost two thirds of Serbian overall foreign trade. Two-thirds of all foreign investments also come from the EU.

Source: European Commission, 2017



Construction of corridor X, Highway E-75, (Photo: AKTOR, 2016)

Second largest multilateral organisation: OSCE

Development assistance typically refers to donor organizations, but in the OSCE's case, the situation is different. The OSCE is an inter-governmental organization bringing together 57 participating states. Its field operation in Serbia provides advice and assistance to Serbian authorities in the reform process through in-house and external expertise.

Since its establishment in 2001, upon invitation by the Government of the then Federal Republic of Yugoslavia, the OSCE's mission in Serbia has been to help the host country advance in its reform goals, fostering its ownership, and to that end, partnering with state institutions and civil society.

The mission's mandate sets out key areas of activity: assisting Serbia in strengthening its democratic institutions, fostering the rule of law in restructuring the police as a service to all citizens and supporting media freedom and professional journalism.

Source: Factsheet of the OSCE Mission to Serbia, 2016



*Head of the OSCE Mission to Serbia,
Ambassador Andrea Orizio, at the Regional
Housing Programme (RHP)
(Photo: OSCE, 2017)*



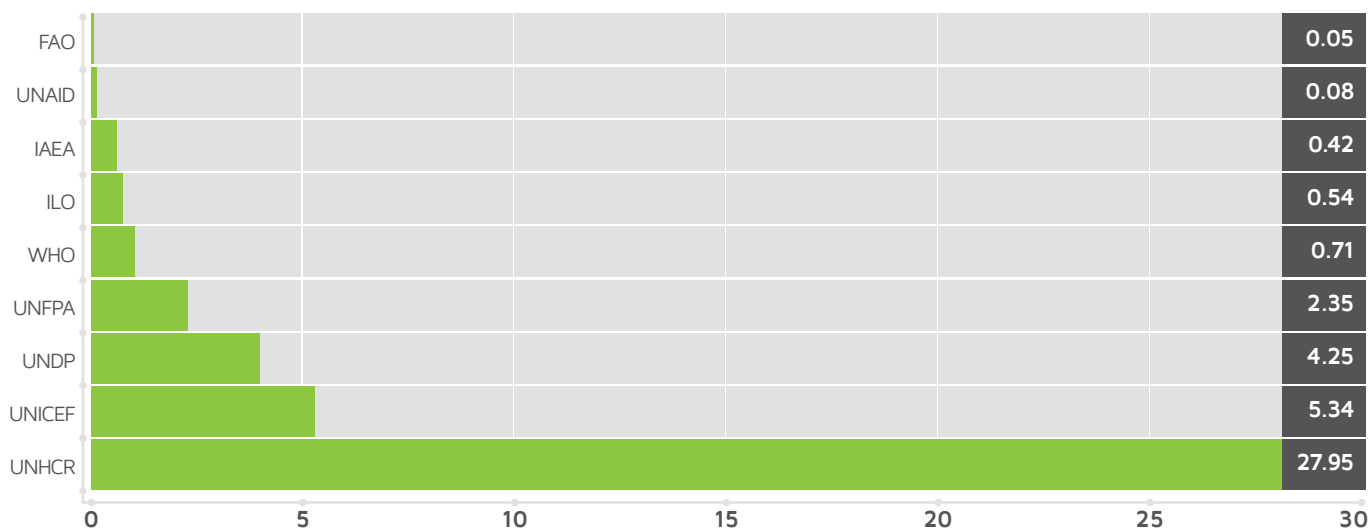
Third largest multilateral organisation: The United Nations

The United Nations system is the third biggest multilateral donor to Serbia. It consists of the UN itself and many affiliated programs, funds and specialized agencies, all with their own leadership and budget.

The UN Refugee Agency (UNHCR) has provided close to \$28 m worth of support to the government of Serbia since 2010. The bulk of the money has gone to support refugees that received food, water, and personal hygiene items supplied by UNHCR and handed out by the Red Cross of Serbia and other partners. UNHCR has also been supporting medical teams from the Ministry of Health who provide basic medical assistance to refugees and referral of more serious cases to specialized health institutions. UNHCR has also been helping the Serbian authorities, including the Commissariat for Refugees and Migration, with computers, technical equipment, furniture and aid items to increase the registration capacities at the Reception Centre in Presevo.

Commitments to Serbia by UN Programs and Agencies (\$,m)

2010-2015



Source: OECD, 2017



UNHCR helping refugees at the Berkasovo border, between Serbia and Croatia (Photo: UNHCR, 2015)



UNICEF is the second biggest UN Fund that provides Serbia with international assistance. The overall goal of UNICEF in Serbia is to promote and protect the rights of all children and give all children equal opportunities to reach their full potential.

The top UNICEF program components (\$,m)

2016-2020

Program Component	Thousands of (US \$)
Child rights monitoring and justice for children	1,124
Strengthening vulnerable families	475
Young child well-being	878
Quality and inclusive early learning and pre-university education	703
Public advocacy, partnerships and social mobilization for child rights	353
Cross-sectoral	737
Total	4,270

Source: UNICEF Country program document, 2016

The third biggest UN system program, in terms of resources allocated, is the United Nations Development Program which provided \$4.25 m in the years 2010 - 2015. In the next 4 years, the priorities of UNDP work will be: (a) accountable and representative governance institutions serving people; (b) equal participation for women and lives free of violence; (c) inclusive and sustainable growth; and (d) low-carbon and climate-resilient development.

Source: UUNDP Country Programme Document for Serbia , 2016-2020



Three-year old Dunya receives warm winter clothing from UNICEF (Photo: UNICEF/Serbia)

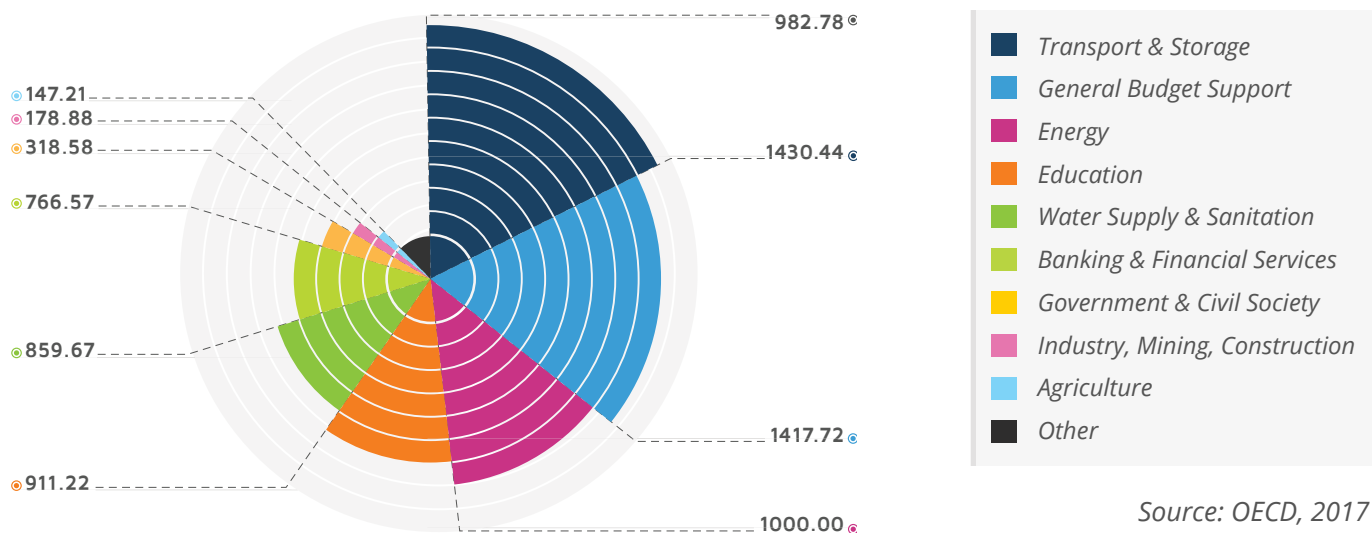
Assistance Breakdown by Sectors

Of the little over \$8 bn in aid provided to Serbia between 2010 and 2015, transport and financial services along with general budget support make up the bulk of the support at 48%.

The aim of the assistance for transportation was to increase capacity on Serbian roadways, improve transportation infrastructure, as well as to improve the functioning of the Ministry of Transportation itself. Further, aid in the transportation sector has gone toward aligning Serbia's transportation legislation with the EU transport acquis.

Aid for financial and banking sectors as well as general budget support is predominately aimed at programs to make Serbia more competitive, develop small and large businesses and to reduce government involvement in the economy as a whole.

International assistance to Serbia Top sectors (\$,m) 2010-2015



Source: OECD, 2017

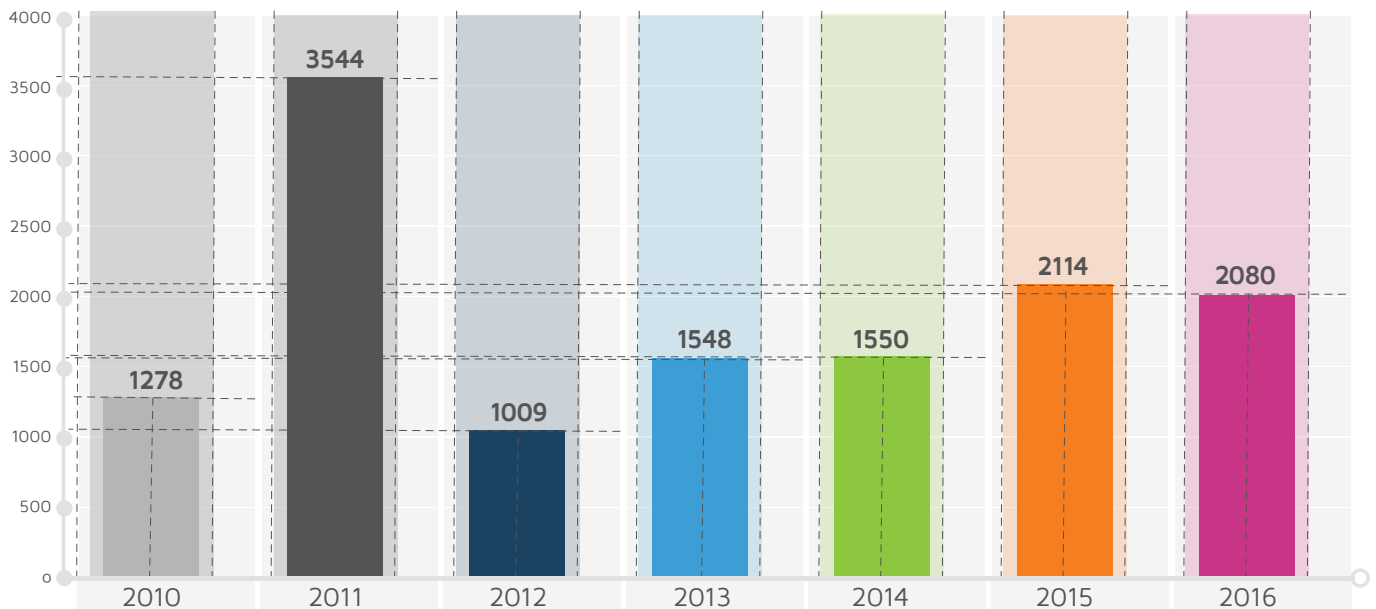


Opening of the A1 road section Grabovnica-Grdelica (Photo: tanjugbiz.rs, 2016)

Foreign Direct Investments

FDI Inflows in Serbia (\$,m)

2010-2016



Source: National Bank of Serbia, 2017

The government of Serbia is interested in FDI, and has made attracting FDI a priority. “Even during its communist past, Serbia prioritized international commerce and has attracted a sizeable international business community” (Serbia Investment Climate Statement 2015 – US Dept. of State). This trend is projected to continue, as the government approved a package of incentives for foreign investors in June 2014, and adopted a new decree on subsidies for direct investments in March 2015.

Serbia’s foreign investment laws are welcoming as they extend national treatment to foreign investors. They allow transfer of profits and dividends while providing guarantees against expropriation. They also allow customs-duty waivers for equipment that is imported in-kind. In the period from 2010 to 2015 the largest levels of FDI inflows were registered in 2011. Since then, the rate has climbed incrementally.

Fiat assembly plant in Kragujevac is one of the biggest foreign investments in Serbia (Photo: fiatsrbija.rs)

Remittances

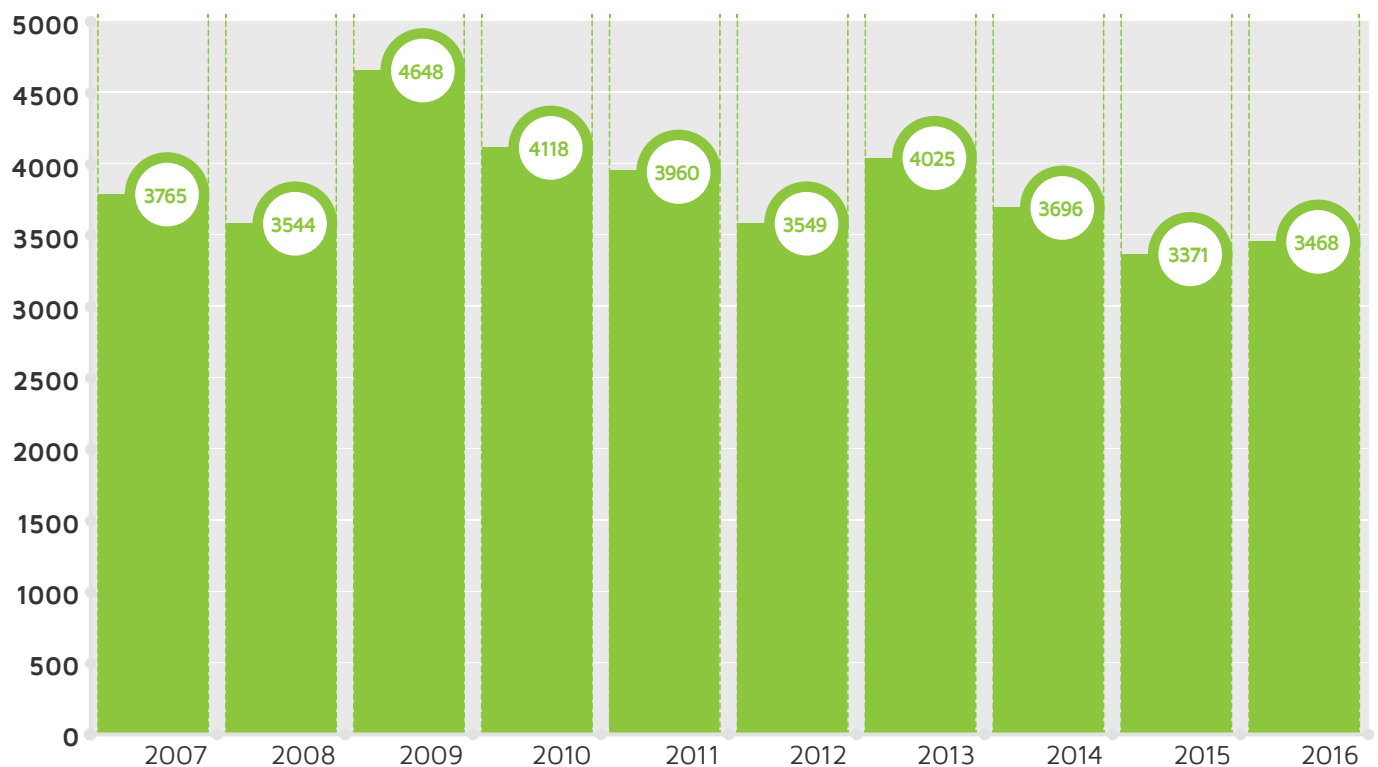
Because of the nature of mixed ethnography in Serbia, with various groups calling themselves ethnic Serbs, and others stating they are Yugoslavian or Albanian, it is difficult to accurately determine the extent of the Serbian diaspora. Among the top countries where Serbians have gone to work, include the United States, Australia and Germany.

In a 2015 ranking of European remittance receiving countries, Serbia came in at number two behind Ukraine with over \$3.5 bn having been received.

Source: World Bank Group – Migration and Remittances Factbook, 2016

Remittances inflows in Serbia (US \$,m)

2007-2016



Source: World Bank, 2016



(Photo: paxtonequity.com)

Conclusions

With the goal of EU accession driving almost every aspect of social and economic reform, the Republic of Serbia is currently one of the top recipients of aid in Europe. Transportation, manufacturing, banking and finance are all undergoing dramatic changes to align with EU legislation. Industry in Serbia is striving toward meeting EU standards and opening borders to business development. This is being powered with aid from individual states such as the UAE, Germany, Japan and the US, as well as multilateral organisations.

Many of the humanitarian and cultural development programs are being fueled by multilateral organizations such as the EU, the OSCE and the UN to work with weeding out corruption and empowering women and children to take a larger role in Serbian society.

After coming down for a few years in a row, 2015 saw a dramatic increase in aid as Serbia tried to recover from floods, agreed to take on more of Europe's immigrants, and promised to feed and shelter them; further extending human rights in the post Communist country.

Both, FDI and remittances inflows are significant. However, Serbia is still listed as the 7th poorest country in Europe, and will need further assistance to ensure a better future in Serbia for its citizens.



*Zlatar mountain range
(Photo: Svetlana Peric)*

References

European Integration Office (2014), *National Priorities for International Assistance (NAD) 2014-2017 with Projections until 2020*,

Retrieved from:

[http://www.evropa.gov.rs/Documents/Home/DACU/12/74/NAD%202014-2017%20with%20projections%20until%202020%20\(english\).pdf](http://www.evropa.gov.rs/Documents/Home/DACU/12/74/NAD%202014-2017%20with%20projections%20until%202020%20(english).pdf)

European Commission (2014), *Indicative Strategy Paper for Serbia (2014-2020)*,

Retrieved from:

https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20140919-csp-serbia.pdf

United Nations (2015), *Country programme document for Serbia (2016-2020)*,

Retrieved from:

http://www.rs.undp.org/content/dam/serbia/docs/Operations/Legal%20Framework/UNDP_SRB_CPD_2016-2020.pdf

United Nations (2015), *Country programme document Serbia*,

Retrieved from:

https://www.unicef.org/serbia/2015-PL16-Serbia_CPD-ODS-EN.pdf

JICA (2011), *Signing of Japanese ODA Loan with the Republic of Serbia*,

Retrieved from:

<https://www.jica.go.jp/english/news/press/2011/111124.html>

Federal Ministry for Economic Cooperation and Development (2017)

Retrieved from:

http://www.bmz.de/en/countries_regions/Central-Eastern-and-South-Eastern-Europe/serbia/zusammenarbeit/index.html

Serbia seeks billions in loans from UAE amid bankruptcy fears, Financial Times,

Retrieved from:

<https://www.ft.com/content/672a7b1c-2f4a-11e3-8cb2-00144feab7de>

Serbia Secures \$1bn Loan from UAE, PR Newswire,

Retrieved from:

<http://www.prnewswire.com/news-releases/serbia-secures-1bn-loan-from-uae-248755151.html>

European Commission (2014), *Serbia Progress Report*,

Retrieved from:

https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20140108-serbia-progress-report_en.pdf

The World Bank (2017)

Retrieved from:

<http://www.worldbank.org/en/country/serbia/overview>

Worldometers (2017),

Retrieved from:

<http://www.worldometers.info/world-population/serbia-population/>

World Fact Book (2017), *Serbia Economy 2017*,

Retrieved from:

http://www.theodora.com/wfbcurrent/serbia/serbia_economy.html

OECD (2016), *Development Aid at a Glance*,

Retrieved from:

<http://www.oecd.org/dac/stats/documentupload/5%20Europe%20-%20Development%20Aid%20at%20a%20Glance%202016.pdf>

The Delegation of the European Union to the Republic of Serbia (2017), *EU support for improving efficiency of transport sector in Serbia*,

Retrieved from:

<http://europa.rs/eu-support-for-improving-efficiency-of-transport-sector-in-serbia/?lang=en>

United States of America Department of States (2015), *Serbia Investment Climate Statement 2015*,

Retrieved from:

<https://www.state.gov/documents/organization/241942.pdf>

World Bank Group (2016), *Migration and Remittances Factbook 2016*,

Retrieved from:

<https://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/4549025-1450455807487/Factbookpart1.pdf>

OECD (2017), *Creditor Reporting System (CRS)*,

Retrieved from:

<http://stats.oecd.org/Index.aspx?DataSetCode=CRS1#>

International Monetary Fund (2017), *World Economic Outlook Database*,

Retrieved from:

<http://www.imf.org/external/pubs/ft/weo/2017/01/weodata/index.aspx>

Statistical Office of the Republic of Serbia (2017)

Retrieved from:

<http://stat.gov.rs>

BID with DevelopmentAid

Contact information

Company Name	DEVAID LIMITED
Address	22, Spetson str. Amalthia Building, Nicosia 1082, Cyprus
General	info@developmentaid.org
Website	www.developmentaid.org

