

LIVING IN EUROPEAN SERBIA

MAPPING OF SUSTAINABLE DEVELOPMENT GOALS
WITH THE EU INTEGRATION PLANNING FRAMEWORK



FOND ZA OTVORENO DRUŠTVO, SRBIJA
FUND FOR AN OPEN SOCIETY, SERBIA

BELGRADE, 2019





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A LOT OF POSSIBLE „EUROPEAN“ SERBIAS

In order for us as a society to close our ranks on our European path, which is nowadays more necessary than ever, the vision of the “European Serbia” for its citizens needs to become more concrete. It is necessary for everyone to be able to recognize himself/herself and his/her (better) future in Serbia in Europe. So far, membership in the EU, i.e. the vision of the “European Serbia” as the realization of a dignified and modern life, of a life in line with the European values and European standards – has been the biggest motivator of reforms. However, the path towards the EU has taken a longer, and reforms that have so far been too formal and incomprehensible have begun to regress.

The problem lays in the fact that the “European path” does not lead to unequivocal future. Each of the 28 members of the European Union is European in its own way. The way “Serbia in Europe” could exactly look like largely depends on us. For the reason that socio-economic development is the one that brings tangible results for the lives of citizens, and reforms on the European path do not coincide with socio-economic development. These two processes intertwine and partially overlap, and lot of political and institutional reforms on the European path are an indispensable requirement to accelerate development.

But development and reforms are not the same. Part of the requirements for EU membership are the goal of socio-economic development – for example, ensuring the protection of human rights or strong institutions. But harmonization with the EU is much more about the question “how” than “what”. In other words, reforms outline how to achieve development, but not exactly what that development should look like.

For example, strong institutions are necessary to accelerate economic growth – and as such can make a major contribution to development even before EU membership.

A new member, of course, with the support of the European funds can further achieve fantastic progress. But – will we be more like Ireland or like the Czech Republic? – both successful in convergence. In addition, experience teaches us that the speed of convergence of less developed countries that have joined the EU over the past decades has largely depended not only on the quality of established institutions, but also on the clarity of development vision and the uniqueness of society to realise itself.

PERMEATION OF SOCIO-ECONOMIC DEVELOPMENT AND REFORMS

In essence, the development process is a process of investing resources and efforts to achieve specific social goals. For instance, market mechanisms direct investment to the economy, and the combination of the market and public policy measures directs resources into staff education or infrastructure. But resources are limited, as well as the capacity of institutions to dedicate their time and attention.

Not all imaginable personnel profiles of staff can be developed, nor all the desired main and regional roads, and especially not at the same time.

A clear development vision statement enables the best possible utilization of invested funds. In this paper, we focus on the relationship between the development vision and European reforms, but a text could equally be written about the importance of the vision to accelerate development.

Serbia does not have a development vision – i.e. there is no concretisation of the

future around which society could close its ranks – nor does it seem capable of formulating such a vision for the time being.

Committing to a clear development vision requires broad social dialogue and decision-making – both where to make investment, and – therefore – where not to make investments. In order to prepare for that process, Serbia must first leave populist phrases and go beyond writing strategies wherein everything, along with each and every desire, is a priority.

In order to close our ranks on the European path, it is necessary to foster the synergy between reforms on the European path and social and economic development of Serbia.

Awareness that it will take centuries for Serbia to catch up economically with its European partners at this pace has a strong effect on the public, and for now it seems more demotivating than mobilizing factor. Serbia's civil sector needs to address the issue of the link between the two processes more. It must initiate a dialogue on exactly what kind of Serbia we want and how exactly it can be reached on the European path.

Such more concrete vision can help preserving and insisting on the European path, but the European path must also be traced in such a way that it clearly and orderly leads to the realization of these aspirations.

ABOUT THE TEXT THAT FOLLOWS

In the following pages, we strive to enrich the arsenal of arguments of Serbian civil society that advocates European integration of Serbia, showing how exactly European integration can contribute to the socio-economic development of Serbia and the aspirations of its citizens as individuals. These are two features whose goal is to explain and illustrate to the reader, i.e. to show how the process of socio-economic development and the process of reforms on the European path differ and yet permeate and condition each other.

First, we briefly analytically describe the instruments through which the EU can influence the acceleration of our development, and (the relatively limited extent to which it can) condition (us with) it. We focus on the relationship between

the Copenhagen criteria/requirements for EU membership and decision-making on socio-economic policies in the EU, which requires an understanding of the division of competencies between the EU and its members.

Then we present a very complex relationship (similarities, differences, mutual conditionality) between these two processes through illustration. A picture is worth a thousand words, but the conjecture must be illustrative because these processes are not unambiguous, but we give an example of one of the countless possible Development Plans, and the currently planned reform path. First, we devise an illustrative, but realistically dimensioned, development plan for Serbia.

Then we present the selected key measures, with a focus on the goal of accelerating economic growth and employment, in parallel with two different European processes. One is the planning of socio-economic development in the EU, first at the level of the Union, and then the concretisation at the level of one of the members which we believe we should learn from - Ireland.

The second comparison is with the reform measures - commitments and support - that the EU is currently expecting from us. Although these measures are outlined in a number of different programme documents (action plans for opening or closing negotiation chapters, strategies or action plan for public administration reform, etc.), this programme is not entirely unambiguous because different measures have different degree of "obligation", and it is very extensive.

Therefore, as soon as we get down to the level of more specific goals, we purposefully choose the most significant and illustrative measures and obligations.

JURISDICTION BETWEEN THE EU AND MEMBER STATES

The European Union has no jurisdiction, and therefore no instruments, to determine the socio-economic development policy of the member states as such. Uniform economic principles and standards make up a large part of the *acquis communautaire* that each member state must adhere to, and common socio-economic goals and policies, i.e. priorities in spending

the European budget limit the scope of national development policies.

Accordingly, **the process of preparation for EU membership** first consists of the adoption of its *acquis*. When it comes to the economic sphere - it is about **preparing and training the future members for respecting principles and standards and open competition in the single European market**.

The adoption of the *acquis* on the road to the EU is intertwined, conditioned and sometimes coincides with the process of socio-economic development.

However, its more precise direction and scope are ultimately determined by the member states themselves, i.e. the candidates.

Economic and social policies at EU level are coordinated to the extent necessary to achieve the common goals, but a clear division of responsibilities as well as compliance with the principle of subsidiarity jealously protect the wide space in which Member States decide independently on their socio-economic policies and development.

The former "European Economic Community" was created with the aim of enabling the European economy to compete with giants in the global market such as the United States (and today China) through the unification of the European market as well as through economic cooperation and coordination of economic policies. The political goal was to bring about the political rapprochement of old European rivals.

According to the principle established in the Founding Treaties of the EU (and especially in the Treaty on the Functioning of the EU¹), **the EU has only those competencies that its member states explicitly assign to it**.

EU policy areas are divided into: 1) those over which the EU has exclusive jurisdiction, i.e. in which only the EU adopts regulations, 2) those over which jurisdictions are divided, i.e. EU and Member States jointly adopt regulations; and 3) those over which the Member States have exclusive jurisdiction, and in which the EU only supports, coordinates and complements their

¹ Articles 2-6 of the TFEU

activities. In addition, policies are implemented in strict compliance with the principle of subsidiarity, according to which activities are carried out at the lowest level of government, which enables their effective implementation.

The exclusive jurisdictions mainly concern the areas that ensure the unity of the European market – customs, conditions of competition, trade agreements, as well as the functioning of the customs union. Jurisdiction is still exclusive in matters of conservation of marine biological resources (within the common fisheries policy), as well as, only for the countries of the Eurozone - monetary policy. Foreign policy and defence policy are under a special regime that places its competence in the domain of the European Council.

Other economic and social policies (including employment policy) are coordinated by Member States at EU level. More precise goals and criteria are determined in each budget cycle at the level of the European Union and the European funds will be provided thereto. At the EU level, certain priorities are adopted, expressed as goals, e.g. in the Europe 2020 Strategy to achieve

an employment rate of 75% by 2020, or as priority European projects – e.g. transport and energy corridors.

Likewise, certain minimum standards are adopted, e.g. permitted CO₂ emissions in the air or in industrial production.

Cohesion policies are especially important for economic development, i.e. policies that ensure economic, social and territorial cohesion (regional policies). The EU adopts programmes to achieve these goals, and member states participate in the programmes and coordinate their national policies so that these priorities are achieved to the extent that they have left room for it.

In cases where jurisdiction is shared, both the EU and the member states can adopt binding legal acts, with the Member States adopting them on issues that are not regulated by the European act.

Policy objectives are set at EU level, Member States are obliged to adhere to these goals and work on meeting them; however it is not the same if the objective is incorporated into a legally binding act (for instance through permitted pollution standards)

or if they are proclaimed by a common policy (such as that each Member State should invest at least 3% of GDP in research and development).

Jurisdictions were shared, among other things, in the areas of agricultural policy, environmental protection, consumer protection, as well as in the areas of internal market, transport, energy and cohesion policy.

On the other hand, there are a number of aspects of socio-economic development in which the competence lies exclusively with the member states. They set their own goals and regulations, and coordination at the European level leads to the formulation of goals, measures and ways in which the EU will support them.

These are policies to improve health, industry, tourism, culture, education, youth and sports, civil protection and cooperation among state administrations. In these areas, the EU often only sets certain minimum standards to ensure easier mobility within the EU.

It should be emphasized that the competence of the EU and its members is espe-

cially developed in regard ensuring macroeconomic balance. Since the adoption of closely linked monetary policies (early 1990s) and then the single currency in the Eurozone countries, closer coordination of macroeconomic, primarily fiscal, policies has become imperative.

The EU's jurisdiction over this sensitive area was formally strengthened in 1997 with the adoption of the Stability Pact. But the essential process of coordinating these policies began only after the outbreak of the global financial crisis and the Euro crisis in 2011.

The Open Method of Policy Coordination and the so-called process of the European Semester, in which member states monitor each other's macroeconomic policies and structural reforms that should ensure greater stability and synergies for economic growth were introduced then. In this context, the European Council makes recommendations concerning primarily the annual fiscal policies of each member state, but also the necessary structural measures that national authorities should implement through national reform programmes.

SOCIO-ECONOMIC DEVELOPMENT AND REQUIREMENTS FOR THE EU MEMBERSHIP

Sometimes we forget that the process of preparation for EU membership is not aimed at the socio-economic development of potential new members.

On the contrary, in order to discuss membership, it is assumed that the EU has previously determined that a potential candidate is both a sufficiently developed and sufficiently “European” country. The conditions for admission of new members to the EU evolved with each enlargement and received an explicit wording in 1993 as the Copenhagen Criteria, which include the following three umbrella criteria:

1. Political – stability of institutions that ensures democracy, rule of law, respect for human rights and protection of minorities;
2. Economic – the existence of a functioning market economy, able to cope with competitive pressure and market forces within the Union

3. Legal – the ability to take on the obligations of membership, including adherence to the goals of political, economic and monetary union.

Differentiation of policy / process of the socio-economic development from the process of reforms necessary to meet the above criteria is complex because they are closely intertwined – they partially overlap and often condition or support each other.

First, **the overlaps. Fulfilling the economic criterion** – the existence of a functioning market economy, which must also be able to cope with the pressure of competition in the EU market implies reaching a certain level of development. Only in this way a new member can be able to face competition in the free European market. However, we do not know that the EU in any way measures how much or what kind of development this must be in order for the criterion to be met.

Given that Serbia has established a functioning market economy and has liberalized, to a large extent, trade with the EU, this criterion can no longer be considered

a limiting condition on the path to Serbia’s membership in the EU. However, Serbian citizens certainly do not think that Serbia provides them with “European” economic opportunities.

To the extent that strong institutions and a rule of law that respects human rights are the goal of the socio-economic development, there is an overlap with other, political criteria. However, meeting the political criteria for the needs of our analysis is more important as a means, as a way to accelerate economic development (see pp. 23-25 of the illustration). Strong institutions and the rule of law are necessary to create the predictability that is a key factor in stimulating the economic environment, as well as in order to adopt effective development policies.

Elements that make up the legal criterion – the ability to take on the obligations of membership, are intertwined with socio-economic development on several levels, but except in the field of environmental protection, they very rarely determine its direction. A country aspiring to membership must first develop a high level of administrative capacity to manage economic

development in order to be able to participate equally in the process of coordination with other countries and EU policy-making.

Then, if the candidate is strong enough to withstand the first blow of competition in the single market, the EU is right to strive for less developed members to converge as soon and quickly as possible through cohesion policies.

The absorption of European funds requires the construction of specific institutions and mechanisms. The development of this capacity before membership enables the absorption of smaller IPA funds, and thus accelerates development.

Alignment with the *acquis* is also the adoption of **a number of standards, procedures and mechanisms** prescribed by the EU in decades of its existence. Some, such as procedures and principles in granting state aid, ensure the unity of the European market.

Others e.g. protect consumer safety, or European industrial quality infrastructure. To some extent, achieving such standards also means achieving development goals

– for example, in the case of environmental standards.

When they are achieved, the goal of providing a certain, desired quality of the environment is achieved. But more often the standards just set the way, i.e. principles that must be respected during the achievement of development goals.

Unfortunately, **the development of instruments** through which Serbia needs to align with EU development practice is **often replaced by substantial management of the development process**.

For example, the EU prescribes exactly what the institutions and mechanisms necessary for the implementation of agricultural policy look like, but their establishment does not necessarily mean that an adequate agricultural policy has been adopted or implemented.

Or, the adoption of an Industrial Strategy that reflects European principles and values, as well as the beginning of its implementation, are a benchmark for closing Chapter 20 on Industrial Policy and Entrepreneurship.

However, that is as far as the EU can go in setting conditions. But it is Serbia that must determine what exactly is included in the Strategy? What is the development path that it will determine for its industry within the wide space that the EU leaves to it?

The road to the EU brings a great transformative and developmental opportunity.

However, there is a significant difference between the fact that this opportunity is used to develop the state and society, i.e. that the goal is to achieve a tangible vision of European Serbia, or progress on the road to the European Union, with “ticking” fulfilled obligations, used as a daily political tool. In the latter case, there is a vague hope in the background that membership and abundant structural and investment funds will be reached as soon as possible.

The difference is like between a student who is learning to really know something tomorrow, and one who hopes to be given an underserved grade. It is unlikely that the EU will be politically ready to tolerate this second approach in the future to the extent it has tolerated it in the past.

But it is pointless to wish for that tolerance. Greece and Ireland were at the same level of development in the mid-1980s. Today, Ireland is one of the most successful European countries (despite the impact it suffered during the global financial crisis), and Greece paid a very high price due to undeserved grades.

INTRODUCTION INTO VISUALISATIONS

For Serbian citizens, EU membership means achieving a dignified and modern life, living according to the European values and with European standards. However, in order to close the ranks on the European path as a society, it is necessary that every citizen can recognize their specific aspirations in that vision, as well as to establish a clearer and more credible connection between these aspirations and steps that make up the European path.

In the following pages, we illustrate one of the possible development visions that could be realized with the transformation

on the European path and the corresponding accompanying (vertical and horizontal) policies. In doing so, we rely on the UN 2030 Sustainable Development Goals because they provide a convenient framework for considering all aspects of the socio-economic and environmental development that modern people care about¹. At the same time, we show how meeting the requirements on the European path contributes to their realization. We will see that most of the tasks on the European path are an indispensable requirement or at least support for the realization of these aspirations.

¹ The UN procedure also stipulates that the sustainable development goals are adapted to the circumstances and commitments of each country.

We also present in parallel the European development commitments that the EU achieves through the coordination of national policies. We emphasize that this plan is illustrative, because it is possible to have many development paths. As there are already 28 European yet very different countries, so there are a number of development paths that we could choose as we transform and align with the European expectations. However, opting for a clear development vision requires that good and difficult decisions be made through a broad social dialogue - because not all wishes can be fulfilled at the same time. Serbia is not yet able to make such a choice.

Although the 2030 Serbia Plan is only illustrative, the quantifications of GDP growth, productivity and employment have been carefully calibrated based on real data on the economic structure of Serbia as of 2017, and realistic assumptions about the results that the reform measures could then bring. Other quantifications (e.g. on a possible increase in the coverage and quality of education based on the resources that can realistically be invested in it, and an increase in transfers) were calibrated without a solid budget framework, but based on the parameters of what was seen as possible in other countries.

WHAT KIND OF EUROPEAN SERBIA IN 2030? IT'S ALL ABOUT *OUR CHOICE*

In order to get somewhere, Serbia must first decide where it is headed: what kind of European country does it want to be? (Each of the existing 28 EU members is different!) What exactly does it want to provide to its citizens?

Such a decision is actually a choice – what are our priorities? Because you can't do everything at once. Every development goal – more employees, cleaner parks – is achieved by investing efforts and resources – our own, European and borrowed. And funds are limited. Priorities – the most important goals – must be determined through a broad social dialogue, and then year after year the necessary steps/investments are taken.





















The UN SDGs are comprehensive and globally harmonized; CEVES uses them as a starting point in organizing and designing examples of priorities.

On the right side we show an example how to set the broadest goals of development and social transformation we want in Serbia. We grouped them in 4 pillars/aspects of human life and needs: social development, economic prosperity, environmental quality and quality of institutions.

Achieving each of the pillars requires specific measures and investments that concern only those specific goals. However, there are also so-called “horizontal policies” – such as strong institutions, infrastructure development, education and science – which act on several goals at the same time and are not necessarily an end in themselves (no highway is needed if development is not possible). Some policies, such as strong institutions, are both a goal and a means.

Priorities are needed precisely in order to decide where to first direct the funds that are invested through specific but also horizontal policies. The next page covers it in more details.

SOLIDARY, DYNAMIC, ORGANISED AND SUSTAINABLE

SOLIDARY AND REALIZED PEOPLE	DYNAMIC ECONOMIC GROWTH AND DECENT EARNINGS FOR EVERYONE	ENVIRONMENT GOOD FOR HEALTH AND GRANDCHILDREN	ORGANIZED DEMOCRATIC COUNTRY
Increasing quality of human life while reducing inequalities, particularly regional ones.	Double the GDP with employment growth to 75% and raising the quality of jobs	Closing the gap vis-a-vis EU environmental standards by increasing investments to 1.5-2% of GDP	Increasing the degree of democracy, rights and freedoms, and, security, while building good neighbourly relations
 <p>1.1. Halve the risk of poverty and reduce inequalities</p>  <p>1.2 More educated people who are constantly learning</p>  <p>1.3 Reduced gap in life expectancy compared to the EU average</p>	 <p>2.1. Knowledge economy and more services are on the rise</p>  <p>2.2. The middle and upper technology industry provides a growing middle class</p>  <p>2.3. The agro-industry is growing in value and the village is progressing</p>  <p>2.4. Efficient and serviceable public companies</p>  <p>2.5 Efficient and serviceable, social protection systems and administration</p>	 <p>3.1. NATURAL resource that recovers</p>  <p>3.2. Healthier environment</p>  <p>3.3. More efficient and competitive, lower-carbon economy</p>  <p>3.4. More responsible and sustainable use and consumption of resources</p>  <p>3.5. Strengthen capacities and infrastructure for prevention and fight against natural disasters</p>	 <p>4.1. Develop effective, accountable and transparent institutions at all levels and significantly strengthen the capacity of independent bodies and assembly</p>  <p>4.2. Ensure basic human rights and the protection of minorities and vulnerable groups</p>  <p>4.3. Promote the independence, impartiality and efficiency of the judiciary</p>  <p>4.4. Significantly reduce corruption and bribery in all its forms</p>  <p>4.5. Ensure media freedoms and pluralism and ensure access to information of public importance</p>  <p>4.6. Apply an integrated approach in the fight against all forms of organized crime and reduce the level of violence in society</p>  <p>4.7. Strengthen civil society organizations as well as their co-operation with public institutions</p>

- ← Strong institutions – stimulating economic environment →
- ← Life-long learning in line with market needs →
- ← Infrastructure services (energy, digital, transport) in line with development priorities →
- ← Investments in science and technological development according to development priorities →
- ← True regional development policy →

EVERY GOAL IS ATTAINED THROUGH INVESTMENTS

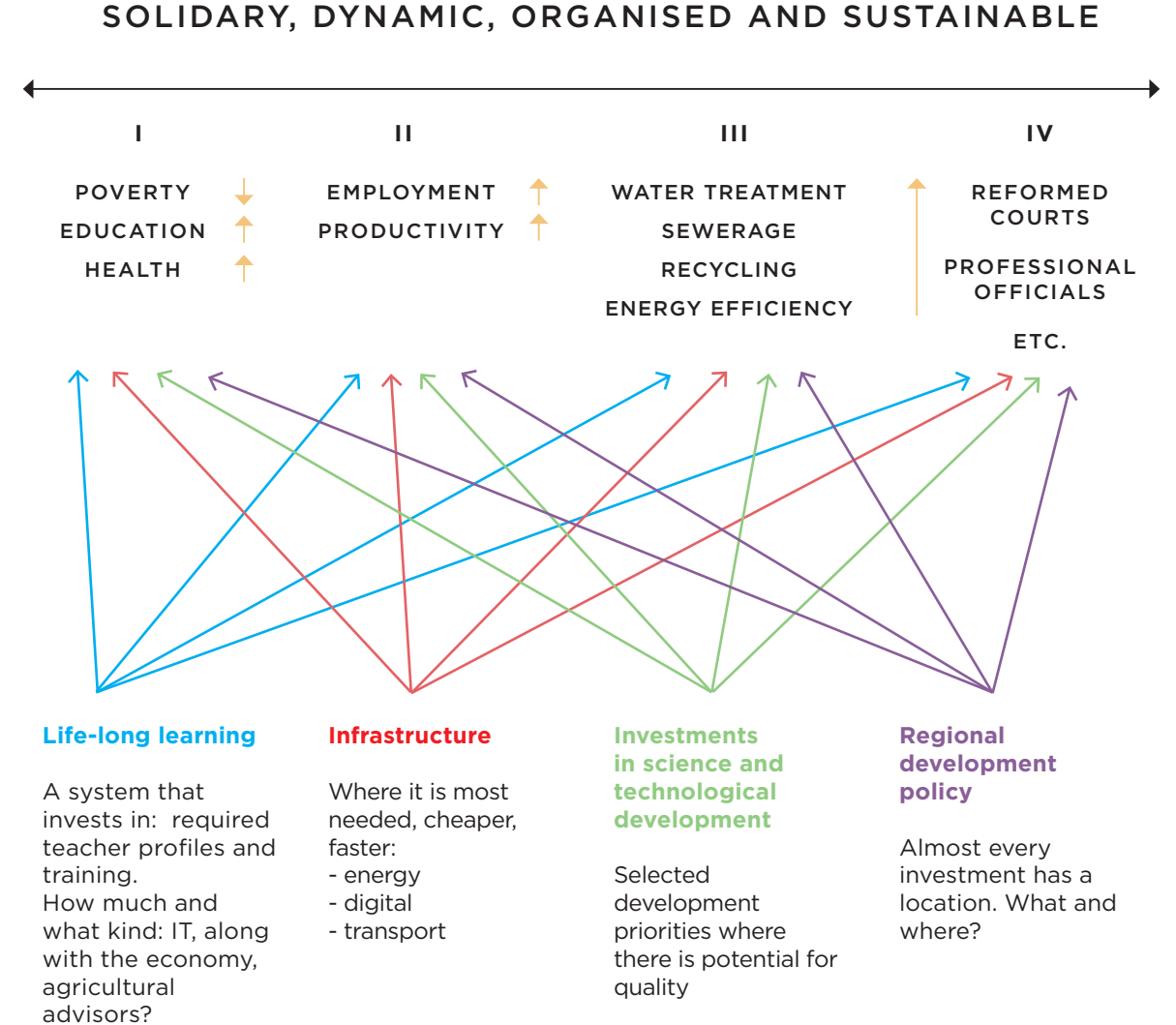
Certain priorities can be reached in several ways. Achieving most of the goals requires both measures and resources related to the policies of the sector itself, as well as measures and resources that are invested through horizontal policies that serve several sectors. For example, poverty can be reduced through social assistance as well as by investing in ways that provide better earnings for the poor. Often, certain investments lead to several goals – roads are built to strengthen the competitiveness of the economy, and to connect the economies of certain locations. However, clear priorities determine what needs to be invested in first and the order of investments.

The goal of achieving a certain investment should be distinguished from the way in which that investment is made. For example, investments can be public or private, they can be targeted, or market-oriented, or determined through

given mechanisms. For example, the EU clearly prescribes the ways in which incentives for agriculture are determined, but not the total amount.

For example, according to our plan, priority is given to investing in economic growth while raising quality employment. That would in itself greatly contribute to achieving the goal to halve poverty by 2030.

From the very beginning, particularly strong investments in education should be increased in order to raise its overall quality, but also improve its reform – in order to make the system flexible and adaptable to the needs of the market. Education is an example of a sector which progress is an end in itself – we want more educated citizens – but it is also a means to increase employment, productivity and earnings, if the profiles are appropriate.



REQUIREMENTS FOR EU MEMBERSHIP...

... DO NOT DETERMINE THE DEVELOPMENT PATH...

Among the requirements that need to be met on the road to the EU, only the fulfilment of political criteria and the fulfilment of environmental standards coincide with Serbia's development goals.

Development expectations from Serbia, on the other hand, are quite broad, and the requirements that Serbia needs to meet concern several ways in which they are achieved. Serbia has already achieved a welfare state and a functioning market economy. Serbia must become more competitive, and therefore more developed – but this widely set requirement has mostly already been achieved because Serbia's protection from European competition is not high. Responsible finances are also a requirement for long-term growth: short-term fiscal consolidation has been achieved, but ensuring long-term responsible public finances and financial control depends on substantial institutional reform, and they are still in the long run.

Many of the requirements concern compliance with the EU in the way it is done or

decided, and the standards that need to be met. These requirements can have a developmental effect, but sometimes can be to be encumbering. That is why the chapters negotiate the speed at which it will be achieved.

Finally, a number of requirements concern the country's institutional and administrative capacity to participate in EU policy-making and implementation. Building these capacities is possible only with good governance of the state, which, in turn, is necessary for Serbia to achieve its development goals.

Finally, even before membership, EU provides significant support in meeting all the above requirements, in terms of resources and knowledge. Thus, it can significantly contribute to the achievement of Serbia's development goals. How much – it still depends only on us.

In the text below, we illustrate the goals and requirements within the economic pillar.

... BUT THEY NEED TO BE ACHIEVED

SERBIA 2030	REQUIREMENTS FOR EU MEMBERSHIP
SOLIDARY AND REALIZED PEOPLE <ul style="list-style-type: none"> - Halve the poverty - Reduce inequality - Expand coverage and improve the quality of education and health 	<ul style="list-style-type: none"> - Serbia should share solidarity with Europe, as a value towards which policies aspire. (Chapters on education and science already temporarily closed).
DYNAMIC ECONOMIC GROWTH AND DECENT EARNINGS FOR EVERYONE <ul style="list-style-type: none"> - 75% of the population employed - Work with perspective and an average salary of (today's) 850 EUR 	<ul style="list-style-type: none"> - Market-oriented and able to withstand fair and healthy competition - Sustainable public finances
ENVIRONMENT GOOD FOR HEALTH AND GRANDCHILDREN <ul style="list-style-type: none"> - Reducing the gap in relation to EU standards with investments of approximately 1.5-2% of GDP - 80% increase in energy efficiency 	<ul style="list-style-type: none"> - Harmonization with EU standards, possible agreement on their full achievement after membership
ORGANIZED DEMOCRATIC COUNTRY <ul style="list-style-type: none"> - Democratic, just, safe, with good neighbourly relations 	Achieving political criteria including – normalization of relations with Kosovo (add a dash in front, as well as elsewhere) Strong institutions

* All the above requirements presuppose capacity building and harmonization with EU regulations

EUROPEAN PATH: FIRST BUILDING STRONG INSTITUTIONS

Strong institutions are the core of organized states, and building them is a big part of the efforts on the path to EU membership. A necessary and most important requirement for EU membership is that they support democratic values and the rule of law, and that they be harmonized with the European administrative space.

Here we show how the institutions that have the most direct impact on a favourable economic environment are strengthened by meeting the requirements on the road to the EU.

WHAT KIND OF INSTITUTIONS...

... ARE NEEDED FOR DEVELOPMENT	EU REQUIREMENTS AND SUPPORT
RULE OF LAW (all are equal before the law and state)	Action Plan for Chapter 23 (AP), in particular: Judicial reform Fight against corruption
GOOD GOVERNANCE: - on merits - according to the plan - participatory	Implementation of the Public Administration Reform. (PAR). + Specific measures that strengthen the state's ability to use EU assistance. For example, establishment of the Agrarian Paying Agency – enables the withdrawal of xx million per year for agricultural development..
PUBLIC ENTERPRISES operate economically	The Economic Reform Plan (ERP) aims to reform the corporate governance of public enterprises, but does not provide for appropriate measures.

STRONG INSTITUTIONS ARE THE GOAL, BUT ALSO THE MOST IMPORTANT MEANS

While an organised democratic state is part of the vision of a dignified life, strong institutions are its requisite, and they play a crucial role in achieving all other goals. Strong institutions ensure rule of law, good governance of the state (administration and public services) and good governance of public enterprise to do business economically, not party-wise.

For example, good governance is needed to ensure that health care is prioritized, or that pollution of the environment is properly measured.

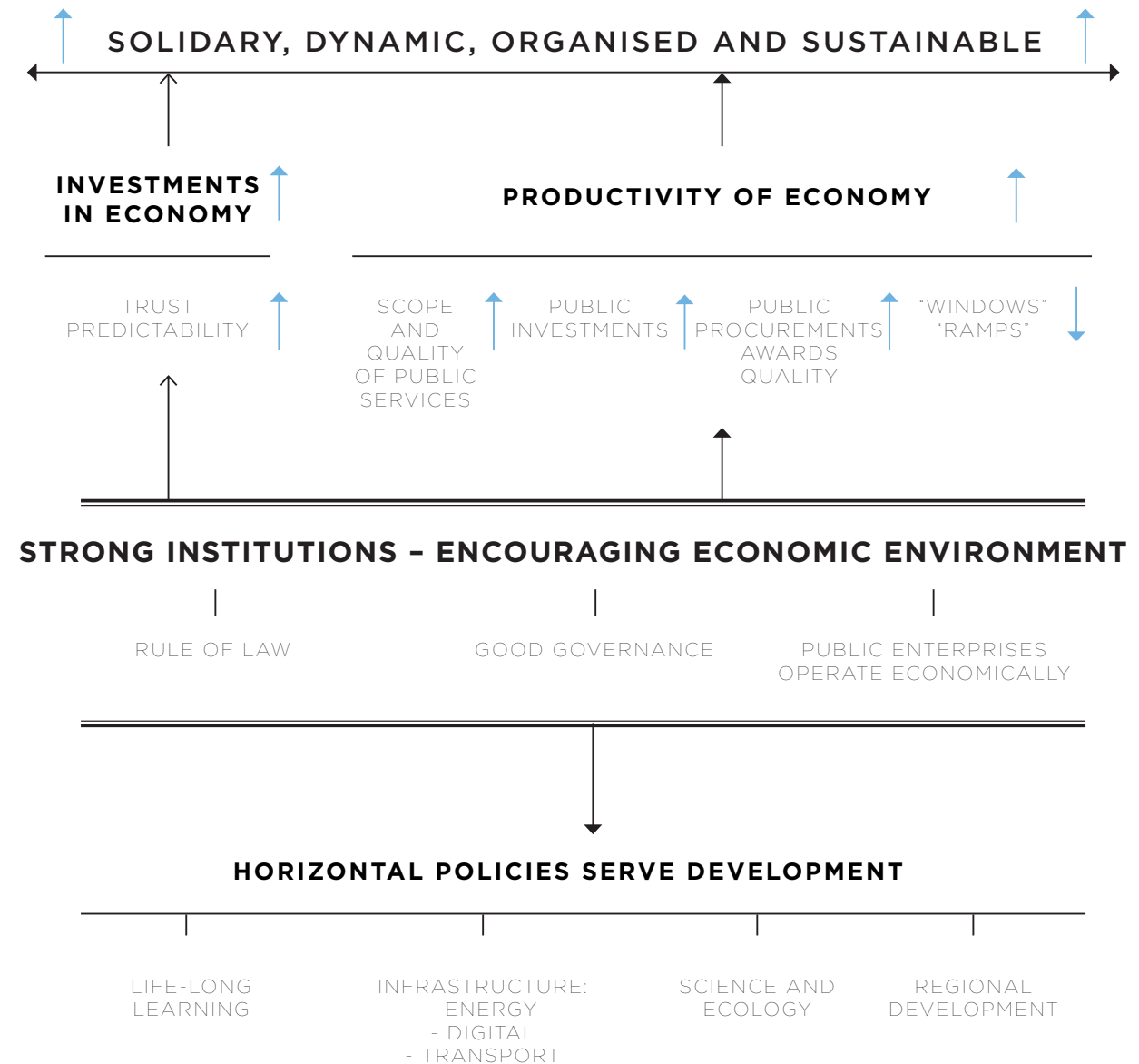
Strong institutions are key to accelerating economic growth, because they create an encouraging economic environment, and improve the quality of all growth policies.

Strong institutions are the same as departization: the law is the same for everyone (rule of law); the state is governed on merits, as planned, and through consultation (good governance); public companies provide energy, communication, utility and other infrastructure operate rationally and provide quality services, because they employ and reward professionally and on merit.

Strong institutions drive growth:

- stimulating economic environment increases entrepreneurship and investment and productivity (e.g. through public service companies)
- through the improvement of horizontal policies such as building quality infrastructure and training better staff where they are most needed.

Operating in the European administrative space is expensive and demanding, but the EU also provides support in both necessary resources and knowledge.



DYNAMIC ECONOMY— SERBIAN TRAJECTORY WITH EUROPEAN PRINCIPLES AND SUPPORT

The central column in the table on the right shows an illustration of the umbrella economic priorities that Serbia could commit to by 2030, as well as the five sectors of the economy through which development they are realized. We present them in parallel with the European development priorities for 2020 (left column) and we see the goals are similar, but the paths are adequately different. Through this vertical, the EU achieves its Sustainable Development Goals.

The most important thing for Serbia is to raise employment and the quality of jobs, and thus accelerate economic growth. We estimate that with the maximum and strategic investments at its disposal and the appropriate education of staff, it would be possible to reach 75% of employment by 2030 and an average salary of (today's) 850 EUR. That, of course, re-

quires a fundamental institutional reform, including one of the education system.

In the right column we see that at this general level the EU does not set requirements (except for the mentioned need for Serbia to operate in the market and become sufficiently competitive). The ability to coordinate policies that Serbia does not have at this level is also needed. There is no umbrella development plan.

Achieving the goals requires reliance on a very dynamic development of the knowledge economy, spillover of growth from urban centres to others, raising the technological level of industry, modernization of agribusiness and rural transformation, as well as radically raising public sector productivity. In the following pages, we selectively deepen this illustration of the development vision/plan, and compare it with Ireland's plans, because an individual country is more suitable for comparison at that particular level.

WHAT KIND/HOW MUCH ECONOMIC DEVELOPMENT...

... IS EU PLANNING?	... CAN WE, FOR EXAMPLE, ACHIEVE?	... DOES EU CONDITION AND SUPPORT?
<p>Europe 2020 envisages the creation of quality and modern jobs, with an increase in employment to 75%, by raising investment in I&R to 3% of GDP and the share of higher education among young people to 40%</p>	<p>Serbia can achieve annual economic growth of 6%, which would bring it to the level of development of today's Hungary/Poland by 2030. Employment would reach 75% with an average salary of (today's) 800-900 EUR.¹</p>	<p>The EU requires progress in the competitiveness of the Serbian economy, while creating a sustainable macro framework. The EU monitors Serbia's progress through the requirements set in the economic negotiation chapters (especially 8, 17, 19, and 20) and the priorities defined in the ERP.</p>
<p>In order to achieve these goals, the EU has defined special "flagship" initiatives that contribute to:</p> <ul style="list-style-type: none"> • Creating a more favourable business environment ("smart" regulations, modernized public procurement, rules of competition and standards, promotion of SME clusters, protection of intellectual property...) • Internationalization of the SMEs and easier access to financial resources • Restructuring and redirecting sectors in difficulty to modern businesses, through the responsible use of state aid • Improving the competitiveness of the tourism sector 	<p>In order to achieve these goals, Serbia needs to implement the following reform processes:</p> <ul style="list-style-type: none"> • Development of the knowledge economy and higher technology industry (raise/encourage the level of I&R investment from 0.8% of GDP to 3%) • The spillover of growth from leading urban centres to smaller ones • Modernization of agribusiness and transformation of villages • Building a radically more productive public sector, especially public enterprises • Special emphasis on energy sector reform 	<p>The EU requires and supports capacity building for economic policy planning and coordination, based on dialogue, clear criteria and expert analysis.</p> <p>The EU directly supports development by – giving Serbia a chance to participate/withdraw funds from various funds intended to support SMEs, science, infrastructure development...</p> <p>All conditions concern modus operandi, policy principles and building administrative / legislative/institutional capacities, while more specific sectoral goals have not been defined.</p> <p>The EU leaves it up to Serbia to choose its own development path and sectoral priorities, while complying with EU regulations, standards and principles.</p>

¹ Serbia does not have a strategic development plan, so CEVES illustrates and quantifies opportunities based on real economic modelling.

KNOWLEDGE AS A PRODUCT WHICH PRODUCTION IS GROWING FASTEST

Serbia has more knowledge than capital, so it must and can focus more on supporting the involvement into the global and technological flows in the knowledge economy. This requires a range of measures, starting with identifying niches and conditions in which Serbia shows its potential, providing support for initiatives that multiply it, as well as quality.

Everything needed for the development of the knowledge economy is fully in line with the principles promoted by the EU in its policies, and compliance with them is all that the EU expects.

WHAT KIND / HOW BIG ECONOMY OF KNOWLEDGE...

... IS IRELAND PLANNING?	... CAN WE, FOR EXAMPLE, ACHIEVE?	... DOES EU CONDITION AND SUPPORT?
<p>To become a world leader in innovation, which will be the backbone of a strong and sustainable economy and building a better society, through 660,000 new jobs by 2040.</p>	<p>The knowledge economy could create 300-400 thousand new jobs by 2030, which would enable the employment of at least 50-60% of new highly educated young people in these jobs - especially in the field of urban services.</p>	<p>The EU recognizes and supports capacity building for the knowledge economy, through the conditions and criteria defined primarily in Chapters 25 and 26.</p>
<ol style="list-style-type: none"> 1. Cooperation of innovative companies and faculties on the development of disruptive technology. 2. Double the investment in R&D through the purchase of new equipment and increasing the number of employed researchers to 40,000. 3. Increase in the number of master's and doctoral studies by 500 (to 2,250). 4. Strengthen the presence in international research organizations and create a network that develops and attracts talents. 5. Conducting first-class researches in strategically important areas such as¹: <ul style="list-style-type: none"> • „Data Analytics“ • Medical equipment • Smart networks and cities • New materials and production techniques 	<ol style="list-style-type: none"> 1. Serbia is recognized as a manufacturer of integrated IT/AI solutions in selected niches. 2. Constant development of the call centre and support activities in the level of sophistication and complexity of services. 3. Accelerated development of digital infrastructure 4. Invest in cooperation between traditional industry and knowledge producers in IT niches 5. Openness to global expertise in the public sector 6. Based on the goals of the Smart Specialization Strategy, adjust the policy of education and investment in science and R&D. 	<p>The Smart Specialization Strategy has not yet been adopted. Serbia has temporarily closed Chapters 25 and 26, and the emphasis in these areas in the coming period should be on: increasing funding for research, encouraging cooperation between industry and academia, linking the NQF with the European Qualifications Framework and taking advantage of the opportunities offered by ERASMUS +</p> <p>ERP does not set comprehensive and clear quantitative achievements in terms of building a knowledge economy, and it deals with it through the following goals:</p> <ul style="list-style-type: none"> • Goal 15: Financial support for research and innovation that contribute to the development of the knowledge-based economy • Goal 16: Improving e-government service • Goal 18: Implementation of dual education in higher education

¹ Ireland's Innovation 2020 Strategy identifies 14 priority sectors guiding researches which are then merging into six classes of enterprises

CITIES AS LOCOMOTIVES OF (REGIONAL) DEVELOPMENT

Today, economic development is led by cities. Cities are concentration of knowledge economy and other high-value services (finance, logistics, culture). The development of cities, especially of the three largest ones, must be promoted and planned in the context of the effects they can have on the rest of Serbia's economy. The long-term development of cities also depends on the development of their environment, so they must invest in it. Belgrade is a special opportunity for Serbia because it is already the urban centre of the Western Balkans, and it could be much more..

WHAT KIND / HOW BIG CITIES...?

... IS IRELAND PLANNING?	... CAN WE, FOR EXAMPLE, ACHIEVE?	... DOES EU CONDITION AND SUPPORT?
<p>By 2040, cities and villages will become places where more and more people will want to live, work and pay visits to.</p>	<p>Belgrade and Novi Sad – regional urban centres well networked with other centres and Niš as the locomotive of the south.</p>	<p>The EU requires and supports capacity building for the formulation and implementation of planning documents in the field of regional development, through the criteria defined in the Chapter 22.</p>
<p>Cities are partners with each other and partners with other smaller towns and villages:</p> <ul style="list-style-type: none"> • They provide infrastructure that can be used by smaller places – hospitals, ports, airports, educational centres ... • Good networking of cities that minimizes travel time – easier access to the port and airport in Dublin • The population in the 4 largest cities after Dublin should increase by at least 50% by 2040 • Put less used land into use so as to build housing units, infrastructure and start-ups <p>Increase sustainability (energy, waste)</p> <p>In smaller communities, population growth is also planned by means of:</p> <ul style="list-style-type: none"> • Facilitating the penetration of ICT technology • Offering content for a quality life • Adapting local infrastructure 	<p>Targeted networking of Belgrade and Novi Sad with smaller centres:</p> <ul style="list-style-type: none"> • Belgrade and Novi Sad as logistics hubs • Priority construction of appropriate transport and logistics infrastructure • Targeted support for the production of attractive cultural content – promotion of rich cultural heritage <p>Niš as the national centre of the south:</p> <ul style="list-style-type: none"> • Support for the development of transport and logistics services (infrastructure and communications) • Support for the development of the Nišava River region by encouraging local supply to the city <p>In smaller places:</p> <ul style="list-style-type: none"> • Allocate more financial-management autonomy to local governments • Support spa and ethno-tourism • Encourage the formation of a joint tourist offer 	<p>In accordance with the Action Plan for Chapter 22 – Regional Policy and Coordination of Structural Instruments, it is necessary to:</p> <ul style="list-style-type: none"> • Adjust the legislative framework • Set up an institutional framework with appropriate bodies • Build adequate administrative capacity • Formulate appropriate programme strategic documents • Conduct monitoring and evaluation in compliance with the principles of financial management and control • Organise training of local governments for local and regional planning

INDUSTRY THAT DEVELOPS PEOPLE - WITH FOREIGN CAPITAL...

In the past decade, there has been a certain re-industrialization of Serbia, on the ashes of traditional industry, which largely disappeared. In the future, it will not be enough to revive and employ the inherited capacities, but new ones must be developed. Policies for attracting foreign direct investment and development of the domestic economy, which

is mostly SMEs, are very different, but in both cases there must be knowledge and support for what shows the potential. CEVES is particularly committed to the principle that the development of employment quality is particularly important, and must be taken into account when choosing which foreign investors to attract.

WHAT KIND / HOW MUCH FOREIGN INVESTMENTS...

... IS IRELAND PLANNING?	... CAN WE, FOR EXAMPLE, ACHIEVE?	... DOES EU CONDITION AND SUPPORT?
<p>Support the transformation of current FDI and attract only those that contribute to economic development. Raise the quality of the business environment among the top 5 in the world.</p>	<p>Create conditions for the arrival of new more sophisticated FDI and make better use of existing (more sophisticated) FDI, by encouraging integration with domestic SMEs.</p>	<p>The EU demands that the principles of the single market be respected and does not set development-limiting requirements for FDI attraction policy</p>
<p>Attracting 900 new investments and creating 80,000 jobs, through:</p> <ul style="list-style-type: none"> • Improving the support package • Investments in infrastructure for high-tech production • Improving the quality of education and technological institutes • Increasing FDI inflows coming from outside the US by 50% by 2025. • Increasing the amount that FDI spends on the domestic market from 22.4 billion euros to 26.8 billion euros • In addition to those present, look for a chance in the branches of more advanced technologies: Internet of Things, Big Data... • Work on long-term partnerships 	<p>Attract FDI in the middle and higher technology sectors that develop employees (100-150 thousand new employees by 2030)</p> <ul style="list-style-type: none"> • Capacitate the administration to recognize, target and create conditions for appropriate FDI • Education of quality required profiles, especially middle management • Prioritize the development of industrial infrastructure, nationally and locally • Work on developing local suppliers <p>It is also necessary to prepare an exit strategy in time for FDI employees who do not have developmental effects or work on increasing their sophistication</p> <ul style="list-style-type: none"> • Avoid a vacuum in case these FDI go to less developed countries • Prevent the formation of mono-industrial regions 	<p>Adopt and start implementing the Industrial Strategy, harmonized with EU principles (Condition for closing Chapter 20).</p> <p>State aid allowed for regional development, but to be given in accordance with EU regulations.</p>

INDUSTRY THAT DEVELOPS PEOPLE - WITH DOMESTIC CAPITAL...

The EU pays special attention to the support of SMEs and sets principles that fully coincide with the interests and needs of Serbia. For example, the Charter on Small and Medium-sized Enterprises (SMEs) encourages the understanding that SMEs need easier access to finance, or special treatment in public procurement. Interest of the EU is based

on the need to foster innovation. In addition, it is important for Serbia that SMEs maintain and develop knowledge and productive jobs in those environments that are too small or isolated for FDI to reach. SMEs are almost everything that Serbia has in the domestic economy! Serbia must know and support them as if they were big.

WHAT KIND / HOW BIG DOMESTIC ECONOMY, ESPECIALLY SMES

... IS IRELAND PLANNING?	... CAN WE, FOR EXAMPLE, ACHIEVE?	... DOES EU CONDITION AND SUPPORT?
<p>Significant improvement in the performance of domestic companies through investment, innovation and capacity building programmes</p>	<p>Serbian SMEs are positioned as flexible manufacturers of customer-tailored solutions (interiors, special machines, packaging).</p>	<p>The EU recognizes the importance of SMEs and provides Serbia with institutional and financial support</p>
<ul style="list-style-type: none"> • Export growth of 6-8% per year in the period 2016-2025 • Increase the survival rate of startups by 25% (to survive longer than 5 years) • Increase the percentage of innovative SMEs cooperating with other SMEs from 36% to 45% by 2020 <p>Significant funds (277 million euros per year) and support mechanisms have been provided for the implementation of the objectives:</p> <ul style="list-style-type: none"> • Adapting the tax system for SMEs and startups for easier financing • Capacity building – it primarily refers to financial management, strategic planning • The KEEP¹ system has been introduced – preferential tax treatment for SMEs aimed at facilitating the retention of key employees 	<ul style="list-style-type: none"> • The growth of exports of domestic industry of medium-high technology is 10-12% per year • Rate of growth of small to medium and medium to large enterprises has been doubled <p>...by:</p> <ul style="list-style-type: none"> • investing in knowledge and dialogue, identifying opportunities and specific sector needs • Strengthening market management capacity (consolidation of small ones through networking and mediation) • Institutionally separating support for FDI and SMEs and consolidating and intensifying support for SMEs • Special emphasis on the development of managerial/commercial skills, better knowledge of the market (“market intelligence”), and access to finance through the establishment 	<p>Respecting the principles of the SME Charter.</p> <p>Participation in the current SME support programme for EU and candidate countries²:</p> <ul style="list-style-type: none"> • Access to finance • Access to markets • Regulatory barriers • Promotion and entrepreneurial initiatives <p>It is necessary to harmonize the Law on Resolving the Issue of Late Payments with the EU Directive. The goal is to resolve these issues faster and more efficiently to avoid creation of pockets of illiquidity, especially problematic for SMEs.</p> <p>The ERP does not set comprehensive or clear quantitative targets for domestic SMEs, but addresses them through the following objectives:</p> <ul style="list-style-type: none"> • Goal 6 – Raise the competitiveness of industry • Goal 9 – Improve access to finance for SMEs

¹ Key Employee Engagement Programme || ² The total 2.3 billion euros were allocated for the programme COSME for the period 2014-2020

AGRO INDUSTRIAL “FORCE” IN EMERGING...

Steady and rapid growth of food products exports must be one of the drivers of accelerated economic growth in Serbia, as a special opportunity to improve rural development. The EU does not give us any development tasks here either, but since it spends 40% of its budget on agriculture, EU membership is a special opportunity for Serbia. Abundant funds are already available to us today, but complex systems must be built for their allocation and implementation of policy. Significant support is also available in the construction of these systems.

Today, Serbia is already the 12th European country in terms of the value of net food exports, but there is room to raise both yields and earnings per unit of the product it grows and exports¹. Along the way, it must first address the issues of meeting quality standards and reorganizing value chains so that it can proactively place fragmented production on the global market, fragmentation of holdings and modernization of the traditional sector.

¹ Serbia has a Strategy for Agricultural And Rural Development until 2024, but it provides only investment frameworks by type of instrument. Although it accurately identifies “horizontal” problems, it remains on very general objectives (sustainable resource management, improvement of the institutional framework, etc.) and measures.

WHAT KIND OF AGRO INDUSTRY – IN GENERAL... (1 OF 2)

... IS IRELAND PLANNING?	... CAN WE, FOR EXAMPLE, ACHIEVE?	... DOES EU CONDITION AND SUPPORT?
<p>By 2025, the increase in food and beverage exports will be 85%, above all in dairy products, beef, and seafood.</p>	<p>Increase in net exports by 3 billion euros by 2030, especially in the fruit and vegetable sector, through modernization of agricultural production and consolidation of plots</p>	<p>Serbia needs to make additional efforts to transpose a legislative framework that is in line with the EU CAP</p>
<p>Goals:</p> <ul style="list-style-type: none"> • Increase the value of exports of food and agricultural products by 85% – to 19 billion euros • Increase the added value of food and agricultural products • Increase the value of primary production by 65% – to 10 billion euros • Create 23,000 new jobs in the entire food and agricultural sector • Fulfilment of goals should be based on: <ul style="list-style-type: none"> • Strengthening expertise along the entire value chain • Market research • Innovation and investment in environmental protection <p>Means to meet the goals:</p> <ul style="list-style-type: none"> • European and national funds (4 billion euros for the period 2014-2020) • Modernization project 2018-2021 – 670 million euros of investments (350 state funds and 320 private funds) 	<p>Goals:</p> <ul style="list-style-type: none"> • Increase of Serbia's net export earnings from agro-industry from 1 billion euros to 3 billion euros • Double the size of the average plot of arable land south of the Sava River • Bring into use state and abandoned land • Adapt the education of agricultural staff to professional and territorial needs (quality of teaching, territorial distribution and number of students in agricultural schools, stronger connection between science and schools) <p>Meeting the goals can be based on:</p> <ul style="list-style-type: none"> • Consolidation, through tax incentives, purchase, leasing programmes... • Capacity building for the implementation of IPARD and other incentives • Adjust the education of agricultural staff to professional and territorial needs • Selection and prioritization of sectors with competitive advantages (e.g. fruits and vegetables and industrial plants) 	<p>It is necessary to harmonise:</p> <ul style="list-style-type: none"> • Support system – all payments must be per hectare, while, for instance, payment per head of livestock will be suspended • Land management and control systems under cultivation • A range of mechanisms (e.g. for market interventions) Standards • Transform the advisory system <p>Special attention should be paid to control mechanisms:</p> <ul style="list-style-type: none"> • consumer protection • environment • animals, etc. <p>In the meantime, Serbia can count on EU support in:</p> <ul style="list-style-type: none"> • Building the mentioned institutions and capacities • Rural Development (IPARD) <p>The ERP does not set comprehensive or clear quantitative targets for domestic SMEs, but addresses them through the following objectives:</p> <ul style="list-style-type: none"> • Goal 5 – Improving the competitiveness of agricultural producers and processors

...RECOGNISED BY QUALITY OF FRUITS AND VEGETABLES

Setting clear sectoral priorities and tasks would contribute to motivating and focusing those interested in improving the work of institutions and their capacity to deliver the desired goals. Such strengthened capacities would also serve wider needs, but officials, private sectors and experts would find it easier to channel reform energy if they knew exactly what results they were trying to achieve.

Serbia needs to invest in all agricultural sub-sectors, but it is already achieving the most visible results in fruit (raspberries and plums) and it is important to strengthen and expand its primacy. It is also possible to raise the value many times over, which it thereby achieves. Improving the production of fruits and vegetables is challenging for the reason that production is for many households only a complementary economic activity. It is necessary to ensure their commitment to modern production or to opt for more productive jobs.

Steps of harmonization with the EU systems should be carefully planned only when it is clear which and what kind of results are desired/can be achieved.

WHAT KIND OF AGRO INDUSTRY - IN GENERAL... (1 OF 2)

... IS IRELAND PLANNING?	... CAN WE, FOR EXAMPLE, ACHIEVE?	... DOES EU CONDITION AND SUPPORT?
Increase the value of production to more than 500 million euros and create 1,000 new full-time jobs	Serbia is globally recognized as a producer of first - class fruits and vegetables with 50% of fresh exports by 2030.	Serbia needs to make additional efforts to transpose a legislative framework that is in line with the EU CAP
<p>Goals:</p> <ul style="list-style-type: none"> • Maintain and where possible increase the value of the product per unit • Maintain and increase the area under production and diversify the range of products in accordance with market needs (demand) • Promote increased consumption of fresh fruits and vegetables to achieve the recommended daily intake of five or more of them per day • Support the sustainability of the use of letters of credit by agricultural producers 	<p>Goals:</p> <ul style="list-style-type: none"> • United foreign presence and branding of high-quality fruit products • Develop cold chains for berries, cherries and selected vegetables from strategic locations • Raise the percentage of production of first-class fruits and vegetables (requires significant investment in advisory services, control, and programmes) • Significantly raise investments in variety development, with better quality control of the institute. • Special emphasis on autochthonous varieties, in which Serbia is among the leading producers (plum, quince, cherry) 	<p>Mechanisms and principles of sector management mostly refer to sub-sector. Only standard ones are specific.</p>

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