



SDGS  
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ALL

# SERBIA IN 2030: DEVELOPMENT PRIORITIES THE NON-STATE SECTOR REPORT



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Agency for Development  
and Cooperation SDC

Implemented by:



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BELGRADE, 2020



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This report was produced under the “SDGs for All” project, established to enable a society-wide dialogue among the most important non-state actors in Serbia, including civil society, corporate sector, academic and research community, the media and citizens, on aligning Serbia’s development priorities with the goals of the 2030 Agenda for Sustainable Development. The Platform is organized in three thematic pillars, which correspond to the three dimensions of sustainable development: social, economic and environmental, but from the overall management perspective, it is operated in an integrated manner, recognizing that the SDGs are closely interlinked and intertwined.

The “SDGs for All” Platform is supported by the Governments of Switzerland and Germany and is implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, within the project “Public Finance Reform – 2030 Agenda”. The project partners include Belgrade Open School, Belgrade Fund for Political Excellence, Center for Advanced Economic Studies, Foundation Ana and Vlade Divac, Center for Democracy Foundation and Timok Youth Center.

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# PREFACE

*“We want to give the world a more humane face. And we can. That is what the 2030 Agenda is for. To this end, we are adopting new goals which cover the entire spectrum of global activities which apply to all, industrial and developing countries alike. If we are to achieve these goals, we need a new global partnership.”*

– Chancellor of the Federal Republic of Germany Angela Merkel  
at the inauguration of the United Nations Sustainable Development Summit  
on 25 September 2015

*“One of the biggest challenges in this globalized era is to create a closer relationship and greater trust between citizens and politics and their institutions. This is why the participatory process in the development of the 2030 Agenda for Sustainable Development was so important. Now, let’s get to work – together, with the people, for the people.”*

– Statement of the President of Swiss Confederation,  
Ms Simonetta Sommaruga

Under the 2030 Agenda, sustainable development, poverty reduction and climate action are **inextricably linked**. This agreement seeks to promote global economic progress while fostering at the same time social justice and the conservation of natural resources, and ensure that no one is left behind. That is why the 2030 Agenda 17 Sustainable Development Goals (SDGs) place special emphasis on the weakest and the most vulnerable members of the society. To ensure this succeeds, developing countries, emerging economies and industrialized nations must all do their part. This collaborative effort becomes even more important, as the impact of the current Covid-19 pandemic will most likely increase poverty and inequalities at a global scale.

Responsibility for implementing the 2030 Agenda and achieving the SDGs is not merely a matter for the governments but is a task that concerns everyone: citizens, organized civil society, the

private sector, academic and research community and governments. The approach based on equal partnerships calls for stronger cooperation between the different actors at local, regional, national and international levels and for the use of the Agenda's goals and principles as a shared strategic vision of all stakeholders in promoting peaceful and sustainable development. Governments continue to be responsible for putting in place the required policy frameworks and ensuring that appropriate priorities are set in light of the global ambitions. But the implementation needs to be a joint effort.

**We strongly believe that partnerships provide value added for all stakeholders. Cooperation between governmental and non-governmental actors promotes constructive relationships between the state and the society, as well as social inclusion.** Establishing these partnerships and maintaining them on an ongoing basis is an important concern for us. After all, how else could such ambitious goals, such as those set out in 2030 Agenda, but also in the EU Acquis or the 2015 Paris Climate Agreement, be achieved?

**In 2019 German and Swiss Governments came together to establish a Platform to foster a society-wide dialogue in Serbia over the implementation of the SDGs and the 2030 Agenda.** The "SDGs for All" Platform ([www.sdgs4all.rs](http://www.sdgs4all.rs)) was launched at a conference held on March 4, 2020 in Belgrade, gathering the representatives of the Government of the Republic of Serbia, the business community and academia, civil society, international organizations, UN agencies and the media. On that occasion, the work principles of the Platform at the national and local levels were presented and discussed amongst stakeholders. Centered upon multi-stakeholder partnerships, the Platform's main task is to mobilize and share knowledge, expertise and resources and advocate for the achievement of SDGs, and thus to complement government-led actions in realizing sustainable development.

**The Platform is organized in three thematic pillars, which correspond to the three dimensions of sustainable development: social, economic and environmental.** Each pillar is managed by a strong and well recognized civil society partner. This structure has been chosen to ensure an efficient management and to facilitate dialogue within and across different spheres of sustainable development.

**Since August 2019, the Platform has reached out to the representatives of the most relevant non-state actors, local governments and businesses in Serbia, and initiated a lively and systematic exchange of their knowledge,** expertise, experience and other resources to achieve progress towards the SDGs implementation. At a local level, the Platform, through focus group discussions, round tables and online events, has been identifying local development needs and priorities and building support networks around them. In the next two years, in the partner municipalities of Užice, Priboj, Pozega, Sremski Karlovci, Pirot, Zajecar, Bor, Knjazevac, Sombor and Apatin, the Platform will strive to improve the local development frameworks and ensure on-the-ground delivery of the SDGs, with a focus on those farthest behind. Responding to the need to further build knowledge and capacities of a wide range of relevant non-state actors, including local civil society organizations, businesses and the media, over the SDGs and the 2030 Agenda, the Platform will offer various opportunities to increase knowledge, competencies and values inherent in the principle of sustainable development. The Covid-19 pandemic has impacted the overall environment in which all of the above mentioned efforts have been implemented, still the Platform has adjusted fast to this new reality by shifting its work to the digital sphere, offering creative ways to connect, share information and resources and propose solutions.

In order to support the SDGs delivery process in Serbia fully and to contribute to mainstreaming the 2030 Agenda in the strategic frameworks at national and local levels, the Platform will produce and use evidence to inform the process of priority setting. **One key product that was already compiled, is the report hereby presented to you – "Serbia in 2030: Development Priorities – the non-state**

sector report". As one of the key milestones of the "SDGs for All" Platform, this report identifies the most pressing thematic priorities of Serbia's diverse non-state sector pointing to a desired direction of policy change.

German and Swiss Development Cooperation will continue to devote all our energy to supporting the sustainable development and the European integration process in Serbia. We now wish you much pleasure in exploring the multifaceted world of the 2030 Agenda and learning more about the priorities of the Serbian society with respect to the SDGs. We would be glad to see these priorities discussed with decisions makers and ultimately incorporated into Serbia's' normative framework for sustainable development.



Richard Kohli

Embassy of Switzerland, Head of Cooperation



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# EXECUTIVE SUMMARY

**The progress of the Republic of Serbia (RS) towards the 2030 Agenda implementation over the five-year period is not in line with the assumed obligations.**

The Republic of Serbia has not yet nationalized and prioritized the Sustainable Development Goals, they have neither been embedded in other public policy documents, nor has the clear and transparent system for their full funding and monitoring been established. The 2030 Agenda implementation has been a formal and incomplete process so far. In this document, we advocate for the values and vision of the future laid down in this Agenda, same as for the use of its mechanisms and goals so as to initiate a process of long-term development and strategic decision-making in Serbia.

The document "Serbia in 2030: Development Priorities – the non-state sector report" (The Report on Priorities) suggests key development priorities Serbia ought to strive to achieve to ensure better quality of life for its citizens. The report illustrates how the 2030 Agenda and Sustainable Development Goals can be used to formulate national development priorities and policies. The findings presented in this Report call upon the Government of the Republic of Serbia to initiate, as soon as possible, the Development Plan drafting process, set forth in the Planning System Law, same as the process of the 2030 Agenda nationalization – and establish close links between the two processes. We hope this report will motivate the stakeholders – primarily civil society organizations and corporate sector – to actively contribute to further dialogue on shaping the direction of social development and priority selection.

## SERBIA IN 2030 – OUR VISION

**In 2030 we want to be a society of dignified people sharing European values, where everyone integrates progress in their work, but is also obliged to give – through solidarity, protection and improvement of the environment, compliance with the laws and by respecting diversity among people.**

The adequate living standard is one of the preconditions of dignity, while reaching the "European" living standard represents a long-lasting, unmet tendency of Serbian citizens. In ten-year time it is possible to reach the point where each family is adequately financially secure, where any person wishing so may have formal employment not only ensuring respect of all labour rights, including the right to adequate rest, sick-leave and protection, but also prospects for personal and financial progress.

Dignity for all primarily implies that by 2030 poverty is eradicated in Serbia, along with the informal, poorly-paid and unsafe labour. Nowadays in Serbia, each 14th citizen cannot afford basic living needs, whereas each fourth inhabitant lives at risk of poverty. Such a situation is of particular concern given that the poverty rate in Serbia, same as in many other countries worldwide, is anticipated to "explode" in the coming period due to the Covid-19 pandemic. The society needs to ensure systemic



additional support to those whose structural circumstances make it even more difficult for them to achieve an appropriate living standard and enjoy all other human rights, like women, persons with disabilities, Roma or those living in underdeveloped regions.

**In the coming decade actual, and not only declarative, universal health has to come first.** Serbian health care system needs to be restructured and reformed so as to reduce inequalities in the health care system to the EU average by 2030, and enhance overall health of the population by much more successfully preventing disease, and not only by treating it. Each sixth person in Serbia self-reported their health status as (very) poor, each fifteenth person is not getting appropriate care; while out of every ten dinars spent on the health care, even four come out the citizens' pockets – which is the highest rate in Europe.



**Ensuring accessible and quality education, same as prospects for continued professional development, is a precondition for enhanced living standard.** The prerequisite for success lies in transformation of schools into institutions teaching young people critical thinking and independent learning. Applying such knowledge in Serbia, and avoiding a brain drain, requires an ongoing future-oriented dialogue between the state, broader society, businesses and schools. The schools need to ensure equal opportunities for all to realise their potential. The primary education coverage needs to be raised to 100%.



**Living in clean communities and biodiversity are also European values and elements of wellbeing.** They are being neglected in a wrong belief that they contravene economic wellbeing. In fact, there is a huge space for the citizens to benefit both economically and in terms of quality of life if they “jump on a train” of green growth. Particularly beneficial may be the combination of investments in the quality of the environment, renewable energy, healthy food development and green tourism.



**Responsible use of resources vs. current “wasting” may be the driver for the development of entire regions and sustainable local communities.** Serbia is on the European rear in energy efficiency – with half of the energy consumed, it could produce the same GDP level and significantly reduce air pollution, which is the reason of 6,600 premature deaths annually. Besides the inefficiency, in countries with weak rule of law resource exploitation is at risk of being used by a handful of privileged people to get even richer and flee capital from the country, leaving behind environmental desert and compromised health of the population. The outcome will depend on the quality of development management, and this quality starts with an open dialogue and inclusion of all stakeholders. The announced project of exploitation of the highly important lithium deposits (jadarite) is a proper test of the government's commitment and maturity to initiate such dialogues and accountable use development prospects.



Following the economic decline in the 1990s and slow recovery, **specific structural conditions have finally been met for the private sector to take the lead and significantly accelerate economic growth in Serbia** (after the Covid-19 pandemic had ended). This calls for more investment – by better targeted attracting of FDIs and creating enabling environment for the SME development. The key fact here is that FDIs really do bring and transfer knowledge, meaning that local economy has to develop alongside. The SMEs penetrating global market with their products must grow together with their employees, and be provided with stronger support in risk-taking same as legal protection. Without legal protection, Serbian entrepreneurs will not take risks and invest into growth, but will seek to educate their children abroad and grow their financial reserves. Without trust, apolitical networking and exchange of knowledge – every company will remain isolated, with its growth being of limited range. Increasingly successful ICT sector will be nothing but an Iceland.



**The first step towards such a future must entail a true institutional transformation, and creating a different general societal climate in Serbia.** General situation regarding the rule of law and quality



of institutions in Serbia is even lower than the level of human development. In carefully assessed Progress Reports of the European Commission, the already weak score in meeting political criteria for membership has been stagnant for years. Still, in regard to the important aspects – primarily the rule of law, freedom and voice of the public and the media and anti-corruption, Serbia has been regressing in the past years. To reach the described sustainable development, institutions need to become much more effective. If the institutions fail to deliver results due to their inertia and lack of harmonisation, it will open door to parallel decision-making channels.

# >> DEVELOPMENT PRIORITIES OF SERBIA

The presented development orientation is further elaborated and specified in eight priority development areas and their associated targets that are mutually interlinked and complementary.

The area and targets were developed based on the values, principles and content of the 2030 Agenda, and adjusted to development opportunities and challenges in Serbia (methodology available in Annex 1). In the table below, every target is accompanied by the 2030 Agenda target it refers to given in brackets.

Table 1 Priority development areas and targets



## PRIORITY AREA 1: HEALTHY LIFE AND HEALTH CARE FOR ALL

*Nationalized priority 2030 Agenda targets:*

1.1 Achieve universal health coverage, including financial risk protection, access to quality essential health-care activities and access to safe, effective, quality and affordable essential medicines and vaccines for all (COR 3.8)



## PRIORITY AREA 2: DIGNITY FOR ALL SERBIAN CITIZENS

2.1. Reduce at least by half the proportion of men, **women** and children of all ages living in poverty in all its dimensions (1.2)

2.2. Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable (1.3)

2.3. End all forms of discrimination against all women and girls everywhere (5.1)

2.4. Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies (5.4)

2.5. Progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average (10.1)



## PRIORITY AREA 3: REACHING EUROPEAN LEVEL OF THE RULE OF LAW AND INSTITUTIONAL QUALITY

3.1 Promovisati miroljubivo i uključujuće društvo za održivi razvoj, obezbediti pristup pravdi za sve i izgraditi funkcionalne i odgovorne institucije na svim nivoima (16)



## PRIORITY AREA 4: COMPETITIVE ECONOMY AND PRODUCTIVE JOBS

4.1. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation (8.3)

4.2. Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (8.5)

4.3. Enhance investments in scientific research, upgrade the technological capabilities and encourage innovation – particularly in private sector (9.5)



## PRIORITY AREA 5: SKILLS FOR SUSTAINABLE AND SMART DEVELOPMENT AND THE FUTURE OF LABOUR

5.1. Ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes (4.1)

5.2. Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship (4.4)



### PRIORITY AREA 6: ODGOVORNA I EFIKASNA UPOTREBA PRIRODNIH RESURSA

- 6.1. Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes (9.4)
- 6.2. Increase substantially the share of renewable energy in the global energy mix (7.2)
- 6.3. Double the global rate of improvement in energy efficiency (7.3)
- 6.4. Achieve the sustainable management and efficient use of natural resources (12.2)



### PRIORITY AREA 7: CLEAN AND RESILIENT LOCAL COMMUNITIES

- 7.1. Achieve universal and equitable access to safe and affordable drinking water for all (6.1)
- 7.2. Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally (6.3)
- 7.3. Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management (11.6)
- 7.4. Substantially reduce waste generation through prevention, reduction, recycling and reuse (12.5)
- 7.5. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters (13.1)



### PRIORITY AREA 8: SAFEGUARDING NATURAL AND CULTURAL HERITAGE

- 8.1. Strengthen efforts to protect and safeguard the world's cultural and natural heritage (11.4)
- 8.2. Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species (15.5)

The list below presents the performance indicators that are at the same time specific results to be achieved by 2030 if Serbia is to implement the reforms necessary to reach the proposed priority targets. The full list of indicators, same as their link to the targets, is attached in the chapter dedicated to development priorities.

1. Reduce % of the population self-reporting their health status as poor and very poor from 16 to 9
2. Reduce % of the population with unmet need for medical care from 6.5 to 2.5
3. Reduce the share of private health care expenditures ("out of the citizens' pocket) from 41% to 20%
4. Reduce the number of persons at risk of poverty by minimum 50%, from 1.6 million to 800 thousand
5. Increase the share of the population covered by the social protection system by 100%
6. Reduce the share of informal unemployment in total employment from 18% to 10%
7. Eliminate gender gap in employment rates and wages between men and women
8. Reduce the rate of the severe material deprivation of the poorest 40% of the citizens, from 28% to 10%
9. Achieve population (20-64) employment rate of 75% with median wage enabling buying an average market basket
10. Increase the total and labour productivity in manufacturing industry by 50%
11. Reach the share of private investments in GDP of minimum 20%, and public of minimum 5% of GDP.
12. Double investments in R&D and achieve the level of 1.8% of GDP, of which private sector accounts for 2/3
13. Raise the export share of high-tech products and knowledge-intensive services to 20% of total export
14. Reduce the share of students failing to achieve basic literacy to 8%
15. Increase the parity index for vulnerable students to a value ranging between 0.9 and 1

16. Reduce 15-29 youth NEET to 8%
17. Reduce CO<sub>2</sub> emission per 1 EUR of GDP by 50%, namely reach the level of 0.6 kg of CO<sub>2</sub> per GDP unit
18. Reduce the share of energy from fossil fuels from 70% to 50%
19. Reach the level of 27% of total final energy consumption from renewable sources, with the share of biofuels of 10% in transport sector
20. Achieve the energy intensity level of 5 MJ/USD
21. Achieve resource productivity of 0.7 EUR/kg
22. Percentage of the population using drinking water from public systems 100%
23. Establish waste water treatment in all agglomerations exceeding 2,000 people equivalent
24. Reduce PM<sub>2.5</sub> emission by 22% by 2030
25. By 2024, reach the coverage of population of the Republic of Serbia by municipal waste collection services of 100%
26. By 2029, achieve the packaging waste recycling/ reuse level of 53%
27. Reduce the number of deaths, missing persons and directly affected persons attributed to disasters per 100,000 population
28. All local self-governments have adopted and implemented local disaster risk reduction strategies in line with national disaster risk mitigation strategies
29. Increase the natural area under protection to 20% of the Republic of Serbia's territory
30. Ensure conditions for including at least one more site from the proposed national list to the UNESCO heritage list.

# I. INTRODUCTION


## >> THE 2030 AGENDA AND SUSTAINABLE DEVELOPMENT GOALS

The United Nations General Assembly adopted the 2030 Agenda for Sustainable Development (the 2030 Agenda) following the expiry of the deadline for delivery of the Millennium Development Goals in 2015.

They build on the MDGs, but also extend to include climate action, economic inequality, innovation, sustainable consumption, peace and justice. In addition, the 2030 Agenda is not solely focused on developing countries, but on all countries, given the need for global cooperation in meeting these goals.

The 2030 Agenda contains 17 Sustainable Development Goals (SDGs). The activities aimed at achieving the Sustainable Development Goals are implemented in the spirit of partnership and pragmatism, so as to make the right choices and thus ensure sustainable improved life for future generations. The 17 SDGs rely on a plan to make the world a better place for living, which is additionally contributed by 169 specific targets to be met. The SDGs provide clear guidelines and targets to be adapted by all countries to their national circumstances, and adopted in line with their priorities and global environmental challenges.

ILLUSTRATION 1 THE 2030 AGENDA SUSTAINABLE DEVELOPMENT GOALS

	Target 1: Ending poverty in all its forms everywhere		Target 10: Reducing inequality between and within states initiative
	Target 2: Ending hunger, quality nutrition and sustainable agriculture		Target 11: Security and sustainability of cities and settlements
	Target 3: A healthy life and well-being for all		Target 12: Responsible consumption and production
	Target 4: Inclusive and quality education for children and adults		Target 13: Emergency action against climate change and its consequences
	Target 5: Achieving gender equality and empowering all women and girls		Target 14: Conservation and sustainable use of the water world
	Target 6: Clean potable water and appropriate sanitary conditions		Target 15: Biodiversity consideration and sustainable forest and land use
	Target 7: Availability of energy from renewable sources		Target 16: Peace, justice and reliable institutions
	Target 8: Sustainable economic growth, employment and decent work		Target 17: Global sustainable development partnership
	Target 9: Infrastructure, sustainable industrialization and innovation and decent work		



The European Union has been one of the key initiators of the 2030 Agenda formulation and one of the leaders in its implementation. In the document "Next Steps for a Sustainable European Future" (2016) it has been confirmed that the 2030 Agenda with its goals represents the core of European values, and that the Sustainable Development Goals will be mainstreamed in all of its policies and initiatives.

The Republic of Serbia has also committed to engage in the 2030 Agenda implementation. The implementation starts with the prioritization and nationalization of goals – namely, by specifying the most relevant national goals in line with the global ones. In its document "Serbia and the 2030 Agenda", the Public Policy Secretariat points to the fact that "the process of prioritization and nationalization of the Sustainable Development Goals in the Republic of Serbia ought to follow the same principle and standards as those established in the EU. This practically means that all development documents of the Republic of Serbia and public policy documents would need to, under the EU accession process, also integrate the UN 2030 Agenda and use it to profile the Republic of Serbia as a future EU member." Serbia has also committed to establish a national framework for implementation and monitoring results aimed at achieving the "nationalized" goals and targets.

*Targets are defined as aspirational and global, with each Government setting its own national targets guided by the global level of ambition but taking into account national circumstances. Each Government will also decide how these aspirational and global targets should be incorporated into national planning processes, policies and strategies."*  
(Transforming Our World: The 2030 Agenda for Sustainable Development)

*Government of the Republic of Serbia directly participated in the development and drafting of the Agenda for Sustainable Development by including citizens in consultations on the "Post 2015" development agenda, but also through direct participation of government representatives at global fora defining the Sustainable Development Goals. Along with several other countries across the world, Serbia was selected to support setting of a new global development programme by consulting the citizens about their views of the development priorities. Under the national campaign "Serbia I want", as a part of the global campaign "The World We Want", over 28,000 citizens got the opportunity to participate in consultations either via an online survey and web portal, or in direct consultations, while the majority participated via Facebook and Twitter.*

The implementation of the 2030 Agenda should not be perceived exclusively as "another" formally assumed obligation – it is actually needed to achieve what Serbian citizens expect for themselves and of Serbian society. Human development in Serbia is currently significantly below such expectations and its potential. Measured by the Human Development Index covering the areas of economic development, education and health care, in 2019 Serbia ranked only 63rd in the world – 11 positions behind the lowest ranked EU member states – Bulgaria and Romania. Serbia shared its position with Trinidad and Tobago, between the Seychelles (62) and Iran (65). If the (in) equality level is taken into account, Serbia's position is even worse (67). The Environmental Sustainability Index, assessed against 12 indicators, shows that Serbia is significantly lagging behind the European countries. A major concern pertains to the piece of data that Serbia is a country with an extremely high carbon-dioxide emission, both per capita and per GDP unit. Internationally and time-comparable indices of the rule of law (ranked 75th out of 128 countries), democratic governance (assessed as a hybrid regime), freedom (66/100) and anti-corruption (91/ 198) are not only concerning due to unfavourable ranking, but also due to the absence of progress or registered regression in the past years. To improve the quality of life of its citizens, implementation of the 2030 Agenda goals and targets makes an imperative for Serbia, irrespective of whether the 2030 Agenda itself is a formally assumed obligation.

## >> THE 2030 AGENDA AND NATIONAL PLANNING FRAMEWORK

Despite the fact that the Republic of Serbia has committed to devotedly work on the 2030 Agenda implementation, the progress made in the first five years is not in line with the obligations assumed.

A successful and meaningful implementation of the 2030 Agenda is possible only if it is adapted to development challenges and needs of each implementing country, and if it is embedded into actual national policy adoption and implementation processes. The Republic of Serbia has not yet nationalized and prioritized the Sustainable Development Goals, nor has established a clear and transparent system for their full funding and monitoring.

Serbia's problem lies in the fact that key processes of development and strategic decision-making are often taking place separately from the formal adoption of planning documents. Key development and strategic planning documents set forth under the applicable constitutional and legislative frameworks – primarily the Development Plan, and then the Investment Plan and the Spatial Plan – do not exist. Therefore it comes as no surprise that the implementation of the 2030 Agenda has so far been a formal and incomplete process, instead of making use of its mechanisms and goals, same as of synergy that could be established between the development and strategic decision-making and the 2030 Agenda.

We are of the opinion that the 2030 Agenda nationalization process needs to be used as a mechanism to initiate a broader social dialogue to shape the vision and objectives of the society. The precondition to actually start achieving the set vision and goals in reality, is to embed them into the ten-year Development Plan, which is yet to be adopted by the Republic of Serbia. Just alike, the 2030 Agenda needs to be linked as much and as firmly as possible with the complementary process of European integration, and only then the overall progress of Serbia could be monitored annually. The map of key processes that would lead to a more successful implementation of the 2030 Agenda in Serbia, is presented below.

ILLUSTRATION 2 MAP OF KEY PROCESSES FOR A MORE SUCCESSFUL IMPLEMENTATION OF THE 2030 AGENDA IN SERBIA



On one side, the use of the 2030 Agenda to shape the vision and select priorities through a broad social dialogue, provides methodological, content-related and analytical legitimacy to the Development Plan drafted in this way. On the other, the Development Plan containing the results of nationalization and prioritization of the 2030 Agenda, represents a strong and transparent commitment of the state, before its citizens and international partners in regard to implementation of the 2030 Agenda and reaching its vision of the society by 2030.

# >> THE REPORT ON PRIORITIES: A STEP TOWARDS THE 2030 AGENDA NATIONALIZATION AND PRIORITIZATION

This Report on Priorities was compiled as a tool of the Society-wide Dialogue Platform "SDGs for All" (the Platform), in order to stimulate- and hopefully inform – orientation of Serbia's development by means of an adopted planning framework and institutions in the system.

. Rooted in analytical and participatory grounds, the Report on Priorities prioritizes and "nationalizes" – from the non-state sector perspective – the targets of sustainable development elaborated in the 2030 Agenda. It positions the 2030 Agenda in the development context of Serbia, taking into account the fundamental rights and needs of its citizens, and proposes basic elements of the vision of the society by 2030, same as the key development priorities Serbia is to achieve by then.

The initial purpose of the Report on Priorities, and of the analytical and consultative process it is based on, is to:

- **propose key development priorities**, based on the 2030 Agenda, Serbia should strive to achieve so as to ensure improved quality of life for its citizens;
- **illustrate how the 2030 Agenda and Sustainable Development Goals can be used** in formulation of national development priorities and policies.

By this Report we also:

- **call upon the Government of the Republic of Serbia to initiate as soon as possible the drafting process of the Development Plan of the Republic of Serbia**, set forth in the Planning System Law;
- **call upon the Government of the Republic of Serbia to launch as soon as possible the process of the 2030 Agenda nationalization**;
- **seek to motivate the stakeholders** – primarily civil society organizations and corporate sector – to actively **contribute to further dialogue** on shaping the vision of the society and rational priority selection;
- **inform interested citizens** on what the 2030 Agenda is and why it is important for Serbia, how it can affect their rights and everyday lives, and how they can monitor its implementation.

The Report on Priorities should not, and it must not, be understood as the substitute for the 2030 Agenda nationalization by the state, neither it holds ambition to resemble the Development Plan not yet adopted by the Republic of Serbia. Nationalization of the goals and setting the actual development plan require a much broader and more detailed social dialogue, longer consultative process and improved access to data. In other words – the state is required to actively lead the process.

The Report suggests as priorities such targets where Serbia is most lagging behind comparable countries, those assessed to have the potential to bring about greatest changes to the quality of life and those representing the means for achieving other Sustainable Development Goals and targets. However, the Sustainable Development Goals and targets are inter-linked and indivisible. The key to success often lies in understanding challenges associated with other goals. Hereby we underscore that, together with the achievement of the proposed priorities, Government of the Republic of Serbia and competent ministries ought to carefully develop policies and monitor the situation transparently in relation to all other targets of sustainable development relevant and applicable to Serbia<sup>1</sup>.

Finally, before we engage in presenting the selected priorities, it is important to stress that the priorities include the lessons which Serbia, same as the rest of the global community, should learn from the Covid-19 pandemic crisis, however the purpose of this report is not to address the short-term priorities imposed by the crisis. Although the tragic outcomes of the pandemic, followed by its devastating effects both on the health care systems around the globe and many economies, will leave deep footprints, the assumption of authors of this report is that the world will not experience another long-term recession which would jeopardise the relatively quick rebound of the Serbian economy onto the possible pathway of economic growth.

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<sup>1</sup>Monitoring report (2020) assesses and defines the list of Sustainable Development Goals that can be considered relevant and applicable in Serbia.



## II. SERBIA IN 2030 – OUR VISION



### >> DEVELOPMENT ORIENTATIONS

**In 2030 we want to be a society of dignified people sharing European values, where everyone mainstreams progress in their work, but also is obliged to give – through solidarity, protection and improvement of the environment, compliance with the laws and respecting diversity among people.**

The adequate living standard is one of the preconditions of dignity, while reaching the “European” living standard is a long-lasting, unmet tendency of Serbian citizens. Although “European average salary” cannot be achieved overnight, in 10-year time it is possible to achieve that each family is adequately financially secure, that any person wishing so may have formal employment which not only ensures respect of all labour rights, including the right to adequate rest, sick-leave and protection, but also the prospects for personal and financial progress. The existence of such a perspective is also a prerequisite for a turnaround in demographic decline that has been affecting Serbia for quite a while.

Gender equality and empowering women for a more active role in decision-making, economically gainful activities through increased activity in the labour market, valuing unpaid labour in the household, abolishing gender gap in salaries of men and women, and absence of gender-based discrimination, will contribute to improved living standard of all.

**Dignity for all means eradicating poverty – it is unacceptable for people not to be able to afford their basic living needs.** This requires all of us to start fighting the problem of poverty harshly and directly, jointly as a society. The problem of poverty has currently been excluded from the public discourse – for example, it was neither mentioned in the exposé of the Prime Minister of the Serbian Government, nor it falls under the scope of any of the ministries (Annex 2). Today in Serbia every 14th inhabitant cannot afford their basic living needs, and each 4th lives at risk of not being able to afford such needs in case of a minor disturbance in the present living conditions. Such a situation is of particular concern given that the poverty rate in Serbia, same as in many other countries worldwide, is anticipated to “explode” in the coming period as an effect of the Covid-19 pandemic.

**The same applies to informal, poorly paid and insecure labour. At the same time, it is necessary** to stimulate socially inclusive economic growth and systemic implementation of more progressive

fiscal policies and expression of social solidarity, namely the spill-over effect from those who “have” onto those who “do not”. In spite of the fact that prior to the Covid-19 pandemic outbreak informal labour registered a decline, it was still the primary source of income for about 520,000-550,000 people (of whom 200,000 not in agriculture). Post Covid-19 there will be much more of them.

**Moreover, no discrimination must be tolerated.** In addition to directly fighting discrimination, the society needs to ensure systemic additional support to those whom structural circumstances make it even difficult to achieve an appropriate living standard and enjoy all of their other human rights – women, persons with disabilities, Roma or those living in underdeveloped regions.

**Solidarity is a value, same as a prerequisite for enduring progress of each individual, and of the society as a whole.** In order for the economic progress to raise the living standard of all citizens based on the ever more productive decent labour, the society needs to ensure modern education of equal quality and lifelong learning opportunities for all. School must be a place providing support tailored to the needs of all students, by providing everyone equal opportunities to achieve their potential. The fact that the primary education coverage in the last eight years in Serbia actually shrank (to 93% in 2019 from 99% in 2012) is unacceptable. It has to be raised to 100%, with intensified support to those growing up under less privileged circumstances.

**Covid-19 pandemic is painfully reminding us that solidarity is reciprocal in the society.** Health care is the right of each individual, but by protecting one, it is also protecting other members of the society and thus needs to be a societal duty. This principle has been neglected in the Serbian health care system in the past decades. In the coming decade actual, and not only declarative, universal health has to come first. Serbian health care system needs to be restructured and reformed in order for inequalities in the health care system be to be reduced to the EU average by 2030 (we can do this) and overall health of the population enhanced by much more successfully preventing disease, and not only treating it.

**Accountability towards the health of the planet and life in the clean environment and biodiversity also comprise European values and elements of wellbeing.** They are being neglected in a wrong belief that they contravene economic wellbeing. In fact, there is a huge space for the citizens to benefit both economically and in terms of quality of life if they “jump on a train” of green growth. Serbia is far at the European rear when it comes to energy efficiency. With a half of the energy consumed, we can achieve the same level of value added – and these are the savings which would bring about a considerable benefit. Moreover, energy savings would significantly reduce air pollution which is the cause of death of over 6,000 people annually nowadays. Conservation and protection of the healthy environment sometimes requires investments not producing direct profit or savings. Even in such cases, they most often do generate quality and decent jobs and certainly improve the quality of life. In any case, even today, as a society, we cannot justify the situation in the area of waste management or development level of the water supply and sanitation systems by saying that “Serbia is a poor country”. This could be even less justified if living standard is enhanced as hoped.

After the economic breakdown in the 1990s and mainly slow recovery in the past two decades, today certain structural conditions have been met finally to considerably accelerate Serbian economic growth (naturally, once the Covid-19 crisis had ended). A rather slow restructuring process of social enterprises (apart from the public enterprises) is almost over. Meanwhile, through gradual increase in the number of domestic SMEs and their growth, and with incoming foreign direct investments, private sector has been built with a tangible nexus which is becoming considerable. This sector is to be complimented for the growth of Serbian exports in the past decade by 10.5% annually on average, now exceeding 50% of GDP. Additionally, fiscal consolidation in the period 2015 to 2017 has opened the perspective of macroeconomic stability and fiscal space necessary to mitigate macroeconomic risks and continuously support economic growth. Its excellent position under the

conditions of changing global geo-strategic and economic relations, same as the relative political stability in the region over the years, have made the Western Balkans an interesting destination for European and other global capital. Extremely important are the tectonic changes in exploitation of mineral resources in Serbia. Based on the (rather scarce) publicly available information, exploitation of the significant deposits of lithium, jadarite, is expected to start in the next decade. The role of this resource in the 21st century will very much resemble the role oil had played in the 20th century.

Still, the described factors and accelerated growth will not get us to our goal by itself. On the contrary. They can easily take us farther away from it. Foreign investments may play a valuable role as a source of knowledge and capital Serbia cannot build on its own. However, the key fact here is that FDIs really do bring and transfer knowledge, meaning that local economy has to develop alongside. Each large factory will be surrounded by the dynamic SME sector; it will spill over the knowledge onto them they will further develop. By no means should we once again find ourselves in a quite frequently encountered situation to date, that foreign investments are used to generate low-paid jobs considered "a dead-end street" from the development perspective, not allowing the staff to advance. Foreign capital may also play a constructive role in modernization and strengthening of market rules. Still, nowadays it is greatly attracted due to the aptitude and readiness of the authorities to bypass the rules concerning the selected investments. Such an approach creates short-term benefits, but on the long run it only devastates local and independent entrepreneurship, same as the capacity of the system to truly support productivity of the economy and development. It is particularly detrimental to bypass legislation aimed at protecting health of the population and quality of the environment. Instead on the finish line, we could end up with the slowed-down growth once again, further demographic decline and a long list of environmental hot spots in need of rehabilitation.

**The situation is similar with the development of mining and further steps in the manufacturing value chain.** If mining is developed as a part of a broader strategy that duly protects the environment and ensures development of such parts of associated value chains that can be met by the Serbian economy in a competitive manner, it may be the trigger for the development of entire regions, and in the case of lithium – of the national economy. But, extraction of mineral resources can also be used by a small number of privileged and connected people to get even wealthier and "extract" capital from the country. It can create environmental desert and pose a threat to the population health in entire regions. The outcome will depend on the quality of social and governmental management of such development, and this quality starts with an open dialogue and inclusion of all stakeholders.

**Small and medium-sized enterprises penetrating global market with their products must grow together with their employees,** without the fear of being punished for success – which is nowadays too often the case. Moreover, they need to be more strongly supported in taking risks. By 2030, it is possible to develop multiple niches with recognisable Serbian brands. Here we refer to food, but other industries as well, like metal processing, mechanical, fashion or furniture industries. ICT industry has already been growing fast, transforming Serbian cities and conquering global markets. By 2030, it may become the factor of innovation and creativity to assist in transformation and modernisation of all other domestic stakeholders. However, by 2030 the outcome may seem completely different. Without legal security and predictable prospects, Serbian entrepreneurs will not take risks and invest into growth, but will seek to educate their children abroad and grow their financial reserves. Without trust, networking not conditioned by political affiliation and exchange of knowledge – every company will remain isolated, with its growth being of limited range. Increasingly successful ICT sector be nothing but an Iceland.

**Serbian village can preserve many of its features and values, and continue developing as a main supplier of Serbian citizens with food, but it can also become a recognised supplier of the ever growing and more demanding global market.** This calls for support to agriculture in introducing



modern technologies, reliance on knowledge and disciplined networking, with a special focus on empowering women in rural areas and their economic potential. Non-agricultural activities need to be developed in rural environments. Particularly beneficial may be the combination of investments in the quality of the environment, renewable energy, healthy food and green tourism development. Still, without investments in knowledge and infrastructure, both regarding the conservation of the environment and regional networking, and without support to adequate green and cultural initiatives and links – traditional village will be left empty.

The prerequisite for success mentioned several times already, **lies in the transformation of schools into institutions teaching young people critical thinking** and encouraging independent learning. Education and critical thinking are a must, both to boost economic development and to transform governmental and societal institutions into functional organisations capable of accountable decision-making. What is needed to make use of such knowledge in Serbia and prevent brain drain abroad, is a constant dialogue between the state, broader society, economy, parents, students and schools. In order for the education to lead the country ahead, education system needs to recognise and contribute to accelerated technological development, and this on the other side calls for this dialogue to be focused on the future – future professions produced by the sustainable economy. It has to empower young people to both be the implementers and watchdogs of such development.

**The first step towards such a future must entail a true institutional transformation and creating a different general societal climate in Serbia** According to international standards, general situation regarding the rule of law and quality of institutions is even lower ranked than the level of human development. In carefully assessed Progress Reports of the European Commission, the already low score in meeting political criteria for membership has been stagnant for years. As evaluated against credible international standards, the greatest concern is that in relation to multiple key aspects – primarily the rule of law, freedom and voice of the public and the media and anti-corruption, Serbia has been regressing in the past years. The issue pertaining to institutional capacities and accountability is also rather questionable. Delivery of results on their side too often, and seemingly increasingly, relies on the existence of "parallel" channels of action. The rule of law, fair, functional and accountable institutions and capacity building of independent bodies are on one side necessary to exercise human rights and other European values. On the other, they make a necessary precondition for the implementation of policies aimed at enhancing social, economic and environmental development. Their absence is a threat, both for the human safety and their ownership rights, which directly discourages entrepreneurship. It is conducive to development of corruption and organised crime and strengthening of political interventionism discouraging entrepreneurship even more, and finally can create a negative spiral of enslaving the state-systemic corruption and growth in economic power of privileged groups which, in the form of the reversed feedback, deepen devastation of the rule of law and institutions.

**The challenge before the institutional system is to ensure a framework and incentives to unleash creative energy and excellence necessary for continuous economic and social progress of all members of the society.** Sustainable development for all cannot be reached by occasional investments irrespective of how large. (The cases of "rich countries" with poor citizens are too well known.) Such development is realised by all citizens investing both personal efforts and capital into development and advancement – be it professional development in school, science or profession, or market or sports game, entrepreneurship, innovation or other form of creativity. Unleashing such energies and their constructive and productive focus requires on one hand, that everyone is familiar with the "rules of the game", that everyone is the same before the law and that everyone knows what (and when) they can expect before (an independent) court. On the other side, the state as the largest and often decisive employer and buyer, has to reward its staff, suppliers, competitors in calls for research funds or project-based on the consistent merit-based / quality criteria.

**Just the same, all these efforts and creative energy need to constructively focused and mutually supported through exchange of information, dialogue and cooperation.** Cooperation and dialogue among the free and authorised social stakeholders – market, governmental and social organisations – are also necessary. Abundant and open comprehensive exchange of information leads to building mutual trust making market game productive, and also to articulating solidarity as a principle any fair and successful society rests upon. Cooperation and solidarity are required so that no one is left behind. Combination of respect of individual freedom, market discipline and cooperation norms are the foundation of the most successful European societies.

**Such an environment assumes sufficient decentralisation of the central government, same as the necessary autonomy in actions and assuming accountability by different organisational parts in public administration and of all stakeholders, ranging from academia, to civil society organisations and businesses.** Instead of waiting for approval of each decision by the centralised political system (taking place via parallel decision-making channels), each of these stakeholders needs to be authorised, but also trained and accountable, to collect and freely share information in their domain, manage and make decisions, develop and adapt their actions and services to the specific needs of their beneficiaries. Let us take an already mentioned example of the tendency pertaining to the significant improvement of the quality of education to equally teach children to think critically and apply their knowledge and skills productively. Clearly, children in different environments will have different needs. This means that in each setting, work of the schools needs to be tailored to the local needs and prospects. The decisions on the overall curriculum of each school and on the whole range of needs of citizens at local level cannot be adequately made in Belgrade. The experiences acquired in the situations of natural disasters and the pandemic demonstrate the necessity to considerably enhance independence and content and organisational flexibility of social organisations (including schools) and local authorities. The ability for such actions assumes the use of modern technology, and powers and capability to identify solutions for different and not always predictable situations. This brings us back to the need for different education and serious investing into training and lifelong learning-generations to come must be significantly more able than the present ones to address dynamic challenges posed by the constant changes in science, technology and society.

## >> PRIORITY DEVELOPMENT AREAS: URGENT AND IMPORTANT

To achieve the described direction of development, it is required to achieve a set of specific goals/targets structured in eight priority development areas.

These areas stem from the aforementioned prospects and challenges and are shaped in line with the principles, values and content of the 2030 Agenda. Moreover, each area contains important elements for all aspects of sustainable development-economic, social, institutional and environmental. All areas together cover all Sustainable Development Goals relevant for Serbia. They are inter-connected, therefore it is not possible to make progress in one of the areas without the work and progress made in others. They are briefly presented below:

### >> 1. HEALTHY LIFE AND HEALTH CARE FOR ALL

The availability and quality of care provided by the Serbian health care system to its beneficiaries need to reach a significantly higher level, given the level present in other European countries and expectations against the available and invested resources. Serbia registers unfavourable health-related outcomes: reduced life expectancy, high maternal and infant mortality rate, high mortality rates of relatively easily preventable diseases like breast and cervical cancer and diabetes. One of the key causes to unfavourable health outcomes is reflected in the fact that even 6.5 per cent of Serbian citizens have reported unmet need for medical care<sup>2</sup> – which is almost threefold compared to the average EU values. At the same time, health expenditures financed from the “citizens’ pockets” are on the constant rise – and as a proportion in total health care costs, are amongst the highest in Europe. This is why it is crucial to focus future reforms towards achieving universal health coverage, access to quality essential health care services and access to safe, effective, quality and affordable essential medicines and vaccines for all, in line with the 2030 Agenda target 3.8. The importance of such an approach to health care has been additionally stressed during the ongoing Covid-19 pandemic.

### >> 2. DIGNITY FOR ALL SERBIAN CITIZENS

Poverty and inequality rates in Serbia need to be significantly reduced. The data shows that ca. half a million citizens cannot meet their basic living needs (absolute poverty), with ca. one quarter of the population being at risk of poverty (relative poverty rate). In that respect, it is primarily required to eliminate barriers for access to financial social benefits and increase allocations for social protection, to make them adequate for ensuring decent life to all citizens (in line with targets 1.2 and 1.3). In addition, raising the employment rate to reach the European level would greatly affect reducing inequalities and poverty, same as if fiscal revenues and social transfers in Serbia would achieve the distribution effect as present in the European Union (in line with target 10.1). Another remaining relevant goal for Serbia pertains to eliminating differences in employment of men and women and valuation of their work, achieving productive and decent jobs and access to public child and elderly care services aimed at balancing professional and private lives (in line with targets 4.1 and 4.4). More has to be done especially for vulnerable groups and protection of minority rights, although progress has been made in that respect in the past fifteen years.

<sup>2</sup> Due to the lack of time, access or funds for care

### ➤➤ 3. REACHING EUROPEAN LEVEL OF THE RULE OF LAW AND INSTITUTIONAL QUALITY

**Institutional development in the Republic of Serbia needs to achieve European level, and institutions need to ensure to their citizens life that is in line with European values and an appropriate level of the rule of law, also guaranteed by the Constitution of the Republic of Serbia.** Functional and accountable institutions and the rule of law – apart from being goals by themselves – at the same time make the precondition of sustainable development. Building such institutions and achieving the higher level of the rule of law also make the core of SDG 16, and a central part of "efforts" on our path to join the EU. Therefore, annual progress of Serbia and the path towards the SDG 16 can be fully monitored via the assessment of Serbia presented in the annual European Commission Progress Report, in the domain of political criteria. Concerning the political criteria, Serbia is currently assessed as a country of "moderate readiness" for EU membership (average score 2.2 out of possible 5). A particular problem is that such a low level has been stagnating since 2016, and evidently has even been regressing in certain aspects. Relevant global and internationally comparable factors show that the level of democracy in Serbia has been declining in the past 5 years, implying additional worsening in the rule of law, anti-corruption and civic and media freedom domains. To reach the described sustainable development, institutions need to become much more effective. Should they fail to deliver results due to their inertia and lack of harmonisation, it will open door to parallel decision-making channels.

### ➤➤ 4. COMPETITIVE ECONOMY AND PRODUCTIVE JOBS

**Serbia needs to swing the pendulum from the low labour and energy cost-based competitiveness towards the competitiveness based on knowledge and productive jobs.** In the previous decade, the "development" economic policy was mainly concerned with attracting labour and energy intensive foreign direct investments (FDI). Although such a policy had contributed to a considerable reduction in unemployment rate, even 26% of employment is of informal character or stuck in mainly traditional agriculture, with the further decline in the already low manufacturing industry production in the past couple of years.

Domestic SMEs need to be the engine of development, and this is possible only if they manage to keep their key staff, become a part of international supply chains and enjoy the same "level playing field" as large and foreign companies (in line with target 8.3). FDIs need to be focused on such sectors where they would be able to build links with domestic businesses and directly create decent jobs, instead of operating as privileged isolated Iceland of cheap labour. Public enterprises have to become the example of financial discipline and care about the environment, and not the other way round which is the case today. At the same time, labour force needs to be extended via active labour market policy measures and stimulative fiscal policies. This is the only way ahead towards the productive employment and decent work (target 8.5).

High-level investments – particularly in research and development, technology and innovation (target 9.5), are the driver of accelerated growth and technological change. Such investments will directly result in growth-of the currently low-proportion of sophisticated products and services in the total production and export.

### ➤➤ 5. SKILLS FOR SUSTAINABLE AND SMART DEVELOPMENT AND THE FUTURE OF LABOUR

**Education needs to enable all young people to acquire competences for decent work and life.** The 2018 PISA testing results show that the achievement of Serbian students corresponds to achievement of students from the OECD countries of almost one and a half years younger age. After completing compulsory primary education, ca. 40% of students in Serbia are functionally illiterate.

Additionally, the data shows considerably lower achievement of students of lower socio-economic status, with numerous reports of the UN bodies pointing to the unfairness and discrimination in education system, primarily in relation to members of the most vulnerable groups – Roma, persons with disabilities, asylum-seekers, rural population and the poor. An unambiguous condition for the successful and stable development is reflected in intensive and well-designed development of the basic educational system – primary and secondary schools teaching young people to think critically, to independently identify quality information, successfully communicate, understand key technologies, freely express their opinions and solve diverse problems (in line with targets 4.1 and 4.4). Qualified and motivated representatives, primarily of those leading technological and economic development, need to be involved in drafting educational curricula and content, and continuously monitor experiences of the most successful countries. Increasing public spending in education to 6% of GDP needs to ensure and enhance resources and conditions leading to improved quality of education, including improved governance, management, administration, information systems and educational statistics.

## ➤➤ 6. RESPONSIBLE AND EFFICIENT USE OF NATURAL RESOURCES

**Smarter and more cost-effective management of energy resources would contribute to a wide range of development goals in Serbia, same as to its improved energy security.** Energy efficiency level in Serbia needs to be significantly improved, given that currently it is at the lower level than in any other European Union member state and at the half of the EU average. In other words, Serbia could maintain its current economic performance using only half of the energy being consumed today (targets 7.3 and 9.4). Serbia also needs to considerably increase the use of renewable energy sources. Coal still accounts for ca. 70% in the total energy balance, which is both harmful to the environment and unsustainable keeping in mind the limited domestic coal reserves. At this point, Serbia does not have a clear strategy, and is also not working on resolving this issue. The 2018 data shows that renewable energy sources made up 20% of gross final energy consumption, which is far below the 2020 target of 27%.

Resource management needs to be sustainable, based on the rule of law, substantiated by developed and publicly available analyses and shaped through a dialogue (in line with target 12.2). The existing examples show this is not the case.

- Although major part of energy generation from renewable energy sources pertains to hydro power plants, such an approach has become questionable from the development perspective. Frequent construction of mini hydro power plants, not implemented in line with the EU environmental acquis, has justifiably been evoking intense protests of citizens in the past years and compromising further development of hydro-energy.
- Exploitation of the newly discovered mineral, lithium-borate (jadarite) has been recognised as one of the major development potentials by the Serbian Government. However, although it is certain that implementation of such a project would cause severe environmental and public health consequences, for the time being necessary informing of the public, discussion and transparent decision-making are currently absolutely lacking. The public has not yet been familiarised with any kind of – at least initial – analyses and assessments concerning social-economic, health-related and environmental effects thereof.

## ➤➤ 7. CLEAN AND RESILIENT LOCAL COMMUNITIES

**Local communities in Serbia ensure basic needs at a relatively high level, but this is mainly the legacy of socialist times – it is required to substantially increase investments in local infrastructure.**

Eighty five per cent of the households are connected to the water supply system, whereas only 59% are connected to the sewerage system. On the other side, ensuring access to clean drinking water is still a challenge, primarily in certain parts of Vojvodina. In the waste management domain, Serbia is seriously lagging behind both in comparison with other countries and in relation to its own potential. Serbia is recycling only 34% of the waste generated (excluding mineral waste), less than any European Union country where average amounts to 75%. Serbia has only 10 functional sanitary landfills, with no composting or incineration plants. Moreover, it has been estimated that there are ca. 3,000 dump sites. The situation gets even worse when it comes to waste water treatment and disposal, given that only 17% is being treated. According to the available Environmental Protection Agency data, almost one third of Serbia is breathing heavily polluted air, but one should bear in mind the data is based on a rather modest sample. The main cause to air pollution are individual stoves and furnaces and small heating plants. There are also different cases, of Bor for example, fighting the problem of air pollution due to the high concentration of sulphur-dioxide (SO<sub>2</sub>) released as a by-product of industrial activities.

**In the coming period, Serbia needs to adopt key strategic documents addressing resilience and adaptive capacity to the climate change related threats.** In addition, the priority should also entail the long-awaited adoption of the Law on Climate Change; its draft ought to lay foundations for harmonisation of national legislative framework with the sustainable development target 13.1 and EU acquis in the climate change domain.

## **>> 8. SAFEGUARDING NATURAL AND CULTURAL HERITAGE**

**Relatively rich cultural and natural heritage of Serbia ought to be more protected and better maintained.** Although the lack of funding is often being indicated as the major issue, improved management and inter-sector policy coordination comprise a more important channel for improved protection. Serbia needs to build integrated water and forest management, which would considerably contribute to better outcomes in the wide range of issues – from climate change effects' mitigation, water quality and biodiversity, to non-agriculture land use. Below 8% of Serbian territory is under protection, whereas global average amounts to 15% (in Slovenia 53.6% is protected, in Croatia 37.7%, in Macedonia 9.7%, Montenegro 4.1%, Bosnia and Herzegovina 1.3%). A relatively small portion of Serbian territory is under forests, and out of that portion, high, conserved forests account for only 29%. The percentage of the degraded soil area in Serbia is estimated at 6.5%. An important problem is seen in the fact that the majority of Serbian natural resources are being managed by public enterprises. Such resource management is suffering from the well-known problems concerning efficiency, which is of high importance in this particular case, but also from the lack of transparency and participation. Moreover, environmental sustainability is not one of their main objectives. Recent reports of international institutions, and even media, more often point to flagrant compromising of specific important cultural or natural heritage sites – mainly with an obvious disrespect of the rule of law, with the purpose of acquiring personal gain or faster implementation of projects declared important by the government.

# III. DEVELOPMENT PRIORITIES

The presented priority development areas contain targets taken over from the 2030 Agenda, that have been nationalized so as to be tailored to the Serbian development context.

Each of the targets contains indicators monitoring progress, same as indicators with values which – if achieved–would be considered a success. Of course, apart from the declarative acknowledgment of a particular development priority, these reforms require a whole set of structural reforms and adjustments in order for such a priority to be truly reached. Targets and indicators are based on consultations with experts and stakeholder groups, quantitative analyses, desk research, use of prioritization tools (Annex 1) and own expertise of authors of this report. Priority areas, targets and indicators are described in detail in the next chapter, and are presented in the table below.

TABLE 2 MATRIX OF PRIORITY DEVELOPMENT AREAS, TARGETS AND INDICATORS

## ➤➤ PRIORITY DEVELOPMENT AREA 1: HEALTHY LIFE AND HEALTH CARE FOR ALL

*Nationalized priority targets:*

1.1. Achieve universal health coverage, including financial risk protection, access to quality essential health-care activities and access to safe, effective, quality and affordable essential medicines and vaccines for all **(3.8)**

*Performance indicators:*

- i) Reduce the percentage of the population reporting their health status as poor and very poor to 9%
- ii) Reduce the percentage of the population reporting unmet need for medical care<sup>3</sup> to 2.5%
- iii) Reduce the share of private health care expenditures ("out of the pocket") from 41% to 20%

## ➤➤ PRIORITY DEVELOPMENT AREA 2: DIGNITY FOR ALL SERBIAN CITIZENS

2.1. Reduce at least by half the proportion of men, **women** and children of all ages living in poverty in all its dimensions **(1.2)**

2.2. Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable **(1.3)**

2.3. End all forms of discrimination against all women and girls everywhere **(5.1)**

2.4. Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies **(5.4)**

2.5. Progressively achieve and sustain income growth of the bottom 40 per cent

- i) Reduce the number of persons at-risk of poverty by minimum 50%
- ii) Increase the share of net income of financial social welfare beneficiaries at the at-risk of poverty line to 100%
- iii) Increase the share of the population covered by the social protection system by 100%
- iv) Reduce the share of informal employment in total employment to 10%
- v) Eliminate gender gap in employment rates
- vi) Eliminate gender gap in wages between men and women
- vii) Reduce inactivity rate due to dependent care to 6%
- viii) Reduce the rate of severe material deprivation of the poorest 40% of the citizens, from 28% to 10%

<sup>3</sup> Because it was too expensive, too far away or they were on the waiting list or could not set aside enough time





### PRIORITY DEVELOPMENT AREA 3: REACHING EUROPEAN LEVEL OF THE RULE OF LAW AND INSTITUTIONAL QUALITY

3.1 Promovisati miroljubivo i uključujuće društvo za održivi razvoj, obezbediti pristup pravdi za sve i izgraditi funkcionalne i odgovorne institucije na svim nivoima (COR 16)

i) Ispunjavanje političkih kriterijuma postavljenih od strane EU i reforma javne uprave, u skladu sa zahtevima i standardima EU



### PRIORITY DEVELOPMENT AREA 4: COMPETITIVE ECONOMY AND PRODUCTIVE JOBS

4.1. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation (8.3)

4.2. Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value (8.5)

4.3. Enhance investments in scientific research, upgrade the technological capabilities and encourage innovation – particularly in private sector (9.5)

i) Achieve population (20-64) employment rate of 75% with median wage enabling buying an average market basket

ii) Increase total labour productivity by 50% and increase labour productivity in manufacturing industry by minimum 50%

iii) By 2022 reach the share of private investments in GDP of minimum 20%, and public of minimum 5% of GDP.

iv) Double investments in research and development and achieve the level of 1.8% of GDP, of which private sector accounts for 2/3

v) Raise the export share of high-tech products and knowledge-intensive services to 20% of total exports



### PRIORITY DEVELOPMENT AREA 5: SKILLS FOR SUSTAINABLE AND SMART DEVELOPMENT AND THE FUTURE OF LABOUR

5.1. Ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes (4.1)

5.2. Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship (4.4)

i) Reduce the share of students failing to achieve basic literacy to 8%

ii) Increase the parity index for vulnerable students to a value ranging between 0.9 and 1

iii) Reduce the 15-29 youth NEET to 8%



### PRIORITY DEVELOPMENT AREA 6: RESPONSIBLE AND EFFICIENT USE OF NATURAL RESOURCES

6.1. Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes (9.4)

6.2. Increase substantially the share of renewable energy in the global energy mix (7.2)

6.3. Double the global rate of improvement in energy efficiency (7.3)

6.4. Achieve the sustainable management and efficient use of natural resources (12.2)

i) Reduce CO<sub>2</sub> emission per 1 EUR of GDP by 50%, namely reach the level of 0.6 kg of CO<sub>2</sub> per GDP unit

ii) Reduce the share of electricity generated from solid fossil fuels by 20 percentage points, namely reach the level of 50%

iii) Reach the level of 27% of total final energy consumption from renewable sources, with the share of biofuels of 10% in transport sector

iv) Achieve the energy intensity level of 5 MJ/USD

v) Achieve resource productivity of 0.7 EUR/kg





## PRIORITY DEVELOPMENT AREA 7: CLEAN AND RESILIENT LOCAL COMMUNITIES

7.1. By 2030 achieve universal and equitable access to safe and affordable drinking water for all **(6.1)**

7.2. Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally **(6.3)**

7.3. Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management **(11.6)**

7.4. Substantially reduce waste generation through prevention, reduction, recycling and reuse **(12.5)**

7.5. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters **(13.1)**

i) Percentage of the population using drinking water from public systems 100%

ii) Establish waste water treatment in all agglomerations exceeding 2,000 people equivalent

iii) By 2024, reach 100% coverage of population of the Republic of Serbia by municipal waste collection services (in line with the draft National Waste Management Strategy in the Republic of Serbia 2019-2024);

iv) Reduce PM2.5 emission by 22% by 2030 (in line with Directive 2016/2284/EU (NEC Directive).

v) By 2029, achieve the packaging waste recycling/reuse level of 53%

vi) Reduce the number of deaths, missing persons and directly affected persons attributed to disasters per 100,000 population

vii) All local self-governments have adopted and implemented local disaster risk reduction strategies in line with national disaster risk reduction strategies



## PRIORITY DEVELOPMENT AREA 8: SAFEGUARDING NATURAL AND CULTURAL HERITAGE

8.1. Strengthen efforts to protect and safeguard the world's cultural and natural heritage **(11.4)**

8.2. Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity **(15.5)**

i) Increase the area under one of the nature protection regimes to 20% of the territory of the Republic of Serbia

ii) Ensure conditions for including at least one more site from the proposed national list to the UNESCO heritage list

iii) Protected areas account for minimum 20% of the total territory of the Republic of Serbia

iv) All protected areas in Serbia correspond to the IUCN classification of protected areas, in line with their ranking.

# >> 1. HEALTHY LIFE AND HEALTH CARE FOR ALL

The general capacity of the health care system needs to be significantly enhanced, given that measured by outcomes, it has never fully recovered after sudden disruptions in the 1990s.

The analyses and data show there is a considerable gap between the quality of care provided by the Serbian health care system to its beneficiaries and what could actually be provided keeping in mind the medical knowledge and resources invested. This is reflected in the reduced life expectancy, high maternal and infant mortality rate, high mortality rates of relatively easily preventable diseases like breast and cervical cancer and diabetes.

**One of the key problems of the health care system and causes to unfavourable health outcomes is mirrored in the lack of adequate access to public health services.** Even 6.5 per cent of Serbian citizens have reported unmet needs for medical care due to the lack of time, access (too large a distance or waiting list) or means for care – which is almost threefold compared to the average EU values. Among these citizens, the percentage of those with lowest income is three times higher than among those with highest income. A particular concern is the double percentage of Serbian population compared to the EU population assessing their health status as poor or very poor. At the same time, since 2012 the share of health spending has declined in our country in terms of a GDP share, while private spending for health care is on the rise, reaching almost three times higher percentages in comparison with the spending of EU citizens.

**The Public Health Strategy in the Republic of Serbia for the period 2018-2026 does not envisage universal health coverage.** Such a situation also threatens the efforts of Serbia in achieving sustainable development, given that fact that theory and practice of countries and expert institutions and organisations have proven that countries with healthier population are achieving sustainable development much easier. This has been confirmed during the Covid-19 pandemic when best results in health crisis management were achieved by the countries with best economic governance. On the other side, Serbia has failed to successfully protect its population during the pandemic, and additionally impaired the rights of medical workers by introducing work obligation during the state of emergency, and after it has been lifted.

This is why it is crucial in the coming period to adopt public policy documents and legislation aimed at reaching **universal health coverage, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all, in line with the target 3.8.** This also includes ensuring additional funding in the national budget, primarily for hiring extra medical and support staff in the public health system. Achievement of target 3.8 represents a constitutionally guaranteed right of each citizen of the Republic of Serbia to protection of psychological and physical health, and the right to best possible health individual can reach, which is an obligation assumed by our country by ratifying international human rights instruments.

Nationalized target 3.8: Achieve **universal health coverage**, including protection against financial risk, access to quality essential health care activities and access to safe, effective, quality and affordable essential medicines and vaccines for all

**As per its share in GDP, health spending in Serbia has dropped from 9.3% in 2012 to 8.4% in 2017, which is below the EU-27 average amounting to 9.9% in 2017.** In the same period, private health care spending ("out of the pocket") expressed as the share of total health care spending has been increased from 35.4% to 41.7%, which is considerably below the EU-27 average amounting to 15.76% (2017). Despite the fact that under the Employment and Social Reform Programme Serbia has committed to extend the access to health care, high percentage of the population still reports unmet need for medical care due to financial reasons, distance or waiting lists (4.8% of population in 2019 against the EU-27 average of 1.8%). If we add to these those who could not set aside enough time, the share of citizens with unmet needs for medical care becomes significantly higher (6.5%). This is why target 3.8 is of utmost relevance for Serbia.

**As emphasized by the Organisation for Economic Cooperation and Development, the impact of health on development is obvious: countries with weaker results in health-related indicators find it more difficult to achieve sustainable development.** At the same time, the studies implemented in the context of Covid-19 pandemic show that countries with best health crisis management also had best economic management – like Taiwan, Lithuania and South Korea. An extremely positive effect of meeting this target would be felt by the population in districts where the number of doctors per 100,000 inhabitants is lower than the national average amounting to 286. In 2018 there were 18 such districts (out of 24, excluding Kosovo and Metohija).

**Target 3.8 is directly linked to the majority of other sustainable development targets, especially those under SDGs 1, 2, 4, 5, 6, 8, 10 and 11.** Achieving universal health coverage would contribute to reaching such targets that relate to implementation of nationally appropriate social protection systems and measures for all (target 1.3), building the resilience of the poor and those in vulnerable situations (1.5), ending all forms of malnutrition (2.2), ensuring that all girls and boys have access to quality early childhood development, care and pre-primary education (4.2), ensuring universal access to sexual and reproductive health and reproductive rights (5.6), achieving access to adequate and equitable sanitation and hygiene for all (6.2), protecting labour rights and promoting safe and secure working environments for all workers (8.8), ensuring equal opportunities and reducing inequalities of outcome (10.3) and ensuring access for all to adequate, safe and affordable housing and basic services (11.1).

**Serbia is seriously lagging behind other European countries.** Health spending, observed against the purchasing power standard per capita amounting to 1,382 (in international dollars) in 2017, is lower compared to the EU-27 average amounting to 2,988, but also in relation to some EU member states in the vicinity (e.g. Hungary – 1,464, Slovenia – 2,058). At the same time, even 15.7% of Serbian population estimated their health status as poor or very poor, compared to the EU-27 average of 8.5%. When it comes to public health policy measures, in conducting measures to fight Covid-19 pandemic, Serbia was lagging behind its neighbours and EU member states. During the state of emergency declared due to the first wave of the pandemic, working obligation was imposed on medical workers, and then extended after the state of emergency had been lifted, although there were no constitutional and legal grounds for such action. No special public health policy measures focused on vulnerable groups were introduced. On the other side, in Bosnia and Herzegovina (Republic of Srpska), persons without health insurance were enabled to cover their medical costs from the public health insurance fund, while in North Macedonia a measure imposing ban on the prices of medicines was adopted.

To make progress towards target 3.8, following activities in the public policy domain are of exquisite importance:

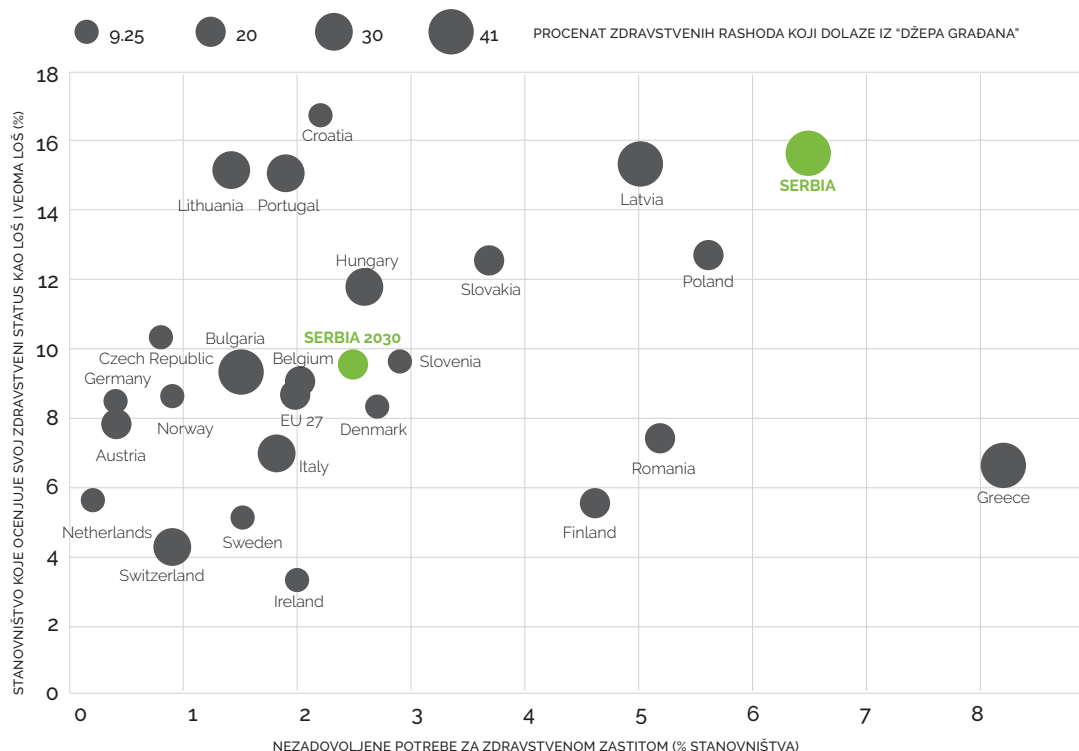
- adoption of a new Employment and Social Reform Programme having as one of its objectives improved access to health care,
- review of the Public Health Strategy in the Republic of Serbia 2018-2026 in order to set forth introduction of universal health coverage, access to quality essential health care services and access to safe, effective, quality and affordable essential medicines and vaccines for all,
- adoption of amendments and supplements to the Law on Health Care to regulate the position of health mediators as health care system staff,
- allocating funds in the budget of the Republic of Serbia to employ an additional number of doctors, nurses and midwives,
- adopting the Health Care Human Development Plan,
- introducing centralised health care and communication system,
- training managers in health care institutions on the human resources management and crisis management skills.

The outlined recommendations greatly correspond to the analysis and recommendations presented by the European Commission in the 2020 Report under the negotiating Chapter 28 (Consumer and health protection).

#### Key performance indicators:

- Reduce percentage of the population assessing their health status as poor and very poor from 15.7% to 9%
- Reduce the percentage of population reporting unmet needs for medical care because it was too expensive, too far away or they were on the waiting list or could not set aside enough time from 6.5% to 2.5%
- Reduce the share of private health care expenditures ("out of the pocket") from 41% to 20%

CHART 1 – KEY HEALTH INDICATORS, SERBIA CURRENTLY, SERBIA IN 2030 AND SELECTED COUNTRIES (2018)



SOURCE: EUROSTAT

## >> 2. DIGNITY FOR ALL SERBIAN CITIZENS

The Resolution of the United Nations General Assembly adopted in September 2015 passing the 2030 Agenda, in its preamble outlines a promise of the UN members states that no one will be left behind in reaching the goals of the Agenda ("Leave no one behind" or short "LNOB" concept).

Moreover, it has been underscored the countries will work hard to first help those who have been most left behind. In this way the LNOB concept has been included as a central, transformational promise of the Agenda rooted in the Universal Declaration of Human Rights, under which the UN member states have committed to: eradicate all forms of poverty, end discrimination and exclusion and reduce inequalities within and among countries. This is a major step forward compared to the previous UN global development agenda, the Millennium Development Goals, since it aims to make the wellbeing achieved by progress visible at the level of all individuals (instead only at aggregate levels), and especially those who have fallen victims of multi-generational vicious circle of exclusion and inequality. The LNOB concept implementation will imply, inter alia, shedding light on and resolving the patterns of exclusion, structural barriers and unequal distribution of power, with active and fundamental participation of the most vulnerable ones – those excluded from social institutions and networks, those not recognised by the official statistics, those without a voice. The LNOB implementation is particularly important for Serbia where poverty and inequality are far above European levels, and the situation in the area of gender equality is far from the proclaimed and achieved in most of the EU countries.

**The Poverty Reduction Strategy in the Republic of Serbia had expired more than a decade ago, and following the outbreak of the 2008 World Economic Crisis, Serbia faced the recurring rising poverty rate.** This is particularly emphasised when it comes to absolute poverty, since ca. half a million of citizens are unable to meet their basic living needs. Observed against the relative poverty rate, Serbia is regularly found at the very top of European countries, given that ca. one fourth of the population is at risk of poverty. At the same time, in the past decade a declining trend was registered in the number of individuals and families using financial social assistance and social welfare, observed as a share in GDP. Simultaneously, the level of such expenditures does not enable their beneficiaries to live above the poverty line. The described situation represents violation of constitutionally guaranteed right to social protection and human dignity, same as of the right to adequate living standard, which is also an obligation the Republic of Serbia assumed by ratifying international mechanisms for protection of human rights. It also violated the European pillar of social rights requiring the member states and countries in the EU accession process to ensure a decent life to the entire population, inter alia, by adequate wages, social protection and minimum income. This is why it is crucial to review the legal and strategic frameworks in the coming period in line with the Agenda for Sustainable Development targets 1.2 and 1.3 so as to design and adopt the package of measures to combat poverty. This will require, inter alia, foreseeing measures to eliminate obstacles for access to financial social assistance and increasing social protection expenditures in the national budget, in order to make the level of expenditures adequate to enable decent life to all Serbian citizens.

**Those found in a particularly difficult situation are the people at the income distribution bottom – 40% of the population with minimum income in Serbia is a rather unfavourable percentage.** Their living standard expressed as the purchasing power parity is at least three times lower

compared to the same group in the EU<sup>4</sup>. The self – reported health status is especially unfavourable for these 40% of the population, with 18% reporting their health as poor or very poor (10% in the EU), whereas 15% have reported unmet medical needs (4% in the EU). Inequality in education starts at the preschool level where the coverage of children from the top wealth quintile families is even 9 times higher compared to the least privileged ones. Moreover, PISA studies have shown that the number of functionally illiterate children found in families is double in the 20% of the population of the lowest socio-economic status than in the 20% of the top wealth quintile families (Arandarenko et. al. 2017). Ensuring (decent) employment for the 40% of the lowest quintile population is the key. In addition, re-distribution effects of the social protection mechanisms in Serbia need to be brought closer to the effects such mechanisms achieve in the EU – especially through higher expenditures for child allowances and more extensive coverage by pensions, particularly in women. Likewise, progressiveness needs to be introduced in the income tax system in Serbia given that the tax wedge in lowest and highest wages is almost identical (Ibid.).

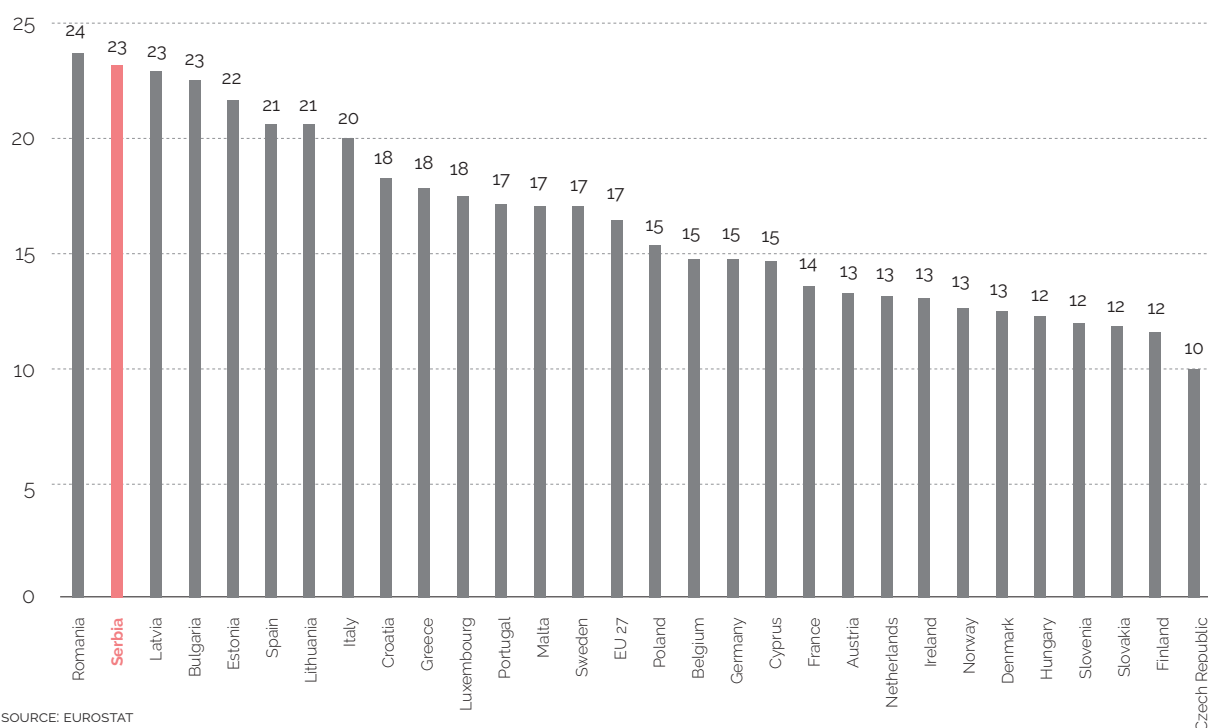
**Serbia has not yet met its obligations assumed under the negotiating Chapter 23 regarding harmonisation of legislation with the EU acquis in the anti-discrimination and gender equality domains.** We have been waiting on the gender equality law adoption since 2017, while its latest draft diminished the achieved level of women rights. The Gender Equality Strategy which is to contribute to achieving gender equality in practice is about to expire, with no indications that a new one is being developed. The findings of the evaluation of the Action Plan implementing the Gender Equality Strategy, Gender Equality Index, reports of independent institutions, reports of international organisations and reports of nongovernmental sector indicate that the situation in the gender equality domain in Serbia is far from the proclaimed and far from what has been achieved in most of the EU countries. The identified priority targets for the coming period include those referring to the labour market discrimination and eliminating imbalance in the economy of care. This pertains to eliminating differences in employment of men and women and valuation of their work, achieving productive and decent jobs and access to public child and elderly care services aimed at balancing professional and private lives. Therefore, it is pivotal in the coming period to review the legal and strategic frameworks in line with the Agenda for Sustainable Development targets 4.1 and 4.4, including harmonising legislation with the EU acquis in the anti-discrimination and gender equality domains, passing the law on gender equality and adopting the gender equality strategy.

**Nationalized target 1.2: By the end of 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions)**

**According to the at-risk of poverty rate amounting to 23.2% in 2019, Serbia is second ranked out of all European countries measuring poverty based on this methodology (Chart 2).** This rate has been practically constant in Serbia since it started being measured in 2013 when it amounted to 24.5%, although under the Employment and Social Policy Reform Programme, Serbia has committed to reduce the number of persons at-risk of poverty by 18% in the period from 2014 to 2020. In addition, 58.4% of the population is subjectively poor, namely based on their own estimations they are finding it hard to make the ends meet. Children and children living in multi-member families are at the highest at-poverty risk. Since 2013 the number of beneficiaries of child allowance was reduced from 320,762 to 226,289 in 2019, while the number of families receiving social welfare was reduced from 106,954 to 92,673 in the same period. At the same time, the social welfare levels granted to individuals and families are insufficient for them to rise above the poverty line. Likewise, there is a high percentage of 65+ persons who have not met the requirements for old age retirement – even 12% of them. This is why target 1.2 is of utmost relevance for Serbia. .

<sup>4</sup> Assessment based on cut-off amounts.

CHART 2: AT-RISK-OF-POVERTY RATE (AFTER RECEIVING SOCIAL TRANSFERS)



SOURCE: EUROSTAT

**Achieving target 1.2 would produce a significantly positive effect on reaching the level of sustainable development in Serbia.**

The life in material poverty is the cause to poor outcomes in all social inclusion dimensions-education, health care, labour market, etc. Therefore, the reduced number of people at-risk of poverty would directly contribute to improved quality of life of Serbian population measured by the human development index, according to which Serbia is currently ranked only 63rd globally. Just alike, achieving this target would reduce the inequality level, measured not only by income (in this respect Serbia is fifth ranked in Europe), but also in prospects for success in the society. A particularly positive effect would be realised in underdeveloped regions, given that the at-poverty risk in rural areas in Serbia is twice as high compared to those in urban areas.

**Target 1.2 is directly linked to the majority of other sustainable development targets,** especially those under SDGs 2, 3, 4, 5, 6, 8, and 10. The reduced at-poverty risk rates would particularly contribute to achieving targets such as: end hunger (target 2.1), end all forms of malnutrition (target 2.2), reduce premature mortality from non-communicable diseases (target 3.4), ensure that all girls and boys have access to quality early childhood development, care and pre-primary education (target 4.2), ensure that all girls and boys complete free, equitable and quality primary and secondary education (targets 4.1 and 4.3), end all forms of discrimination against all women and girls everywhere (target 5.1), achieve universal and equitable access to safe and affordable drinking water for all (target 6.1), achieve full and productive employment and decent work for all women and men (target 8.5), empower and promote the social, economic and political inclusion of all (target 10.2) and ensure equal opportunity and reduce inequalities of outcome (target 10.3).

**Serbia is seriously lagging behind other European countries.** At-risk of poverty rate of 23.3% in 2019 was higher compared to the EU-27 average (16.5%), but also compared to the Western Balkan countries (e.g. North Macedonia – 21.9% in 2018) and neighbouring EU member states (Croatia – 18.3%, Slovakia – 11.9%, Czech Republic – 10.1%, Hungary – 12.3%, Bulgaria– 22.6% and Slovenia – 12.0%). At the same time, the impact of social transfers on poverty reduction is below the EU average, and further declining. The cash social welfare expenditures from the budget amount to 0.35% of GDP, which is below not only EU average, but neighbouring countries as well. Unlike the large number of EU member states, the levels of cash social welfare expenditures in Serbia are not linked to the specific national living standard determinant.

To make progress towards target 1.2, following activities in the public policy domain are of exquisite importance:

- adopting a new Employment and Social Reform Programme or poverty reduction strategy, envisaging primarily enhanced adequacy of cash social expenditures and their coverage,
- adopting and amending the Social Protection Law to eliminate restrictive requirements preventing persons living in poverty to exercise their right to cash social welfare,
- adopting and amending the Law on Financial Assistance to Families with Children to abolish restrictive requirements preventing exercising the right to salary compensation and benefits during the maternity leave and child care leave, necessary to reach the adequate living standard in accordance with the standards set forth in the ratified Council of Europe and International Labour Organisation conventions,
- allocating funds in the budget of the Republic of Serbia to enhance the cash social welfare adequacy.

The outlined recommendations greatly overlap with the analysis and recommendations presented by the European Commission in the 2020 Report under the negotiating Chapter 19 (Social policy and employment).

**Key performance indicators:**

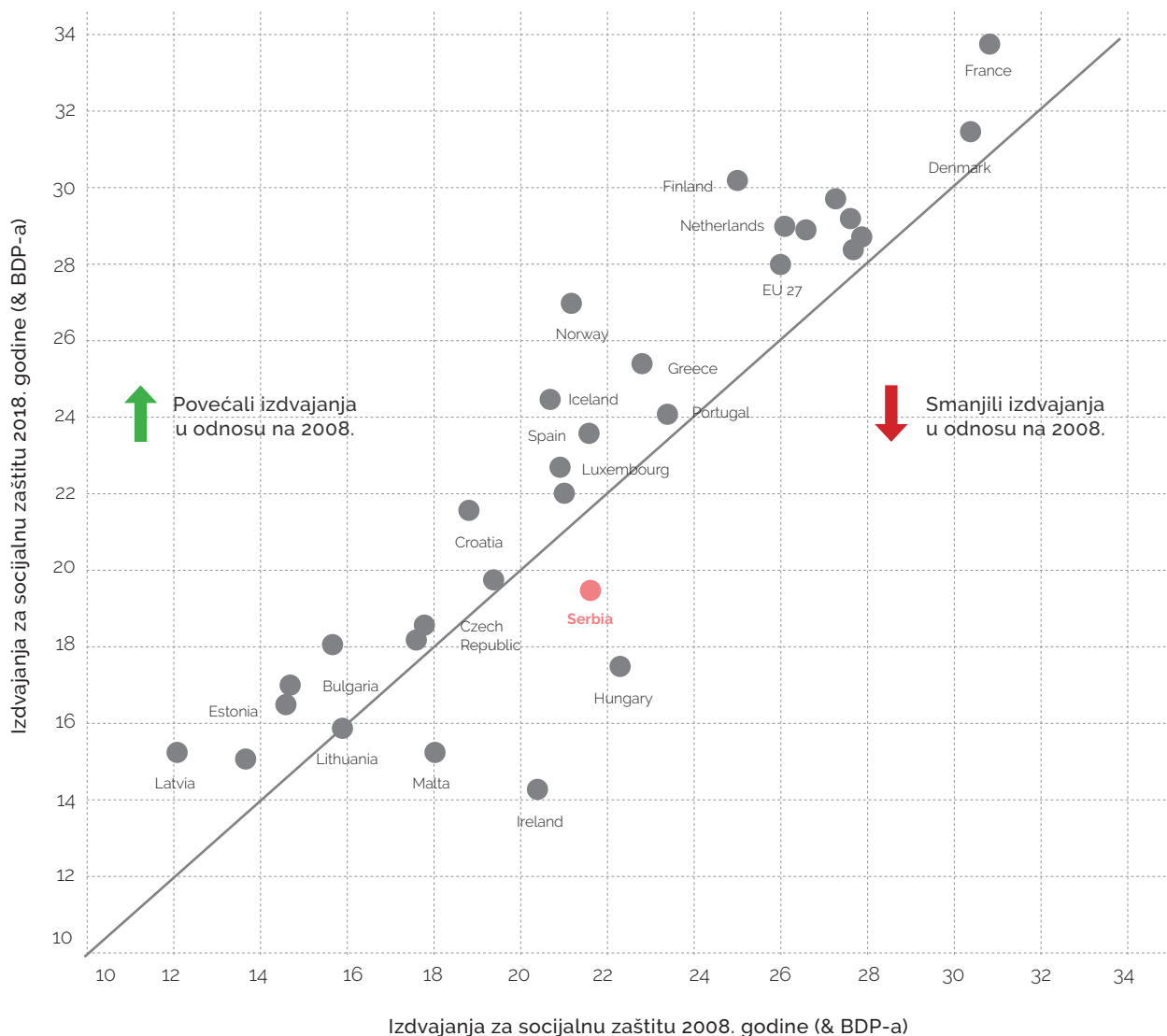
- i) Reduce the number of persons at-risk of poverty by minimum 50%
- ii) Increase the share of net income of financial social welfare beneficiaries at the at-risk of poverty line to 100%

Nationalized target 1.3: Implement **nationally appropriate social protection systems and measures for all**, including floors, and by the end of 2030 achieve substantial coverage of the poor and the vulnerable

As per their share in GDP, social spending in Serbia has dropped from 21.6% in 2008 to 19.4% in 2018, which is significantly below the EU-27 average amounting to 27.9% in 2018, with registered upward trend in the same period (from 26.0% in 2008) (Chart 3). Despite the fact that under its Employment and Social Reform Programme Serbia has committed to develop the social protection services, focusing on increasing support to families at-risk and to continue the de-institutionalisation process, since 2012 the number of local government units providing social protection services has been declining. As per distribution, almost all daily community services have registered a drop, especially services like *children and youth in-house assistance and child daycare*. In addition, even 18.2% of informally engaged (employed) persons (2019) cannot exercise their right to income from social insurance funds in the case of illness, unemployment, maternity or disability. This is why target 1.3 is of utmost relevance for Serbia.



CHART 3: SOCIAL PROTECTION SPENDING IN 2008 (X-AXES) AND IN 2018 (Y-AXES)



SOURCE: EUROSTAT

**Achieving target 1.3 would produce a significantly positive effect on reaching the level of sustainable development in Serbia.** As underlined by the International Labour Organisation, social protection has a considerable role in mitigating effects of social and economic crises, and it played a key role in protection of vulnerable groups after the global economic crisis. As assessed by the UN, the latest global Covid-19 pandemic crisis is a "wake up call" addressed to all governments worldwide to increase investments in the social protection system, including support to informal workers and design of gender-sensitive measures. In that regard, European Commission has issued a recommendation to Serbia to improve both the quality of social protection services and their coverage. This would produce a particularly positive effect on population in underdeveloped regions, since towns and municipalities located there allocate less than the average expenditures for local social protection services (RSD 454 per capita/ per annum). In 2018, there were even 91 such local government units, while 8 LGUs did not register any expenditures earmarked for this purpose.

**Target 1.3 is directly linked to the majority of other sustainable development targets, especially those under SDGs 2, 3, 4, 5, 8, 10, and 11.** Increasing the share of population covered by the social protection system would contribute to achieving the targets concerning the issues like: end hunger (target 2.1), end all forms of malnutrition (target 2.2), achieve universal health coverage (target 3.8), ensure that all girls and boys complete free, equitable and quality primary and secondary edu-

cation (target 4.1), end all forms of discrimination against all women and girls everywhere (target 5.1), ensure universal access to sexual and reproductive health and reproductive rights (target 5.6), achieve full and productive employment and decent work for all women and men (target 8.5), protect labour rights and promote safe and secure working environments for all workers (target 8.8), ensure equal opportunity and reduce inequalities of outcome (target 10.3) and ensure access for all to adequate, safe and affordable housing and basic services (target 11.1).

**Serbia is seriously lagging behind other European countries.** Observed as per GDP share, social protection spending is lower compared to some neighbouring EU member states (e.g. Croatia – 21.5%, Slovenia – 22.0%). When it comes to social policy measures, in conducting measures to fight Covid-19 pandemic, Serbia was lagging behind its neighbours and EU member states. A limited number of targeted measures focusing on the most vulnerable groups were passed, like automatic extension of the right to cash social benefits, while extensive budget funds were spent on non-selective measures (like belated assistance measures to all adult population members amounting to EUR 100), that could have been alternatively used to meet basic living needs of all vulnerable persons. On the other hand, surrounding countries had opted for considerably more generous solutions, like relaxing requirements for granting cash social welfare and increasing its level, introducing new categories entitled to this kind of assistance, like informal workers, increasing the level of benefits in case of unemployment, etc.

**To make progress towards target 1.3, following activities in the public policy domain are of exquisite importance:**

- adopting a new Employment and Social Reform Programme and Social Protection Development Strategy with their objectives, measures and activities set in line with the human rights-based approach (HRBA),
- adopting a new gender-sensitive national programme to combat shadow economy, containing measures to improve the position of vulnerable groups,
- adopting amendments and supplements to the Labour Law setting forth the requirements for employers to introduce a minimum wage in exceptional circumstances, and thus prevent the wide-spread practice of its introduction by employers under regular business circumstances,
- adopting the Law on Social ID Card based on the draft law which is to include comments of independent bodies and international and national human rights protection organisations,
- allocating funds in the budget of the Republic of Serbia for implementing the Decree on Earmarked Social Protection Transfers in all local government units where the population needs for social protection services have not been met,
- introducing mapping of social protection services under the responsibility of local government units in the annual work plan of the Republic Institute for Social Protection.

Navedene preporuke u značajnoj meri se podudaraju i sa analizom i preporukama Evropske komisije iz Izveštaja za 2020. u okviru pregovaračkog poglavlja 19 (Socijalna politika i zapošljavanje).

**Key performance indicators:**

- i) Increase the share of the population covered by the social protection system by 100%
- ii) Reduce the share of informal employment in total employment to 10%

### Nationalized target 5.1: **End all forms of discrimination against all women and girls everywhere**

Nationalized target 5.4: **Recognize and value unpaid care** and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family.

**In the gender equality domain, Serbia is lagging behind the majority of EU countries.** The obligation assumed by Serbia by ratification of international treaties, primarily of the Convention on the Elimination of All Forms of Discrimination Against Women, implies not solely ensuring the principle of equality of men and women concerning the legal or normative obligation, but also ensuring practical implementation of this principle. In other words, achieving de facto equality of men and women implies undertaking appropriate measures to eliminate direct and indirect discrimination. Acknowledging de jure equal rights of men and women, as demonstrated in the example of Serbia, does not mean their de facto implementation. Direct discrimination is shown by the data and indicators in all areas measured by the European gender equality index: work, money, knowledge, time, power and health. Women in Serbia are unequal in all areas, with their unfavourable position being most visible in the domains of power (37.3) and time (48.7). Although many EU countries are far from achieving gender equality, in comparison with the EU-28 average, Serbia is most lagging behind in the domain of money (20.4 points), time (17 points) and power (16.2 points)<sup>5</sup>.

**Achieving gender equality is a key factor in achieving sustainable development in Serbia.** Eliminating reasons underlying unsustainable growth would directly contribute to improved position of women, given that causes and initial drivers of sustainable development and gender equality are interlinked. The growth models based on neo-liberal concept of deregulation and privatisation foster unequal power ratio between women and men, reproduce gender inequalities and exploit unpaid women labour. Abolishing all forms of discrimination and valuing unpaid labour and care would contribute to self-development of women and men in line with their overall potential, and thus to wellbeing and quality of life of the entire Serbian population. Achievement of listed targets would considerably affect position of marginalised and multiply discriminated groups of women and girls (persons with disabilities, Roma, younger and elderly women, women in rural areas, etc.).

**Delivery of targets 5.1. and 5.4** makes a precondition for achieving a range of other goals and targets of sustainable development like ensuring equal access to affordable and quality of education at all levels (4.1, 4.2, 4.3, 4.4, 4.5, 4.6), achieving full and productive employment and decent work for all women and men and equal pay for work of equal value (8.3, 8.5), giving women equal rights to economic resources (5a), participation in political life (5.5 and 10.2). Ending all forms of discrimination against girls and women contributes to eradicating poverty (SDG 1), empowering and promoting the social, economic and political inclusion of all, and ensuring equal opportunity and reduce inequalities of outcome (10.2 and 10.3), and promoting peaceful and inclusive societies (SDG 16). Disproportionate participation of women in the economy of care is connected to lacking infrastructure, economic resources and social services (1.4, 4.2, 5a, 9.1, 9.3 and 10.4).

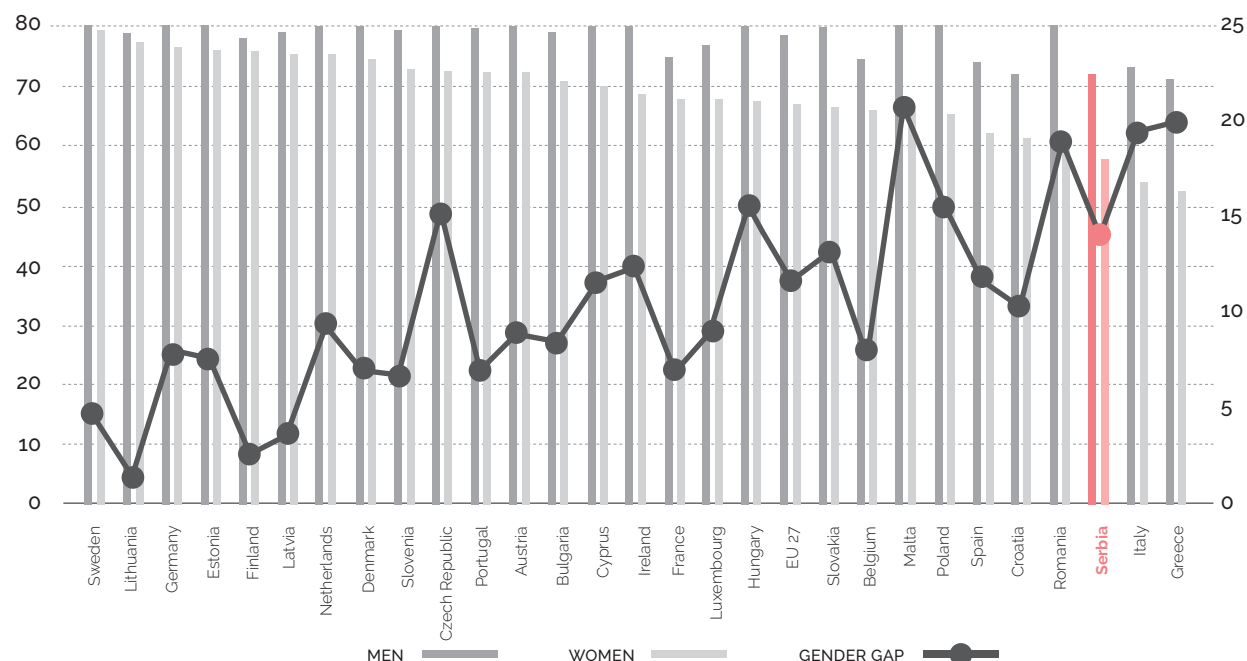
**Serbia is considerably lagging behind the majority of European countries.** Empowering women and achieving gender equality depend on balanced participation of men and women in the labour market and care economy. This is the reason why the irremissible social and economic goal both for an individual and society as a whole, implies eliminating differences in employment of men and women and valuing their work, while at the same time reaching productive and decent employment both for men and women.

<sup>5</sup> Domain "money" measures gender inequalities in access to finance and economic situation of women and men and equals 59.7. The first sub-domain "Financial resources" includes monthly earnings and income of women and men. The second sub-domain "Economic resources" covers at-risk-of-poverty and distribution of income among women and men.

The domain "Time" measures gender inequalities in distribution of time spent in care activities, housework and social activities. The first sub-domain "Care" measures differences in inclusion of women and men in caring for and educating their children or grandchildren, seniors or people with disabilities, same as the percentage of inclusion in housework. The second sub-domain "Social activities" explores how many women and men are involved in social activities (doing sporting, cultural or leisure, voluntary or charitable activities).

The five-year labour market indicators demonstrate maintained gender inequality: compared to 2014 when the disparity in employment rates of men and women amounted to 15.2 percentage points, in 2019 it equalled to 13.9 percentage points (Chart 4). In comparison with EU countries, greater gender gap is registered in six countries (Czech Republic, Poland, Hungary, Romania, Italy, Greece and Malta). Against the EU-27 average, the employment rate of men in Serbia is lower by 7.6 percentage points, and the employment rate of women by 15.9 percentage points, with lower men employment rates being registered only in Greece and Croatia, while lower women employment rates are found in Greece and Italy. In relation to education levels, the most pronounced employment gender gap in Serbia is found in workers with primary education (21.6 percentage points).

CHART 4: EMPLOYMENT RATES OF MEN AND WOMEN AGED 20-64, AND EMPLOYMENT GENDER GAP IN 2019



SOURCE: EUROSTAT – LFS, AUTHOR'S ILLUSTRATION

**In transition from education to labour market, both men and women are facing difficulties.** However, women are facing greater difficulties, while the probability of finding a job in the period of three years after completing education is higher in men. Although the share of highly educated women in the age group 30-34 is significantly higher than in men (40.4% in women and 26.9% in men), gender gap in employment rates has increased in the period 2014-2019 from 3.0 to 5.9 percentage points. In other words, the employment rate in highly educated men grew more than employment rate in highly educated women.

**Gender gap in earnings, as a second indicator of inequality in the labour market, has increased from 8.7% in 2014 to 9.6% in 2018.** Compared to the EU-27 average, gender gap in Serbia is by 4.5 percentage points lower than in 18 EU member states, and higher than in Luxembourg, Romania, Italy, Belgium, Greece, Poland, Portugal and Slovenia. However, it should be kept in mind that in comparison with the EU countries, average hourly earnings of men and women, expressed in purchasing power standards, are the lowest in Serbia (Chart 2). Gender gap is visible at all education levels, amounting to 21.6% in workers with primary school, 14.1% in workers who have completed secondary education and 18.6% in highly educated workers.

*Employment rates of recent graduates aged 20-34*

*Serbia*  
– women 64.9%  
– men 68.3%

*EU-27*  
– women 78.6%  
– men 83.2%

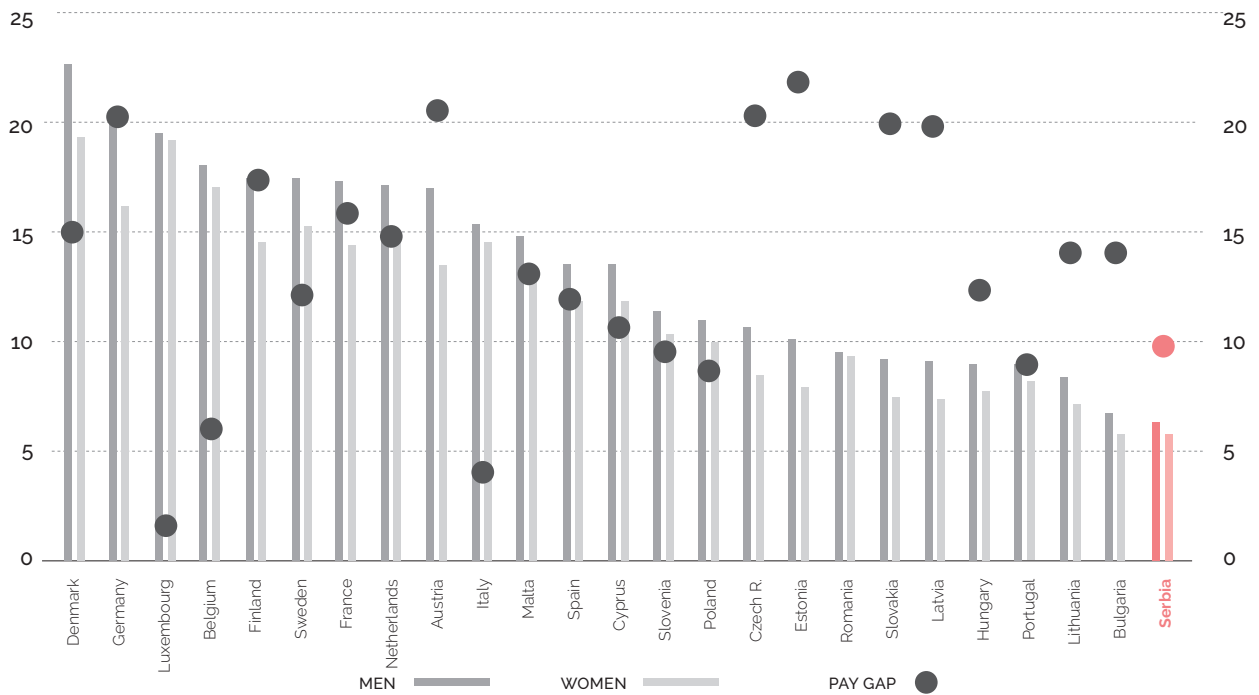
*Share of highly educated in the population aged 30-34 in 2019*

*Women – 40.4%*  
*Men – 26.9%*

*Employment rates in highly educated aged 30-34 in 2019*

*Women – 80.1%*  
*Men – 86.0%*

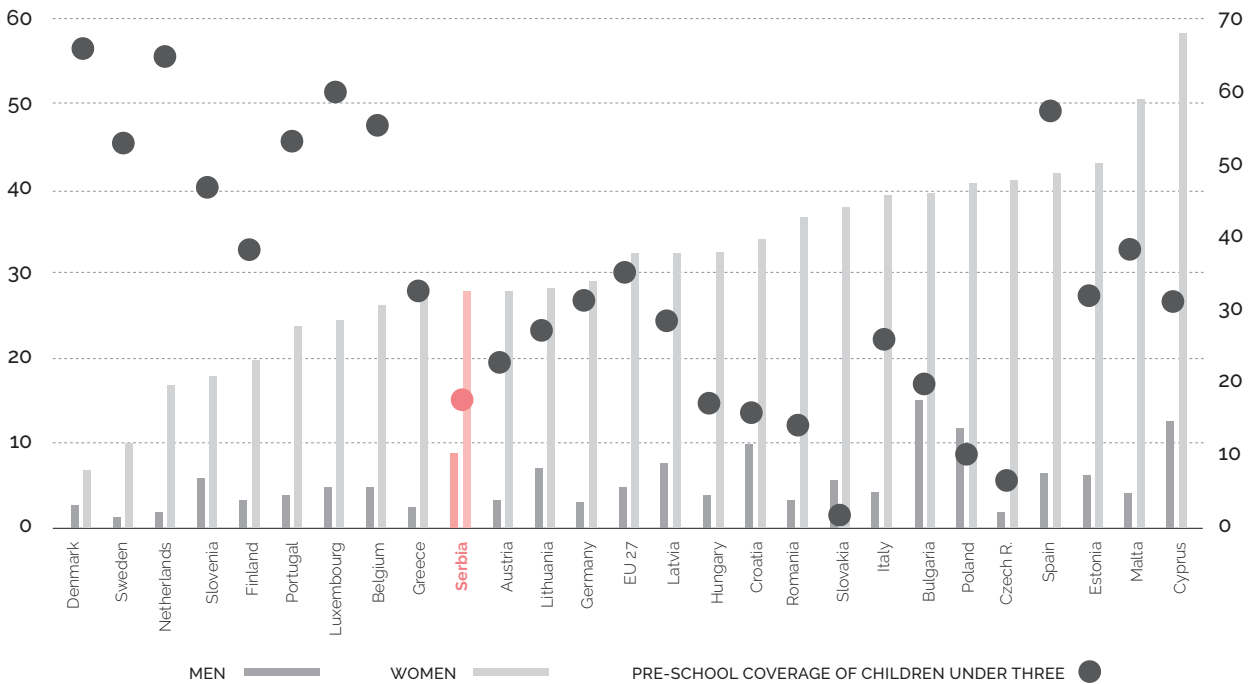
CHART 5: AVERAGE HOURLY EARNINGS (IN PPS) AND PAY GAP IN EARNINGS OF MEN AND WOMEN (IN %) IN 2018



SOURCE: EUROSTAT, EARNINGS DATABASE, AUTHOR'S ILLUSTRATION

The low percentage of women in the labour market is by all means contributed by their engagement in the care economy: 27.8% of women and 8.5% of men in Serbia are inactive due to caring responsibilities (Chart 6). In the period 2014-2019, the inactivity rate due to caring responsibilities went up in women and men by 2.2 percentage points. The high inactivity rate is registered in countries where child care services are unavailable. In Serbia, pre-school education covers only 17.2% of children up to three years of age.

CHART 6: INACTIVITY RATES DUE TO CARING RESPONSIBILITIES, POPULATION 20-64 (IN %) AND PRE-SCHOOL COVERAGE OF CHILDREN UNDER THREE (IN %) IN 2019



SOURCE: EUROSTAT, SDG INDICATORS, SOCIAL SCOREBORD INDICATORS, AUTHOR'S ILLUSTRATION

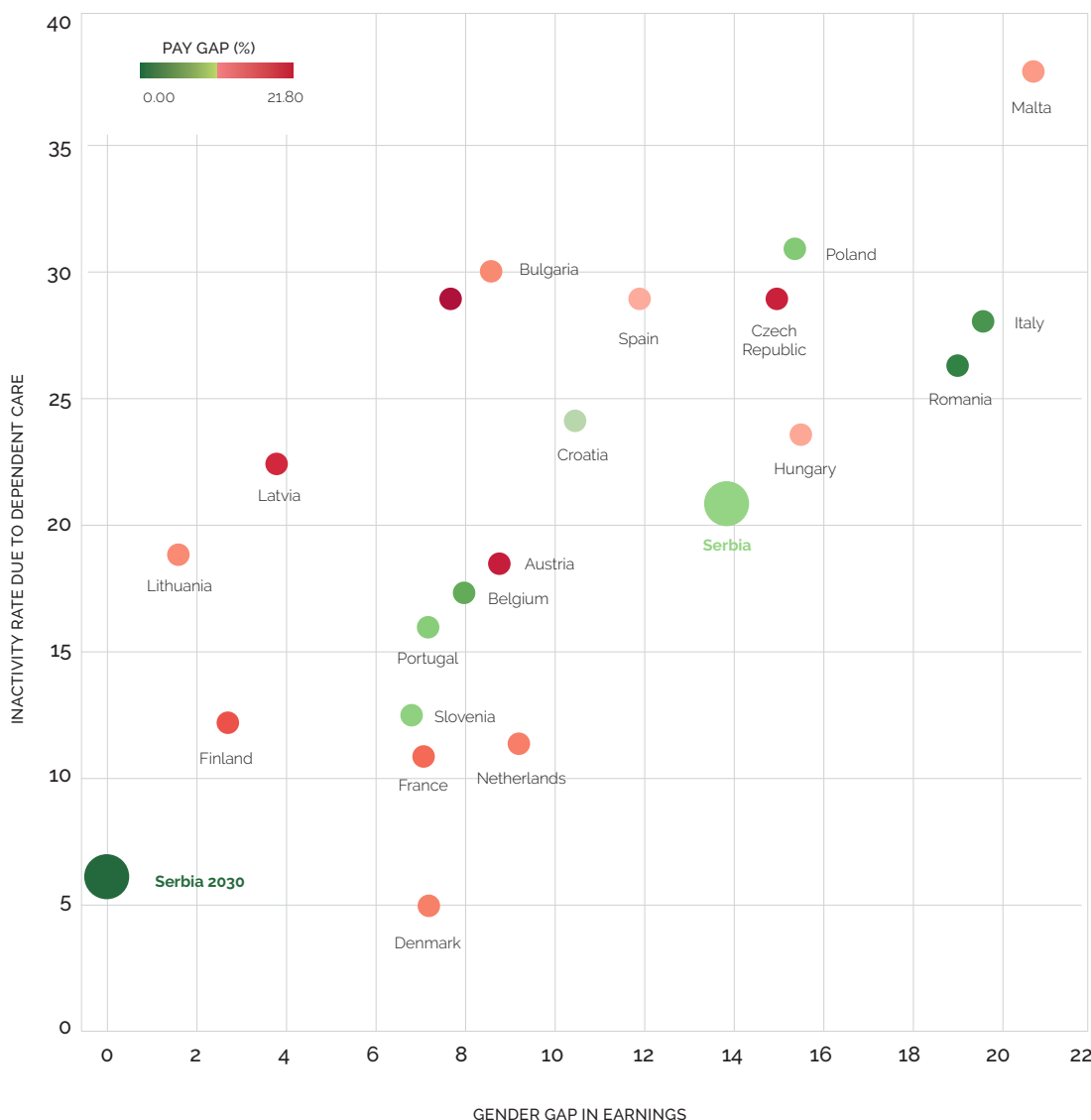
The following activities in the public policy domain are important for making progress towards targets 5.1 and 5.4:

- harmonising legislation in the area of anti-discrimination and gender equality with international equality and non-discrimination standards for all women, and with Eu acquis assumed under negotiating Chapters 19 and 23,
- harmonising all sector policies with the principles of the International Labour Organisation on full employment and decent work,
- under the new gender equality strategy formulate objectives and measures to eliminate causes to labour market discrimination and ensure support for reconciliation of private and family life.

Key performance indicators:

- i) Total elimination of gender gap in employment rates – from 13.9% to 0%
- ii) Total elimination of gender gap in earnings between men and women – from 9.6% to 0%
- iii) Reduce the inactivity rate due to dependent care to 6%.

CHART 7: ILLUSTRATION OF SERBIA’S POTENTIAL PROGRESS TOWARDS TARGETS 5.1 AND 5.4 BY 2030



SOURCE: EUROSTAT, SDG INDICATORS, SOCIAL SCOREBORD INDICATORS, AUTHOR'S ILLUSTRATION

Nationalized target 10.1: By 2030 progressively **achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average**

**According to the inequality of income reflecting to a largest possible extent the inequality of outcomes**, Serbia is categorised among the most unequal countries in Europe, with the pronounced inequalities in the access to health care and education. Inequality in access to health care is reflected in high spending Serbian citizens have to pay "out of their own pockets". On the other side, inequality in educational opportunities is reflected in lesser coverage by preschool education of children from poorer families, and lesser prospects they would go to university (reference to targets 4.1 and 4.4).

**In a particularly difficult position are those on the income distribution bottom.** Namely, the position of the first two quintiles, namely 40% of population with lowest income in Serbia, is rather unfavourable. In 2018 they disposed of 18.8% of total income (21.4% in EU). Their living standard expressed in the equal purchasing power units is at least three times lower compared to the first two quintiles in the EU. The self-reported health status in Serbia for the entire population is relatively less favourable than in the majority of European countries, but particularly unfavourable for the first two quintiles with 18% assessing their health as poor or very poor (10% in the EU), whereas 15% have reported unmet need for medical care (4% in the EU). Inequality in education starts at the preschool level where the coverage of children from the top wealth quintile families is even 9 times higher compared to the least privileged ones. Moreover, PISA studies have shown that the number of functionally illiterate children is double in the families found in the 20% of the population of the lowest socio-economic status, than in the 20% of the top wealth quintile families (Arandarenko et. al. 2017).

**There are multiple causes to inequality in Serbia ranging from the labour market to social and fiscal policies.** One of the fundamental reasons of high inequality, even poverty, is found in the low and often indecent employment ensuring low salaries. Additionally, redistribution effects of the social protection mechanism in Serbia are significantly weaker than in the EU – from relatively low spending on child allowances to low pension coverage, especially in women (CEVES, 2018, Arandarenko et. al. 2017). Likewise, progressiveness is lacking in the income tax system in Serbia given that the tax wedge in lowest and highest wages is almost identical (Ibid.). Even besides the considerable global popularity, the issue of inequality is rarely a topic of public discourse.

**Addressing the issue of inequality is achieved indirectly – by addressing the underlying causes.** As already mentioned, the sources of inequality are numerous. Moreover, these factors are connected by strong causalities – difficult access to quality education often occurs because parents cannot afford it, while being either unemployed or without adequate income themselves. In other words, resolving the issue of inequality is reached by simultaneous achievement of other nationalised priorities, or targets – in the domain of labour market and employment (targets 8.3 and 8.5), education (targets 4.1 and 4.4), health care (target 3.8) and protection of vulnerable groups (targets 1.2 and 1.3).

**An additional effect of improved equality pertains to accelerated economic growth and more cohesive society.** The debate on the choice between economic equality and economic efficiency dates way back among the economists. However, the traditional standpoint is that improved equality is achieved on account of efficiency and economic growth, increasingly loses its relevance in the light of new evidence. The OECD (2015) and IMF (2014) studies have shown that high inequality hinders economic growth – increasingly so in developing countries than in developed countries.

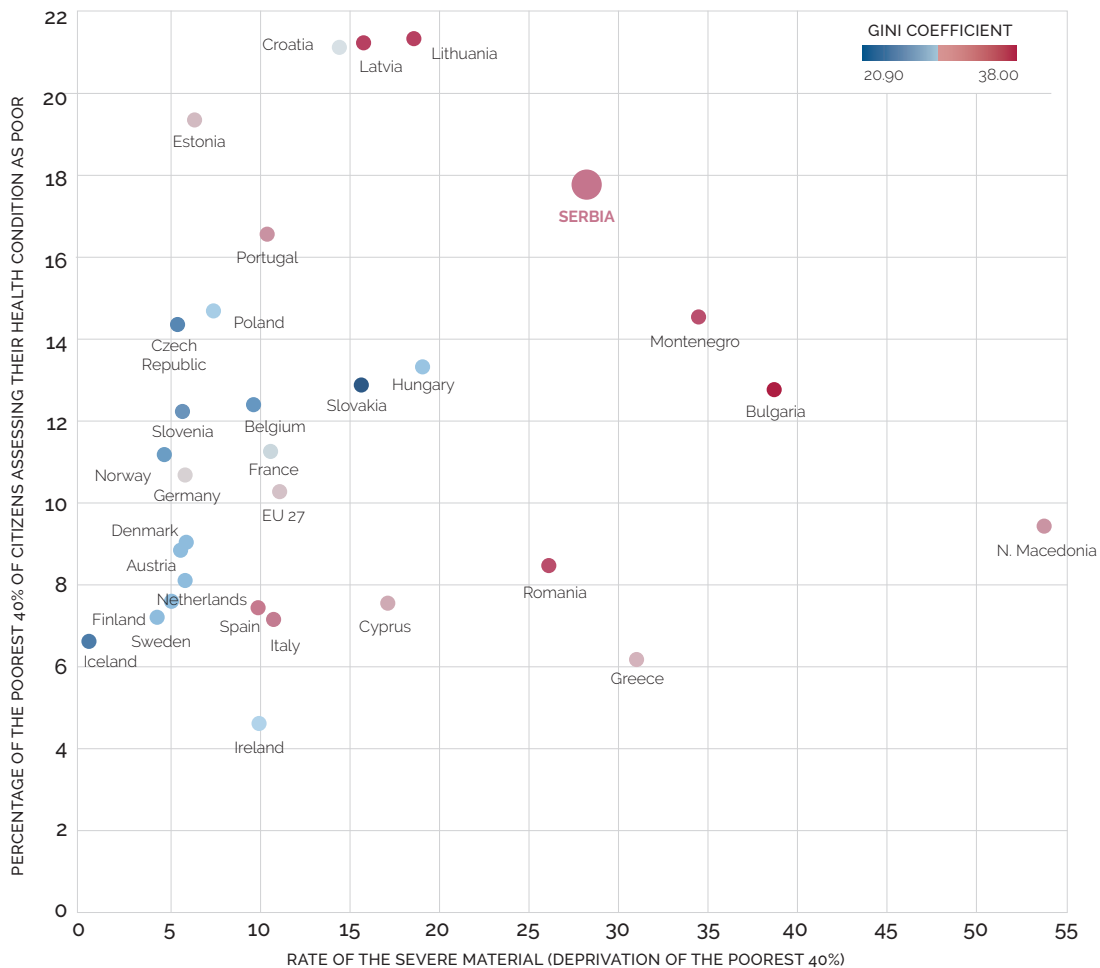
<sup>6</sup> Assessment based on cut-off amounts.

The channel via which inequality affects reduced growth is clear and comes down to inability of individuals to achieve their full potential. Moreover, more unequal societies strive more towards direct re-distribution – which, when notable, can actually negatively affect economic growth (IMF, 2014). Just the same, the societies with lower inequalities are also politically more stable (Ibid.). To sum it up, greater equality, especially in terms of equal opportunities, is a driver to economic growth (SDG 8) and more stable institutions (SDG 16).

**Poorer citizens in Serbia are in a more unfavourable position than poorer EU citizens.** The rate of severe material deprivation measuring multi – dimensional vulnerability of an individual, amounts to even 28% for the poorest 40%, and it is higher than in all EU countries (EU average is 11%), except for Greece and Bulgaria (Chart 8). To rephrase it, every fourth individual is deprived of some of their basic needs. Likewise, health condition of this population is often unfavourable – almost 18% have assessed their health as poor – with only Croatia and Baltic countries scoring worse than Serbia.

**The issue of inequalities in Serbia has mainly been neglected.** In the presented exposé of the Serbian Prime Minister, inequalities are not being mentioned at all. Looking at the Law on Ministries one may conclude inequality is not mentioned there either, and none of the ministries is responsible for this issue. The Employment and Social Reform Programme (ESRP) in the European Union accession process had expired, nonetheless, it did not sufficiently address the issue of inequality just the same.

CHART 8: SEVERE MATERIAL DEPRIVATION RATE OF THE POOREST 40% OF POPULATION



SOURCE: EUROSTAT, SDG INDICATORS, SOCIAL SCOREBORD INDICATORS, AUTHOR'S ILLUSTRATION



**We need to build a new strategic approach**, which has to take into account all relevant causes and outcomes of inequality:

- **Ensure better coverage by preschool education**, especially in rural areas. One of the important steps in this sense would imply abolishing participation in the preschool funding for the poorest families (World Bank, 2018) – SDG 4.
- **Adapt support mechanisms to pupils and students** so as to, in addition to being focused on the best, they are also oriented on those in need of assistance based on their socio-economic status (Žarković Rakić 2017) – SDG 4.
- **Improve social protection mechanisms and more precisely direct them to those in need of support.** This would primarily imply better targeting of assistance by preventing the leakage of benefits towards the not-so-poor individuals (for example, those generating income in shadow economy) and redirecting such funds to those who actually need them most (Ibid.), same as introducing social pension for the 65+ citizens – SDG 1.
- **Review the Public Health Strategy** in the Republic of Serbia 2018-2026 in order to set forth introduction of universal health coverage, access to quality essential health care services and access to safe, effective, quality and affordable essential medicines and vaccines for all – SDG 3.
- **Via active labour market policies improve employability and participation of vulnerable groups** in the labour market, given that these groups are found on the income distribution bottom – SDG 8.

**Key performance indicators:**

- i) Reduced rate of the severe material deprivation of the poorest 40% of the citizens, from 28% to 10%, in line with the European average.
- ii) Percentage of the poorest 40% of citizens assessing their health condition as poor reduced from 17.7% to 10%, in line with the European average.

## >> 3. REACHING EUROPEAN LEVEL OF THE RULE OF LAW AND INSTITUTIONAL QUALITY

Nationalized goal 16: Promote peaceful and inclusive societies for sustainable development, **provide access to justice for all and build effective, accountable and inclusive institutions at all levels**

**Functional institutions based on the good governance principles and respect of the rule of law make the necessary preconditions for exercising and maintaining human rights, same as other European/ universal values.** Functional institutions and the rule of law are integral parts of SDG 16. The following targets directly refer to them: promote the rule of law at the national and international levels and ensure equal access to justice for all (16.3); and develop effective, accountable and transparent institutions at all levels (16.6); and target (16.7) describing the ways institutions need to operate in: responsive, inclusive, participatory and representative decision-making. Functional institutions and the rule of law are indivisibly linked with other elements necessary to build a regulated society, that are also addressed under SDG 16: significantly reduce all forms of violence (16.1) – especially against children (16.2), combat all forms of organized crime (16.4) and corruption (16.5), and protecting fundamental freedoms (16.9 and 16.10). Therefore, although in this section we are underscoring institutions and the rule of law, we would like to stress that all targets under SDG 16 make an inseparable whole; and this whole is mainly being described via two mentioned elements.

**Regulated society and democratic rights directly contribute to citizens' quality of life, however functional institutions and the rule of law are also a must to achieve faster, more inclusive and more sustainable development.** On one side, they are required to establish a business climate supporting inflow of development investments and entrepreneurship development, which directly fosters progress towards economic goals; on the other, the absence of the rule of law is a threat both to human safety and their property rights, thus directly threatening entrepreneurship and discouraging entrepreneurial initiative. The absence of adequate implementation of the rule of law creates fertile grounds for development of corruption and organised crime, even more discouraging entrepreneurship. In the Serbian example, it was clear that the absence of the rule of law and functional institutions can lead to the misuse of opportunities for "green growth", and turn such opportunities into compromised and lost trust, as it has been the case with mini hydro power plants (more detail on this under target 11.4). Finally, accountable and functional institutions are necessary to develop and implement development policies on the long run, without using parallel channels of power.

**General situation regarding the rule of law and quality of institutions in Serbia is even lower than the human development level.** Relevant reports and indicators show that institutional development in the Republic of Serbia is far below the European level; same as that such institutions cannot ensure values and rights guaranteed by the Constitution of the Republic of Serbia to citizens. According to the Worldwide Governance Indicators (WGI) assessing the status in the rule of law domain in a country based on political stability and absence of violence, government effectiveness, regulatory quality, rule of law, control of corruption and voice and accountability, in 2019 Serbia was ranked only 103rd out of 214 assessed countries. In the category of European countries, Serbia was on the rear, together with Albania, and somewhat ahead of Moldova and Bosnia and Herzegovina.

**Additionally concerning is the fact that regarding the rule of law and corruption, same as other aspects characterising quality of democracy – primarily freedom and voice of the public and media**

**relevant indicators show Serbia has been regressing in the past years.** After four years of constant deterioration of scores (the score dropped from 76/100 to 66/100), "Freedom House" changed the status of Serbia from "free" into "partly free" country; similar trend was registered in assessing the level of democracy (drop from 55/100 to 49/100), therefore from a "semi-consolidated democracy" Serbia has become a "hybrid regime". The World Justice Project (WJP) Rule of Law Index shows that effective limiting of government powers by the legislature and independent institutions is on the significant decline (from 0.50 to 0.39), same as ensuring fundamental rights (from 0.58 to 0.56) and transparency of the government bodies' operation (from 0.56 to 0.47). As regards corruption, the already unfavourable position of Serbia (87th out of 198 countries in 2018) has additionally deteriorated in 2019 (a drop by four positions and declining score from 41 to 39). Although there are no established indicators in this respect, what is questionable is the status of capacities and accountability of institutions, which by all means, seem to deliver results increasingly owing to operation of "parallel" channels of action.

**SDG 16 is compatible with and significantly matches political and institutional priorities in the negotiating process between Serbia and EU.** By carefully comparing the EU requirements, primarily under political criteria (Chapters 23 and 24, democracy status, public administration reform) and SDG 16 content, it may be concluded that targets have been considerably covered by the requirements and content of negotiating chapters (see Table below). The reforms and policies to be implemented by Serbia to improve the quality of its institutions and the rule of law have already been defined by the EU, and to some extent, translated into national policies and legislation, via the Public Administration Reform Strategy, Action Plans for Chapters 23 and 24 and other documents relevant in meeting political criteria.

TABLE 3 LINK BETWEEN SDG 16 AND POLITICAL CRITERIA

SDG 16	COVERED UNDER POLITICAL CRITERIA
16.1. Significantly reduce all forms of violence and related death rates everywhere	Chapter 23: Fundamental rights Chapter 24: Fight against organised crime; Fight against terrorism; Police cooperation
16.2. End abuse, exploitation, trafficking and all forms of violence against and torture of children	Chapter 23: Fundamental rights Chapter 24: Fight against organized crime; Police cooperation
16.3. Promote the rule of law at the national and international levels and ensure equal access to justice for all	Chapter 23: Justice
16.4. Significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime	Chapter 24: Fight against organized crime; External borders; Police cooperation Chapter 4: Fight against money laundering
16.5. Substantially reduce corruption and bribery in all their forms	Chapter 23: Fight against corruption
16.6. Develop effective, accountable and transparent institutions at all levels	Public administration reform Chapter 32: Financial control in public sector
16.7. Ensure responsive, inclusive, participatory and representative decision-making at all levels	Public administration reform: Public policy development and coordination
16.9. Provide legal identity for all, including birth registration	Public administration reform Chapter 23: Fundamental rights-minority rights
16.10. Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements	Public administration reform: Government accountability Chapter 23: Fundamental rights; Fight against corruption

**This helps conclude that the actual progress of Serbia towards SDG 16 can be monitored via its progress in meeting obligations in the pre-accession negotiation process with the EU in the domain of political criteria and chapters dedicated to the rule of law.** The progress in achieving political criteria is monitored by the European Commission (EC) in its annual progress reports. This is a complex effort evaluating at two levels progress achieved in reforms in particular domains, same as the level of realised harmonisation of national legal and institutional frameworks with the EU acquis. The report is compiled based on the data gathered by the European Commission from their experts who regularly monitor situation in Serbia, from international organisations and from domestic and international nongovernmental organisations. This is a comprehensive effort requiring considerable resources, and Serbia is in a good position to enjoy multiple benefits of this process.

**In order to achieve SDG 16, in line with the 2030 Agenda and its own needs, Serbia needs to meet assumed obligations in the areas of political criteria, rule of law and public administration reform.** In carefully worded European Commission Progress Reports, relatively low level in meeting political criteria for EU membership has been stagnating for years. Concerning the political criteria, Serbia is currently assessed as a country reaching "moderate readiness" for EU membership (average score 2.2 out of possible 5). In addition to relatively low readiness, another problem is seen in the fact that this level ("moderate readiness") has been stagnating since 2016. Moreover, in regard to public administration reform, judiciary and fight against organised crime, lower progress level has been achieved compared to the 2019 Report.

**In the case of Serbia and in the context of the 2030 Agenda implementation, it is particularly important to underscore the necessity of introducing the concept of accountability in public administration.** Currently weak institutional and leadership accountability frequently affects the inability of adopting and implementing long-term plans and objectives. It is not always possible to clearly and unambiguously determine who is accountable for policy implementation and delivery of results. Although it may seem that public administration is following the well-elaborated organisational structure, the devolution of competences does not assign clear competences to each organisational unit. Multiple institutions, both at central and local levels, are involved in some part of decision-making. Still, often none of them has clearly defined powers, competences and autonomy required to implement activities and assume full accountability for results. Therefore, there is a serious problem pertaining to inability to adequately locate accountability for potential failures and/ or damage. Such a situation is additionally aggravated by the lack of integrity of public administration staff, given that the number of acting officials among the top management is still too high. To illustrate this, at the beginning of 2020, out of 37 directors of public enterprises at central level, even 20 were acting directors – with many of them discharging that office much longer than permitted by the law. Appointment of managers without publishing a call and the staff advancement system in public administration bodies are performed based on unclear criteria, thus compromising the aspect of public administration professionalisation and adversely affecting both its quality and capacity, and its accountability and integrity mechanisms. Moreover, public administration accountability is threatened by the use of parallel decision-making channels, becoming increasingly common.

**All these point to the fact that obvious elements of the "captured state" phenomenon do exist in Serbia.** Under such circumstances, political system which is supposed to be resting on the balance of three government branches, is collapsing; instead of their strengthening, legal and institutional assumptions for fight against corruption and organised crime are crumbling; integrity of democratic and independent institutions is eroding; the procedures that are supposed to ensure predictability, transparency, inclusion and monitoring of the policy-making process are collapsing, political pluralism and free expression of political views are threatened, and public space is shrinking, thus questioning the possibility of democratic oversight of the government work.

**Serbia needs to significantly improve all aspects of listed deficiencies identified by nongovernmental organisations**, respectable international organisations and European Commission in the 2020 Serbia Progress Report. Only and exclusively by strengthening democratic institutions, creating atmosphere that supports functionality and integrity of state institutions, fierce fight against corruption and organised crime, Serbia can reach the goals it has set before itself by acknowledging SDGs (especially SDG 16) and applying for accession to the European Union. These two processes are compatible, they touch upon each other in many aspects and lead to the delivery of goals that are to result in better quality of life of Serbian citizens. Therefore it is necessary for the Serbian Government in the coming period to significantly improve coordination between the two processes, approach more seriously definition of the required resources, planning and delivery of priorities, enhance transparency of operation and more decisively involve all stakeholders in their delivery.

## >> 4. COMPETITIVE ECONOMY AND PRODUCTIVE JOBS

**Social circumstances and insufficiently thought-through economic policies in the past three decades have made living standard in Serbia low, and economic growth-slow.**

Economic picture of Serbia is a picture of its labour market characterised by employment, productivity and earnings that are among the lowest in Europe. Only some of the structural problems are reflected in the fact that even 26% of employment is of informal nature or trapped in mainly traditional agriculture, with already low manufacturing industry productivity further declining in the past years. Explanations for substantial inequalities and poverty should not be sought further from the fact that the average market basket can be afforded from their income only by the average households in the Belgrade region.

**In the forthcoming decade, Serbia needs to swing the pendulum away from the competitiveness based on the low cost of labour and energy...** In the previous decade, the "development" economic policy was mainly concerned with attracting labour and energy intensive foreign direct investments (FDI), while the propulsive segments of domestic SMEs were growing mainly autonomously, more hindered than supported by public policies, with public and state-owned enterprises vegetating at the burden of the remaining economy and citizens. Still, a rather slow restructuring process of social enterprises (apart from the public enterprises) is almost over. Meanwhile, private sector with an increasingly important competitive nexus was gradually built via incoming FDIs and SME sector development. This sector is to be complimented for the growth of Serbian exports in the past decade by 10.5% annually on average, nowadays exceeding 50% of GDP.

**...towards the knowledge-based competitiveness and productive jobs.** The tendency underlying the set of differentiated and carefully tailored policies may be to address problems that horizontal and partial policies had failed to resolve. On part of the economy creating jobs (target 8.3), special attention should be paid to key players. Domestic SMEs can be the driver of development only if they are assisted in keeping their key workers, ensuring funding and mastering managerial skills, and becoming part of international supply chains. FDIs need to be focused on such sectors where they would be able to build links with domestic businesses and directly create decent jobs, instead of operating as isolated Iceland of cheap and mainly indecent labour. The state-owned enterprises should become a role model of discipline and care of the environment, and agriculture ought to be trained to use the funds available. At the same time, labour force needs to be extended via active labour market policy measures and stimulative fiscal policies. This is the only way ahead towards the productive employment and decent work (target 8.5).

**There are certain structural requirements to significantly accelerate economic growth in Serbia after the Covid-19 pandemic induced crisis had ended.** Fiscal consolidation 2015-2017 created the prospect of macroeconomic stability and fiscal space to mitigate macroeconomic risks and sustainably support economic growth. Its excellent position under the conditions of changing global geo-strategic and economic relations, same as the relative political stability in the region over the years, have made the Western Balkans an interesting destination for European and other global capital.

**The key leverage to accelerate growth are investments – particularly those into productive and innovation capacity building.** Extensive investments make an unavoidable precondition to economic growth, while those implied under target 9.5 – investments into research and development, technology and innovation, probably are the most important backbone of technological change.

Still, Serbia is seriously lagging behind other European countries in terms of investments in the said components – directly resulting in low share of sophisticated products and services in the total production and export. To improve its competitive position and make a step towards the knowledge-based economy, Serbia will have to stimulate investments in research and development, especially in private sector, enable more intensive cooperation between the academia and businesses, and more carefully attract foreign investors. In that sense, the Smart Specialisation Strategy, same as the establishment of the Science Fund represent sound initial steps forward. Likewise, another still crucial issue concerns defining an umbrella plan to merge all these priorities into a single vision. In doing so, we must not forget lessons we have learned, that it is not crucial to spend more, but to spend smarter.

Nationalized target 8.3: Promote **development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation**, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Nationalized target 8.5: By 2030, **achieve full and productive employment and decent work** for all women and men, including for young people and persons with disabilities, **and** equal pay for work of equal value.

**Serbia is a country of relatively low living standard and slow economic growth...** Measured by GDP per capita in purchasing power parity, it reaches just 40% of European average, namely under 60% of the new member states' average. In nominal terms that are somewhat more relevant when it comes to the ability of the population to purchase durable consumer goods or, for example, travel – situation is even more unfavourable (21%, or 50% respectively).<sup>7</sup> An additionally concerning is the fact that in the previous decade due to slow economic growth (2.1% on average for the period 2010-2019) Serbia did not considerably improve its position. Namely, the gap in relation to the average of the entire EU was slightly reduced, while it expanded in comparison with new member states.

**...largely owed to insufficient and low productivity employment. Essentially,** GDP is a combination of labour (employment) and different types of capital jointly defining productivity. In the case of Serbia, employment is relatively low – only 65% of the population in the age group 20 to 64 is employed, while European average amounts to even 73%. Low investments in physical and human capital are the cause to a very low average productivity, and in this respect Serbia is lagging 30% to 50% behind the new member states, and 18% behind the least productive Bulgaria. Such a productivity level speaks about the quality of jobs and strongly reflects in earnings, which are on average lagging behind same as productivity. The depth of this problem is best reflected in the fact that on average, only the households from the Belgrade region can afford an average market basket.<sup>8</sup> Differently said, employment in Serbia is low and mainly unfittable in the accepted definition of decent labour.<sup>9</sup>

**Economic landscape and situation in the market are a consequence of inappropriate or poorly coordinated economic policies...** Current situation in the Serbian labour market is a direct consequence of wrong or insufficiently wise policies implemented in the past three decades – from the downfall and implosion of general economic activity in the 1990s, slow recovery due to the poorly conducted transition and de-industrialisation in the 2000s, to the absence of adequate economic

<sup>7</sup> Living standard comparison among different countries may be done based on the purchasing power parity (PPP), same as in nominal terms. For example, bread and hair-cutting are probably identical in Serbia and France. However, bread and hair-cutting are more expensive in France. In case of the first method (PPP), what is taken into account is the general price level in a particular country, namely same goods hold the same value. In other words, the fact that for one Euro more can be bought in Serbia than in France is taken into account. In case of nominal comparisons, prices are taken as they are. The PPP method is useful when living standard is considered in the light of meeting everyday needs – food, services and entertainment. However, nominal method becomes more relevant when considering the possibility of acquiring durable consumer goods (like cars for example) of similar prices in all countries.

<sup>8</sup> The expected average household income is the ratio (probability) of employment of women and men at the district level and applicable average salaries.

<sup>9</sup> According to the International Labour Organisation (ILO) decent work involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.



policies to accelerate recovery after the global economic crisis in the first decade of the 21st century. Specifically, labour force skills and quality have been eroding due to the high long-term unemployment rates or underemployment (especially in the state part of the economy and agriculture) which has, over time, been translated into inactivity. Economic recovery and reindustrialisation were mainly implemented by attracting labour and energy-intensive foreign direct investments, while propulsive segments of domestic SMEs developed mainly autonomously, more hindered than supported by public policies.

**...that have built de-stimulating economic and sector structure.** The result of these policies, and particularly of those in the past decade, is partial reindustrialisation, however with a declining average productivity of (manufacturing) industry. Employment was growing in the service sector – practically in all sectors – from traditional ones like trade and transport, to modern ones like ICT, with a total modest productivity growth. The employment share in the not so productive and mainly informal and traditional agriculture remained stubbornly high – over 20%, including the unpaid family workers. In addition, the issue of inefficiency of state-owned enterprises, especially of public ones, remained mainly unsolved – particularly in the energy supply sector. Generally, the absence of dynamics in the economic structure in the past five years (2014-2019) is illustrated by the fact that more than 80% of GDP growth is owed to simple employment increase. On the other part, the already low productivity grew rather slowly – ca. 1% per annum.

**The high informal employment<sup>10</sup> outside agriculture is also pointing to structural problems in the labour market. In the case of Serbia,** informal employment outside agriculture amounts to 8.2%, however, due to the fact that it entirely relates to the private sector, it may be concluded that even 12% of private sector employees are informally employed. Apart from the probably not that much numerous informal workers who have decided on such status themselves (for example, a part of software developers), the rest entails those who have been forced to such form of employment by their socio-demographic status and prevailing labour market conditions. Inter alia, the quality of employment of this category is illustrated by the fact that, compared to formally employed, on average they earn 30% lower salaries, and in 60% of the cases they assess the status of their households as poor or mainly poor (CEVES, 2020). Likewise, the data so far shows that informally employed are probably the only category of the employed that has been considerably affected by the crisis so far (Ibid.).

**To overcome these challenges, Serbia needs to improve and extend the employment offer in parallel with passing adequate policies to enhance demand for qualified labour.** In other words, targets 8.3 and 8.5 are indivisible – like two sides of the same coin. The goal of Serbia in the forthcoming decade should not be formulated as reaching a specific (full) employment rate, since in the case of a status quo, demographics itself will seek to that – besides the fact that there are 35,000 more deaths than births, more than 10,000 people leave Serbia annually, mainly of working age. Instead, the goal needs to be formulated in line with target 8.5 – as a rate of full decent and productive work under equal conditions for all members of the society. This will require policies that, through training and incentives, lead to increasing human capital, both in the unemployed and inactive persons and the existing employed. Moreover, the goal set in this way can be achieved only by promoting development-oriented policies supporting productive activities – innovation, entrepreneurship and propulsive domestic and foreign SMEs (target 8.3). This suggests that targets 8.5 and 8.3 are essentially indivisible, given that the first one sets the task, and second points to the right way.

**Apart to contributing to accelerated growth, supporting and creating productive and decent work would help achieving many other Sustainable Development Goals.** For Serbia, achieving or even approaching targets 8.3 and 8.5 by 2030 would basically imply achieving high growth rates and getting

<sup>10</sup> The Statistical Office of the Republic of Serbia uses the definition of the International Labour Organisation by categorising the employed in unregistered companies, the employed in registered companies but without a formal employment contract and social and pension insurance, as unpaid family workers.

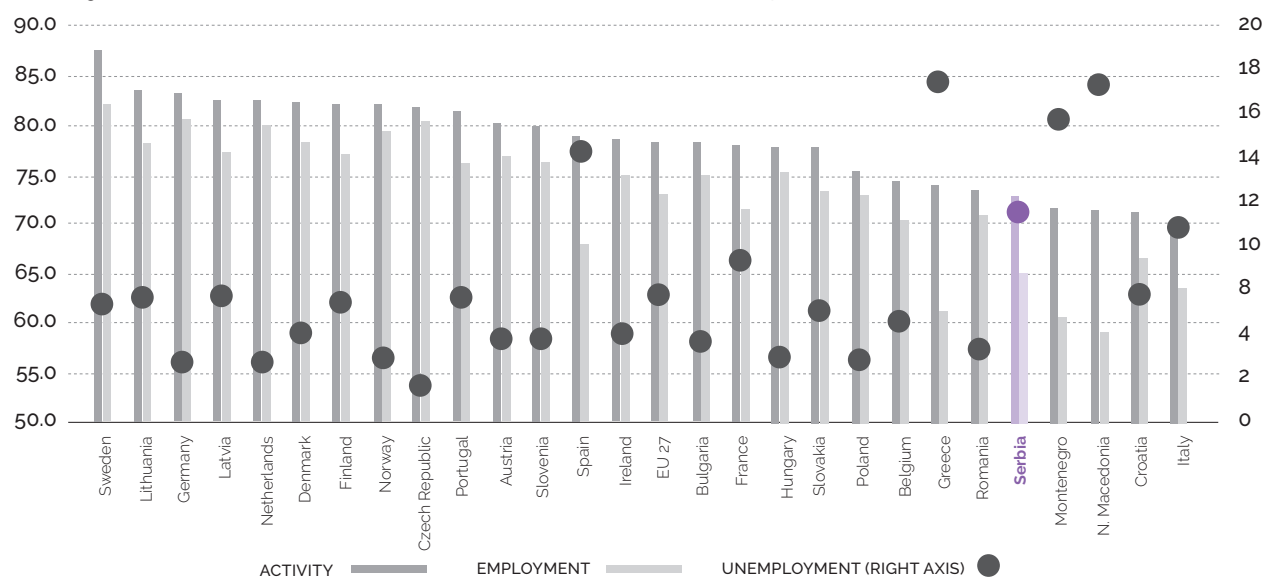


closer to the living standard of today's Poland or Slovakia, namely salaries of today's EUR 800-900. The years of empirical studies (for example, De la Fuente, 2016) show that economic growth is an effective cure for poverty, but only when it is followed by appropriate employment policies (targets 1.2 and 1.4). Likewise, between economic growth and productive employment growth there is a feedback mechanism with all activities financed from public funds. Alternatively said, this type of growth requires, but also ensures higher quality of education (SDG 4), health care (SDG 3), infrastructure and other public services (target 11 and target 9.1). Apart from the fact that environmental spending would need to be increased, the focus would be shifted from the intensive resource exploitation towards knowledge and cleaner technologies (target 12.2, SDG 13).

**A carefully designed set of decent work policies could strongly affect reducing inequalities. Inequalities in Serbia are relatively high at many different levels.** To start with, Serbia is categorised as a country with a relatively high economic inequality among the population, given that its Gini ratio is among the highest in Europe, with the ratio between the richest and poorest quintiles amounting to 6.5 (compared to 5 in the EU). Inequalities in population are mainly caused by unbalanced regional development which is clearly visible in the labour market as well. The highest activity and employment rates are typical for the Belgrade region (71% and 65%, respectively), while the relatively worst situation is found in the South and East Serbia region, especially in respect to average salary (30% lower than in Belgrade) and unemployment rate (14%). In terms of women and men, although the pay gap is lower than in most of the EU countries (9.6% compared to 15%), the gap in activity and employment rates is higher than in the majority of EU countries. Therefore, the policies promoting more balanced regional development and programmes aimed at empowering women may have a major impact on the progress towards a considerable number of targets under SDG 5 (Gender equality) and SDG 10 (Reduced inequalities).

**Although in the past period Serbia has made significant progress against the majority of basic labour market indicators,** it is still on the rear of Europe, with substantial limiting factors. In the past several years, notable progress was achieved in the Serbian labour market-activity and employment rates in the population in the 20-64 age group have reached 73% and 65%, thus substantially exceeding those in 2014 (68% and 55%), same as those prior to the global economic crisis outbreak. The unemployment rate also dropped, approaching a single-digit figure – probably for the first time in the last three decades. However, the progress achieved seems less impressive when observed in the context of the majority of other European countries (Chart 9). This means that at this point of time, Serbia would need to have ca. 320,000 of the employed more to reach the EU employment

CHART 9: THE ACTIVITY, EMPLOYMENT AND UNEMPLOYMENT RATES OF 20-64 AGED POPULATION

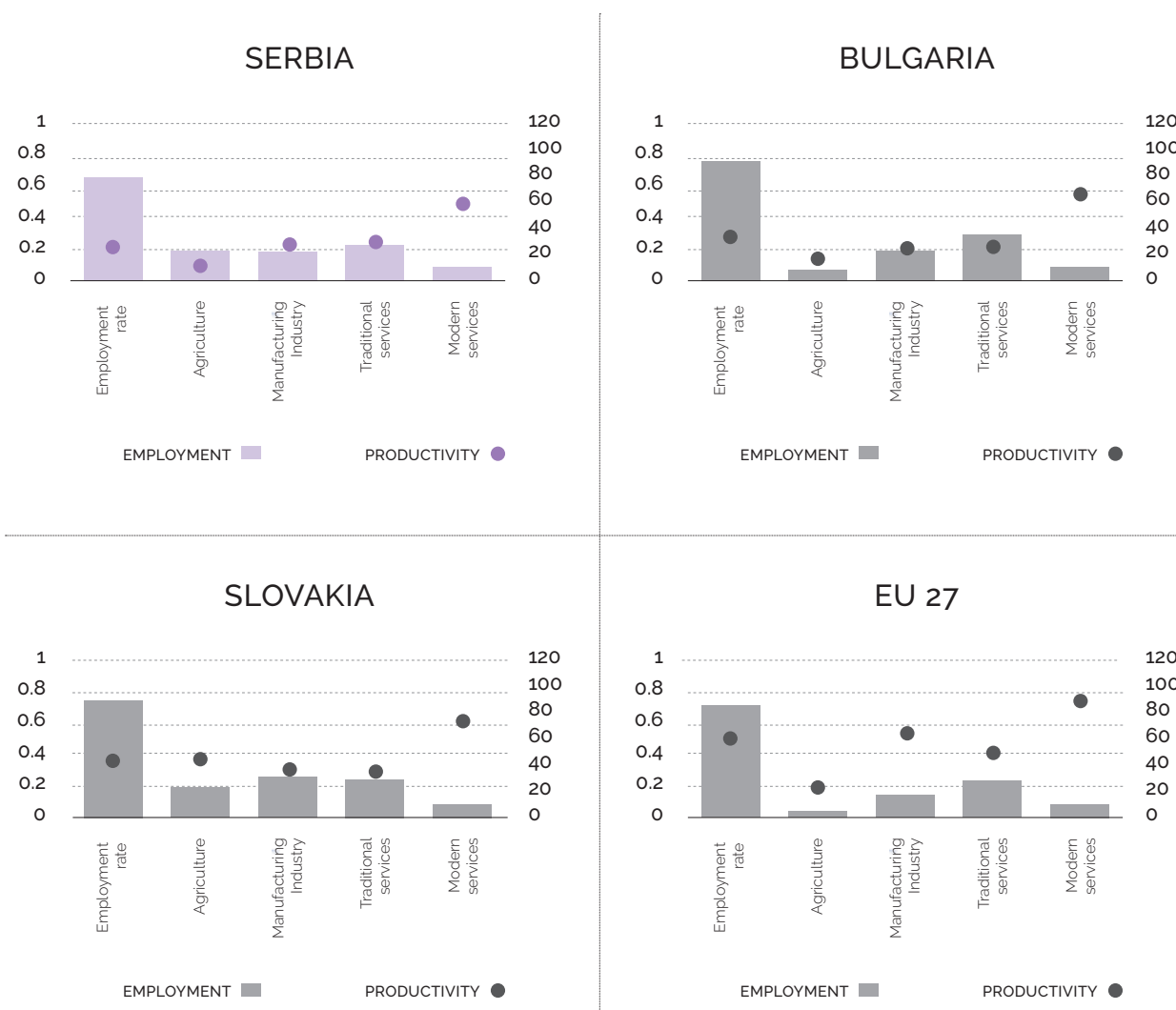


SOURCE: EUROSTAT, AUTHOR'S CALCULATIONS

level (73%). On the other side, the limiting factor is found in the fact that currently half of the unemployed have been looking for work for more than a year, which is still significantly above the EU-27 average amounting to 40%. Moreover, due to the negative disparity in input and output cohorts, population between 20 and 64 years of age was shrinking by ca. 500,000 per annum.

**Productivity – total and by sectors, significantly below the average.** Apart from the extremely high share of agriculture and a somewhat lower share of modern services, the sector structure of Serbian employment at the glance does not substantially differ from the situation in Bulgaria or EU as a whole (Chart 10). However, differences in the productivity of employees, even when adjusted to purchasing power parity, are more than drastic, except in the case of Bulgaria. Comparison between Serbia and Bulgaria in this sense is particularly interesting – higher average productivity of Bulgaria is greatly owed to differences in agriculture, whereas Serbia registers a slightly higher productivity in manufacturing industry and traditional services.

CHART 10: EMPLOYMENT<sup>11</sup> AND PRODUCTIVITY IN PURCHASING POWER PARITY (PPP) (RIGHT AXIS) IN THE SELECTED SECTORS<sup>12</sup>



SOURCE: EUROSTAT, AUTHOR'S CALCULATIONS

<sup>11</sup> Employment rate indicates the employment rate of the 20–64 population age group. Employment by sectors represents the specific sector employment share in total employment.

<sup>12</sup> Agriculture includes the household sector. Traditional services include trade, transport and tourism. Modern services include ICT, finance and insurance, same as expert, scientific, innovation and technical activities.

This difference in sector structure, together with the fact that employment rate in Serbia is drastically lower (Chart 10), explains the greatest portion of living standard differences. In addition to being more productive in agriculture almost four times, Slovakia is also more productive in other sectors by minimum 20-25%. Expectedly, lagging behind the EU-27 is even greater in terms of productivity, given that labour is more than 2.5 times more productive in total and in manufacturing industry. Principally, Serbia is least lagging behind in modern services.

**On the demand side,** Serbia needs to adopt a set of policies to support key segments of its economy. One of the key general conditions for the private sector development and increased investments, certainly implies building an appropriate institutional climate. Still, besides the general improvement of institutional climate, it is also necessary to define the development strategy, namely a set of policies to support and tap into its key competitive advantages. Alternatively said, the policies need to be set so as to correspond to Serbian development needs, but also to the development needs of specific segments:

- **Domestic SMEs can be the engine of development.** Serbian SMEs need horizontal/ universal, but also specific sector policies. Namely, domestic companies are traditionally facing problems in ensuring funding, but are also facing the lack of required skills when it comes to development/ company growth. Additionally, faced with the competition created by international companies and the pressure of emigration, domestic companies often struggle to keep their workers. In that sense, Ireland has, for example, developed a support system based, inter alia, on the constant capacity building and improvement (financial management, strategic planning), same as preferential taxation system "KEEP", aimed at retaining the key staff. In terms of specific sectors, they have to be selected based on the identified competitive advantages. The Smart Specialisation Strategy, same as the analyses carried out by CEVES certainly represent a solid starting point.

- **Foreign direct investments (FDIs) may provide significant support in SME development and creation of quality jobs.** Management of ongoing investment projects and attracting new ones should also serve development – so as to ensure more powerful positive spill-over effects on domestic economy (Uvalić et. al. 2020, World Bank 2019). These studies show it would be necessary to focus on attracting the FDIs in the higher value-added sectors (instead of labour-intensive FDIs), since the effects are visible in such sectors only. In addition, FDIs may serve as a leverage to include domestic SMEs in the global supply chains. This stimulates transfer of technology and skills positively affecting increased labour productivity (Ibid.). Contrary to that, which is mostly currently the case, FDIs operate as relatively isolated Icelands in relation to domestic SMEs. Going back to the example of Ireland, their FDI management strategy also clearly targets the amount to be spent by FDIs in domestic market, with priority sectors being those using the latest technology (Big data, Internet of things..).

- **State-owned enterprises may significantly unburden operation of the economy.** Although almost three decades have passed since the onset of privatisation, in 2017 more than 800 state-owned enterprises were operating in Serbia, accounting for even 18% of corporate employment (World Bank, 2019). As expected, the privatisation pace has been significantly slowed down in the past several years. State-owned enterprises are mostly found in the utility sector, energy, mining and transport, where due to their dominant position and soft budget restrictions they represent the source of many inefficiencies. For example, in the period 2014-2017 only, the cost of state-owned enterprises borne by the citizens and businesses amounted to minimum EUR 250 million per annum (CEVES 2019). As private sector suppliers, public and state-owned enterprises are often inefficient – for instance, cooperation with the Srbijašume enterprise in timber supply often does not imply a long-term certainty (Ibid.).

- **Energy supply is probably a priority area in need of substantial progress.** Access to energy is one of the major barriers in starting a business. This process is often a long-lasting one,

burdened by relatively high costs and large number of procedures. According to the Doing Business (2018) indicator for this area, Serbia ranked 109th out of 190 countries covered by the study, with the majority of new EU member states being among the top 60. Getting a connection requires 125 days of wait in Serbia (89 in EU), while reliability of supply scored 5 out of 8 (EU average 7.4). Moreover, major efforts and funds would need to be invested to make energy generation greener – the Fiscal Council (2019) has estimated that EPS would need to invest ca. EUR 800 million by 2027 in the processes of desulphurisation, flue gas treatment, waste management and waste water management system construction.

• **If modernised, Serbian economy could become considerably more competitive.** The weak average productivity of agriculture is largely a consequence of its pronounced duality, short value chains and underdeveloped manufacturing industry (SEEDDEV, 2017). The duality of agriculture is reflected in the large number of traditional, small agricultural producers producing almost exclusively for their own needs, same as the small number of larger producers that can be compared to the most successful ones in Europe based on their performance (Ibid.). Keeping this in mind, agricultural policies would for starters need to be differentiated at that level. Short value chains and underdeveloped processing industry require efforts in building the network of suppliers, and training for introducing standards – all aimed at enlarging the offer. In regards to more specific policies, on the short run, large impact on Serbian agriculture would be produced by their capacity building for IPARD programme implementation (and training of agricultural producers and the state administrative capacity building), while even greater opportunities in that sense are provided by the EU membership (CEVES, 2019). Moreover, any support to further land enlargement (land consolidation), whether via purchase programmes, tax incentives or land leasing – could have a major impact by all means.

**Such sector transformation requires high rate of investments – both private and public ones.** One of the basic prerequisites often quoted in the literature for achieving high growth rates in the middle income countries is the investment rate amounting to 25% of GDP. Despite the fact that in the previous two years (2018 and 2019) the share of investments in GDP went up in Serbia exceeding the threshold of 20%, the space for progress is evident. As a particularly important, and insufficiently present investment component, we would like to stress investments in research and development (see next nationalised target). Moreover, public investments could be additionally increased from 5% to 6%, while necessary savings could be achieved by reducing subsidies to public enterprises (Uvalić et. al. 2020).

**On the labour supply side, what is needed are the activation of inactive persons and building skills.** As already stated, creating a more dynamic and competitive economy requires a continuous labour force quantity and quality increase. In that respect, a major challenge faced by Serbia is to make almost one and a half million of the unemployed and inactive persons (aged 20-64) employable and attractive to employers, namely to break their apathy and include them in the labour market. This point is substantiated by the fact that even 29% of enterprises are facing difficulties in locating new workers with appropriate qualifications (World Bank, 2019). Additionally, one of the basic tasks remaining is the ongoing work on raising the quality of entry cohorts – youth, same as the tendency to formalise labour as much as possible. What follows are some of the policies that could address this task:

• **Amend the income tax system.** One of the often identified fundamental causes to the high informal employment rate and difficult employability of low-skilled (in a broader sense) workers is a relatively high tax burden (tax wedge) on lower wages (CEVES, 2020, World Bank, 2019). There is almost no progression in income taxation in Serbia – the tax wedge disparity by 67% and 167% of average earnings amounts only to 1.6 percentage points.<sup>13</sup> Some of the World Bank

<sup>13</sup> The standard OECD methodology monitoring labour tax burden. A slight, almost inexistent progressivity in income taxation in Serbia originated from the untaxable wage portion (RSD 16,300 since 2019), while the income tax rate has been constant, amounting to 10%.

(2019) recommendations in addressing these issues by all means imply introducing a more progressive income taxation, tax reliefs for workers with children, same as subsidising low-income benefits.

- **Adopt a new Employment Strategy that would be focused on active labour market policies and counselling at the National Employment Service.** The active labour market policies are a set of interventions aimed at increasing employment (reducing unemployment) by enhancing efficiency and equality in the labour market. Serbia's spending for this purpose equals only 0.08% of GDP, which is often assessed as insufficient (Aleksić 2020, World Bank 2019), having in mind the number and socio-economic characteristics of inactive and unemployed persons (large number of women, Roma, persons with disabilities). The World Bank (2019) assessments state that active labour market policies in Serbia are relevant and well designed, however they require more quality monitoring and evaluation. One of the less expensive, but extremely efficient methods to overcome frictions in the labour market and more efficiently match supply and demand in the labour market, is the advisory role of the National Employment Service (Lehman, Kluge 2010).

- **Optimise educational policies for improved youth employability.** In addition to the described difficulties in locating labour force faced by employers in Serbia, each fourth young person (aged 15–29) belongs to NEET category. Such a high rate (EU average is 17%) shows that young people are facing problems in education to work transition. In other words, this indicates the mismatch between the profiles young people are being educated for and those sought in the labour market, or their insufficient quality. This means that the supply of new profiles needs to be matched with the demand. This would probably imply absolute and relative shift of focus from humanities to natural sciences. Some of the World Bank (2019) recommendations on these issues certainly imply curriculum modernisation at practically all education levels, monitoring and improving dual education curricula, and extending access to preschool education.

**Economic policy of the Republic of Serbia in the previous decade was mainly limited to criticized, but still relatively successful macroeconomic and fiscal stabilisation.** The issue of growth, although underscored as a key one in all strategic documents, was basically left to autonomous factors – the abundant and low-cost labour force, and low energy price. One of the rare, if not the only tangible economic policy instrument was linked with the relatively non-selective attracting of labour and energy-intensive foreign direct investments (FDIs). It appears that recent changes reflected in the arrival of higher quality FDI projects are more the result of autonomous factors, than systemic efforts. Meanwhile, domestic SMEs are given little (mainly inadequate) attention and funding. The issues pertaining to improved (quality of) jobs and labour market are mostly covered, however insufficiently intensively – both by funding (primarily low expenditures for active labour market measures), and monitoring.

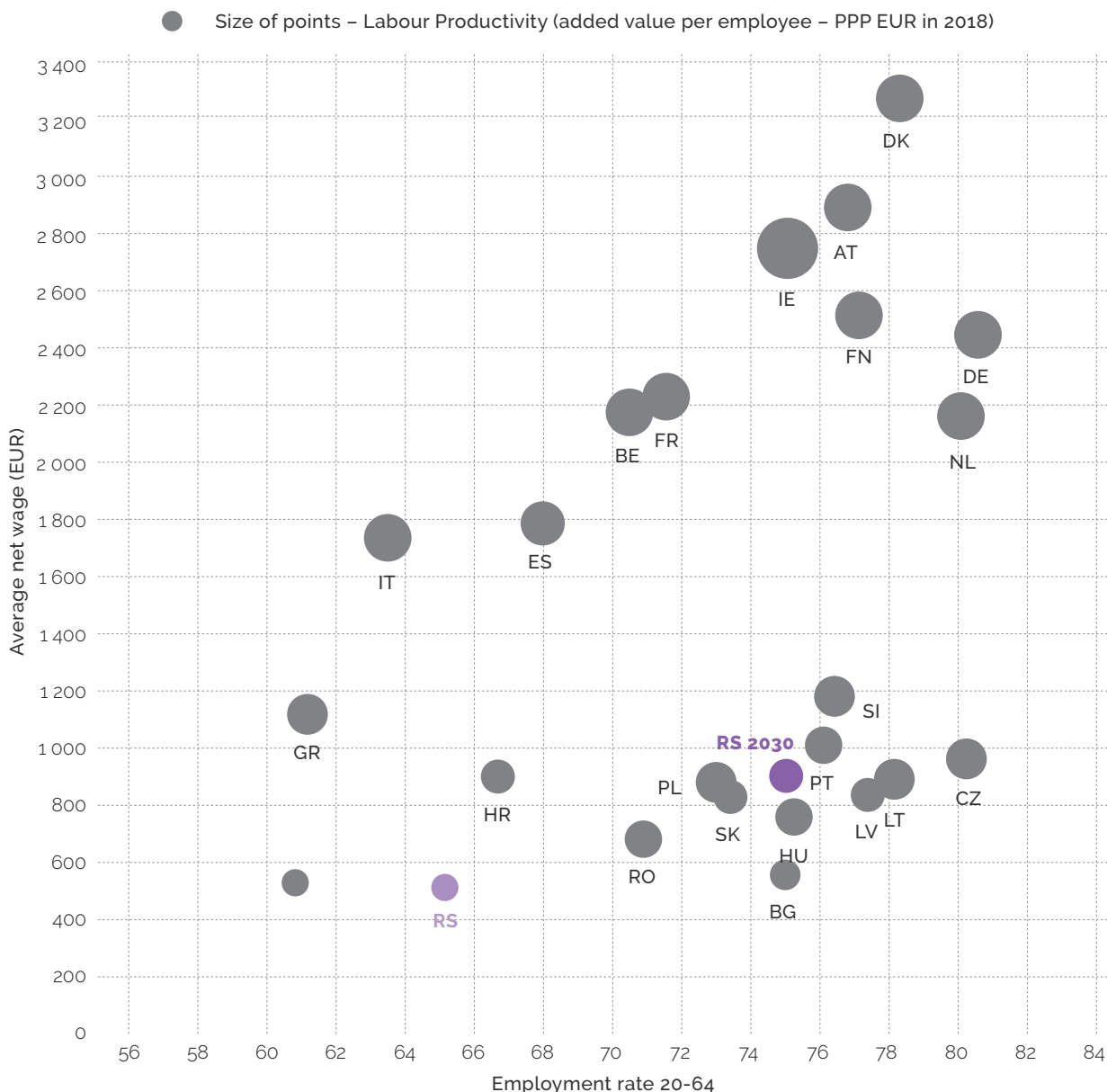
**The key indicators monitoring performance by 2030, with the recommended regular progress monitoring report in achieving indicators are as follows:**

- i) achieve employment rate of 75% (age group 20-64) with a median wage enabling buying an average market basket,
- ii) increase total labour productivity by 50% and increase labour productivity in manufacturing industry by minimum 50%.
- iii) by 2022 reach the share of private investments in GDP of minimum 20%, and public of minimum 5% of GDP.

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<sup>14</sup> Youth "not in employment, education or training".

CHART 11: ILLUSTRATION OF SERBIA IN 2030 – JOINING THE COMPANY OF NEW EU MEMBER STATES



Nationalized target 9.5: By 2030, **enhance investments in scientific research, upgrade the technological capabilities and encourage innovation – particularly in the private sector**

As already mentioned in the previous chapter, the main source of Serbian economy competitiveness in the past decade was reflected in low labour and energy costs in comparison with competition – foreign, primarily European. Serbia relied on the high-labour intensity and low labour productivity, and extensive, but inefficient use of energy carriers. Still, although it resulted in a step forward, primarily in terms of employment, and thus economic growth – such a scenario is not sustainable on the long run. Labour cost will grow together with economic growth, which has been happening in the last five years. Fuels are available in limited quantities and require more efficient use. The inefficiency present to date has been subsidised by all citizens through financially unsustainable operation of public enterprises and low level of their investment – along with putting the environment at-risk. Apart from being unsustainable, this scenario is not desirable from the sustainable development perspective, given that we need to work intensively on raising the level of wellbeing of our citizens, their health and environmental protection.

**Increasing investments in research and development (R&D), technological capacity building and fostering innovation – is a key step towards establishing a new development paradigm.**

Achieving the described components under target 9.5 is a precondition for creation of more sophisticated and complex products and services, raising the general productivity level and sustainable international competitiveness growth. In the previous period, Serbia has managed to significantly increase the export of its goods and services (ca. 10% per annum in the period 2010-2019), primarily by enhancing its competitiveness and conquering market share in the Western European markets. In the coming period the challenge will be to improve such position, with gradual transformation of competitiveness sources – from labour-intensive and energy-inefficient economy towards the knowledge-based economy, rooted in R&D, innovation and technological progress.

**The listed target 9.5 components represent an instrument for a faster achievement of other Sustainable Development Goals relating primarily to economic wellbeing and environmental protection.**

First of all, only this kind of development will enable achievement of key elements of SDG 8, mainly referring to dynamic economic growth (target 8.1) and productive employment (target 8.5). In addition, achievement of target 9.5 is indivisible from the targets referring to achieving higher levels of economic productivity (target 8.2), building a more dynamic private sector (target 8.3) and efficient use of natural resources (8.4 and 12.2). Apart from being a key instrument for fast and sustainable economic growth and employment, target 9.5 is directly correlated with goals/targets concerning energy efficiency (SDG 7), sustainable local communities (SDG 11), with a focus on the use of technologies not affecting additional water and air pollution (SDG 6 and target 11.6), same as new patterns of production and consumption (SDG 12). For more information and findings regarding the links between individual goals, and more references on this subject matter, we recommend Scharleman et. al. (2020) and Fonseca et al (2020).

**Target 9.5 is firmly – and by feedback mechanism – linked to the SDG covering education (SDG 4).**

Improved quality of education, focused on the improvement of skills required for the future of labour (4.4) is one of the key preconditions for achieving target 9.5. However, there is a feedback here reflected in the fact that the increased R&D level, improved technological level and fostered innovation additionally enhance the education sector capacity. This is the result of multiple business opportunities and reasons for young people to stay in the country, same as of information underlying adjusting curricula for the future – which also opens new additional prospects for cooperation between science and economy.

**Adequate economic and regional development policies need to be designed and implemented to ensure that achieving target 9.5 will affect reduced inequalities (SDG 10).**

The more intensive investments in R&D, technological capacities and innovation – if still focused on urban centers exclusively – may affect the growth of already high level of inequalities, even if the general productivity and economic wellbeing are improved. In order to prevent this, it has to be ensured that the benefits of accelerated technological development and innovation will have a spill-over effect on underdeveloped and rural environments. This can be achieved by fostering more intensive cooperation between urban centers and rural communities, primarily through inclusion and spill-over of ICT achievements on tourism (target 8.9) and small agricultural producers (target 2.3), attracting medium technology level foreign investments and educating and networking with small local businesses in less developed areas (target 8.3), same as construction of local, primarily road and digital infrastructure (targets 11.1 and 11.2).

The starting position of Serbia is such that it is already considerably lagging behind European trends and achievements...

- **Total research and development costs in Serbia amount to 0.9% of GDP, which is significantly below the EU average (2.1%), but comparable with expenditures of thirteen new EU member states (1.2%).** Serbia has been investing in R&D even more than some EU member

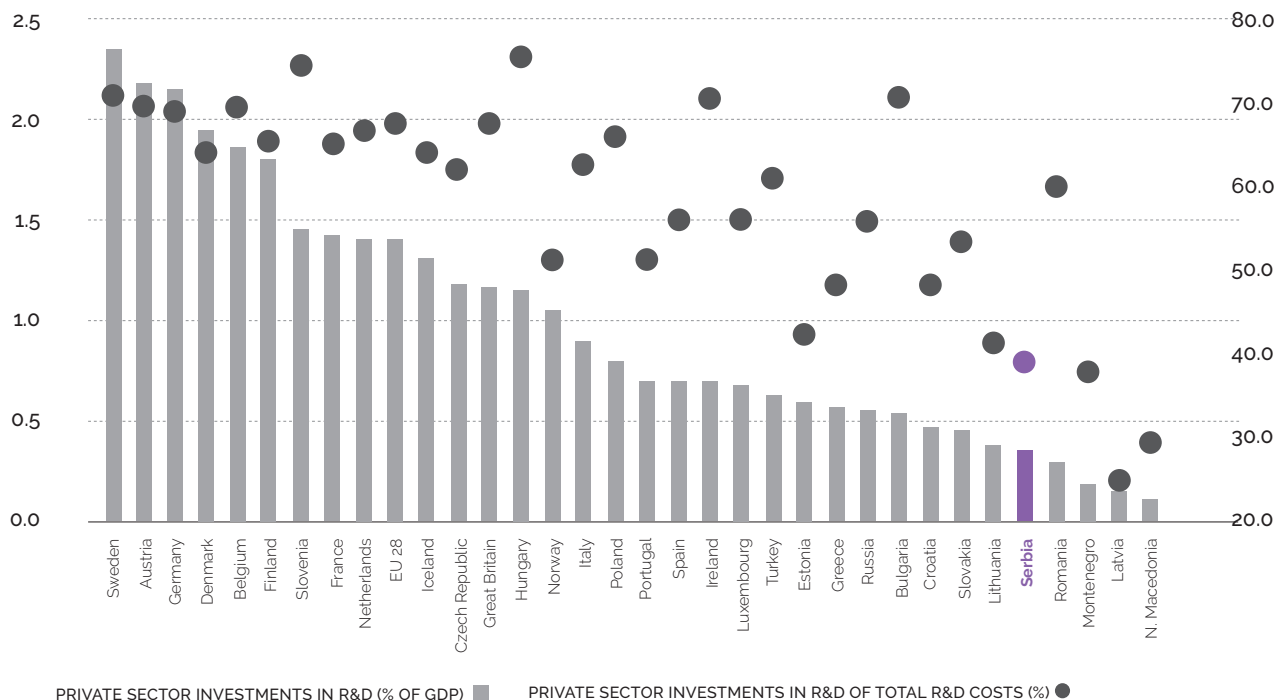


states like Bulgaria, Romania and Slovakia. Serbia has managed to keep pace in international comparisons owing to investments of the state accounting for even 2/3 of total research & development investments.

- **However, the key drawback of Serbia and its structural challenge – as seen in Chart 12 – are mirrored in low private sector investments in research & development.** They account for only 0.35% of GDP, thus making a half of what is being invested by the private sector in new EU member states, and 1/4 of private sector investments in the EU. The World Bank points to the fact that the number of companies investing in R&D is not that low (14% of all companies with 10+ employees), but that investments of those who do invest are fragmented and insufficient (only 0.3% of income on average).

- **Corporate innovation still remains low, and the economy and science mainly not linked.** Innovation level is low – the largest number of companies stress that in the previous period they have not been investing in innovation of new products and services or new production systems. The number of patent applications submitted in Serbia is among the lowest in Europe, with only 9 applications in 2019. Besides the relatively considerable state spending on research & development, the links between the businesses on one side, and science and academia on the other, are rather low. Foreign investments that entered the country in the previous period have neither significantly affected further knowledge and technology spill-over, nor networking with domestic companies.

CHART 12: PRIVATE SECTOR INVESTMENTS IN R&D, STATED AS A % OF GDP AND OF TOTAL R&D COSTS (2018)



SOURCE: EUROSTAT, AUTHOR'S CALCULATIONS

...however, in the past years (early) steps were registered in a good direction concerning policy-making, same as the examples of good institutional practice that should serve as foundations for further sector development.

- **The Smart Specialisation Strategy is a well-designed and analytical strategic document developed in a participatory manner,** adopted at the beginning of 2020, focused on raising competitiveness of the economy, economic growth and societal progress by linking research,



technological and innovative strengths and resources with a limited number of priority industrial areas. The set priority areas are as follows: food for the future, information and communication technologies, machinery and production processes of the future and creative industries. The first expected step in the implementation of the strategic framework entails drafting and presentation of an action plan and allocation of adequate budget funds, which has not yet been done, nor presented to the public. Similar applies to the Strategy for the Development of Artificial Intelligence adopted at the end of 2019.

- **Establishment of the Science Fund adequately complements existing institutional instruments supporting the development of research, technology and innovation in the economy, and together with the Innovation Fund makes a well-rounded institutional duo.** The two funds together disposed of the EUR 10 million budget mostly intended for cooperation programmes with industry, such as innovation vouchers, technology transfer facility programme, early development programme, support to young researchers, or networking with the diaspora aimed at fostering research activities in Serbia.

**To make progress towards target 9.5, the following activities in the public policy domain are of exquisite importance:**

- **Fostering private sector investments, particularly in research & development.** Fostering implies a combination of different measures of strategic character, relating to positioning private sector investments as a priority in the most relevant strategic documents such as the future Development Plan and Investment Plan, same as Industrial Development Strategy and Smart Specialisation Strategy with implementing action plans; then those of financial character, via grant-based support to businesses and fiscal reliefs; same as through improved business environment, primarily implying intellectual property protection and fight against unfair competition.

- **The Smart Specialisation Strategy implementation,** including adoption of an action plan, budgeting as per implementers, activities and objectives, clear statement of such items in the national budget, and introduction of a publicly available annual monitoring and evaluation mechanism. Moreover, it is desirable to embed the defined priority research and development activities and priority sectors to a certain extent into the programmes of other public policies' implementers, directly linked with the industry. Therefore, for example, quotas could be introduced for priority activities and sectors, defined in the Smart Specialisation Strategy, same as in the programmes implemented by the Ministry of Economy, Development Agency of Serbia, Development Fund and Serbian Export Credit and Insurance Agency.

- Strengthening the role of the **Innovation Fund and Science Fund** implying strengthening institutional, financial and human capacities of these two institutions, and especially of the Science Fund, which has been established recently and is still in the early development stage.

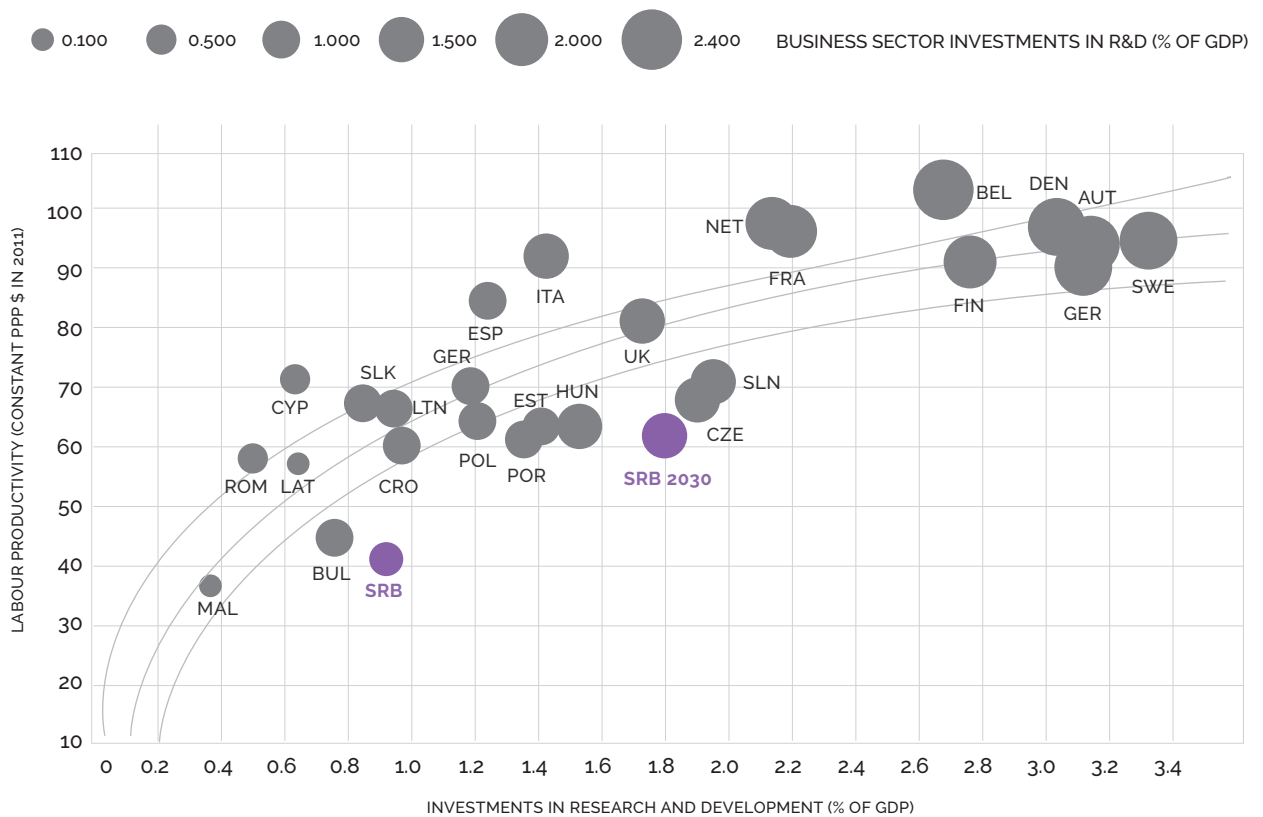
- **Stimulating more intensive cooperation within and between academia and industry,** in line with the objectives and defined measures of the valid Scientific and Technological Development Strategy. This area entails a more careful targeting and attracting foreign direct investments, so as to foster dissemination and development of knowledge, skills and technologies through cooperation with domestic small and medium-sized enterprises.

The outlined recommendations greatly concur with the analysis and recommendations presented by the European Commission in the annual 2020 Report under the negotiating Chapter 25 (Science and Research) and 7 (Intellectual property law).

Key indicators monitoring performance by 2030, with the recommended regular progress monitoring report in achieving indicators are as follows:

- i) double investments in research and development and achieve the level of 1.8% of GDP, of which private sector accounts for 2/3;
- ii) achieve real labour productivity growth of 50%, and reach the productivity level of EUR 22,500 per employee;
- iii) raise the export share of high-tech products and knowledge-intensive services to 20% of total export.

CHART 13: ILLUSTRATION OF KEY PERFORMANCE INDICATORS MEASURING TARGET 9.5 FOR SERBIA, COMPARED TO SELECTED COUNTRIES



SOURCE: ILO, EUROSTAT, AUTHOR'S CALCULATIONS

## >> 5. SKILLS FOR SUSTAINABLE AND SMART DEVELOPMENT AND THE FUTURE OF LABOUR

**The 21st century education ought to enable all young people to acquire competences for decent work and life, including development of cognitive and non-cognitive competences such as problem-solving, critical thinking, creativity, team work, communication and conflict resolution skills.**

Otherwise said, mastering the 21st century competences means developing knowledge, skills and attitudes necessary for sustainable development. Quality education leading to achievement of relevant learning outcomes surpasses acquiring relevant competences for the world of work, it is to equip an individual to actively participate in all spheres of social life. At the same time, education is the key element for achieving all other Sustainable Development Goals.

The data on the quality and relevance of education in Serbia shows that it is far from the 21st century education. The 2018 PISA testing results of Serbian students are below the OECD average in all three domains: 48 points in the reading literacy domain, 41 points in the mathematical literacy domain and 49 points in the scientific domain. The achievement of Serbian students corresponds to achievement of students from the OECD countries who are almost one and a half years younger in age. After completing compulsory primary education, ca. 40% of students in Serbia are functionally illiterate. If the population of 15-year-olds is taken into account including drop-outs, those who were never in school or those who are in 6th or lower grades, the percentage of the 15-year-olds at-risk amounts to: 46% of reading literacy and scientific literacy, and 48% on the mathematical literacy scale. For the sake of comparison, European Union has embedded into the strategic framework for European cooperation in education and training (ET 2020) a target that by 2020 the number of students with attainment under the basic competence level (below level 2) must not exceed 15%. Additionally, the data shows a considerably lower achievement of students of lower socio-economic status, with numerous reports of the UN contracting authorities pointing to the unfairness and discrimination in education system, primarily in relation to members of the most vulnerable groups – Roma, persons with disabilities, asylum-seekers, rural population and the poor.

Although the Education Development Strategy by 2020 had a clear focus on the quality and relevance of education, defining strategic orientation on those grounds, at the expiry of its validity the priority goals that have been singled out are those relating to the quality of the education process and outcomes and relevance of education. In line with the mentioned priority targets, educational policies in the coming period should be focused on the quality and relevance of education including the following: 1) ensuring quality conditions for teaching and learning (infrastructure, space and equipment standards); 2) improving quality of educational curricula (modern, functional, relevant); 3) enhancing the teaching and learning processes (student-centered teaching/learning methods, quality free of charge textbooks and instructional material); 4) improving the quality of teachers' work as a key factor of education quality (training for implementation of active learning methods, the use of ICT and assistive technologies); 5) increasing public spending in education to 6% of GDP needs to ensure and enhance resources and conditions leading to improved quality of education, including improved governance, management, administration, information systems and educational statistics.

Nationalized target 4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading **to relevant and effective learning outcomes**

Nationalized target 4.4: Substantially increase the number of youth and adults who have relevant skills, including **technical and vocational skills, for employment, decent jobs and entrepreneurship**

Despite being focused on the quality and relevance of education, the Strategy for Education Development in Serbia by 2020 has not been implemented in a way that would enable delivery of targets 4.1 and 4.4., not only in regards to education coverage, but primarily with the view of quality of education and relevance of skills young people would need to possess to enter the labour market after graduation. The coverage by primary education of 93% in 2019 is by 6 percentage points lower than in 2012, while the secondary education coverage of 87.4% is by 1.1 percentage points lower. Only one fourth of students attend general, grammar school education, while one third of the population aged 30-34 has university degrees. In the case of adults, coverage by education and training in 2019 amounted to 4.3%, which is significantly lower than the EU-27 average (10.8%)<sup>15</sup>. Four out of ten 15-year-olds in Serbia have failed in reaching the basic literacy level (reading, mathematical and scientific), which is a main barrier to continuing education, employment, professional advancement and participation in the society.

**Quality education for all is a key factor in achieving sustainable development in Serbia.** For any country, thus for Serbia as well, knowledge is a leading advantage in responding to change in the area of economy, environment and society, including technological progress, climate change and migration. Education plays a crucial role, by educating individuals and the society to face in-depth changes and overcome challenges. In addition, achieving targets 4.1 and 4.4 would contribute to eliminating inequalities, providing individuals with opportunities to fully use their potential, and make progress towards sustainable development.

**Achieving targets 4.1 and 4.4 is fundamentally linked with a range of other goals and targets of sustainable development** and contributes to their implementation: end poverty (SDG 1), eliminate gender inequalities (SDG 5) sustainable economic growth and decent work for all (8.2, 8.3, 8.4, 8.5, 8.6, 8.9, 8.10, 9.4 and 9.5), remove inequalities, empower and promote the social, economic and political inclusion of all (10.1, 10.2 and 10.3), enhance knowledge and innovation in the public health domain (3b and 3c), climate change (13.3 and 13b) and create inclusive society and accountable institutions (16.6, 16.7 and 16b). Access to quality education and development of relevant skills are of exquisite importance for children and youth from vulnerable groups: children with disabilities and developmental disorders, children facing problems caused by socio economic circumstances or the fact that they attend curricula in their non-mother tongue, especially Roma children, children coming from poorer societal layers and from families with low education background, children from rural environments.

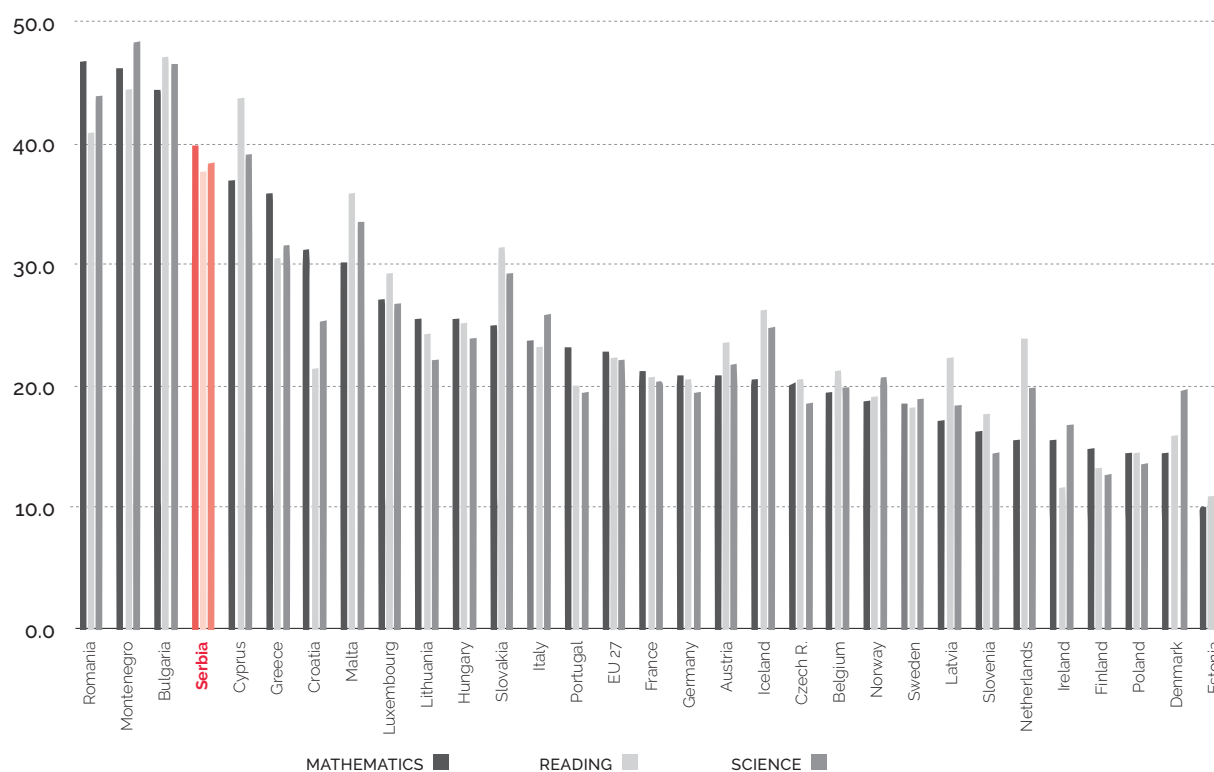
**The selected indicators for targets 4.1 and 4.4. show that Serbia is considerably lagging behind most European countries.**

Achieving priority education targets is focused on the quality of education, however their delivery ensures inclusion and equity of education. One should keep in mind that quality education and acquiring relevant skills are not and should not be limited to the demands of the labour market, current and future, but they need to contribute to personal development, self-awareness and critical view of the world.

<sup>15</sup> The proportion of population aged 25-64 in formal or non-formal education and training in the period of four weeks preceding the survey.

The data on the proportion of students who have failed to reach basic level of reading, mathematical and scientific literacy in PISA<sup>16</sup> assessment (Chart 14) shows that in Serbia four out of ten students have failed in achieving basic functional literacy levels (38.3% in science, 39.7% in mathematics and 37.7% in reading). In comparison with EU countries, worse achievements than Serbian students were registered only in students coming from Bulgaria, Cyprus and Romania.

CHART 14: STUDENTS WHO HAVE FAILED TO ACHIEVE FUNCTIONAL LITERACY LEVEL (IN %)

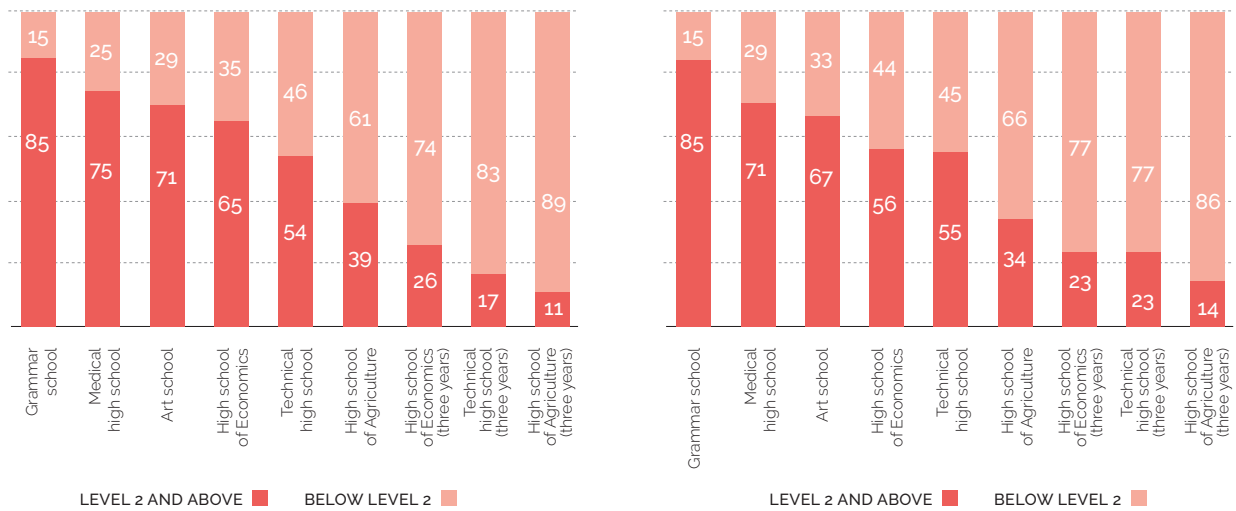


SOURCE: EUROSTAT SDG INDICATORS DATABASE, AUTHOR'S ILLUSTRATION

There are considerable differences in the achievements of students attending different types of schools. Grammar schools register the lowest number of students failing to reach functional literacy level (13% in reading and 15% in mathematics), followed by medical and art schools where between one fourth and one third of students fail to meet functional literacy level, whereas in three-year vocational secondary schools majority of students fail in achieving basic literacy level both in mathematics and in reading (Chart 2). Here we should bear in mind that vocational schools mostly enroll students of lower socio-economic status, therefore the differences in achievements can be explained by different socio-economic background of students. When talking about the socio-economic status of students, the disparity between grammar schools and vocational schools is shrinking, however it still remains statistically relevant. Instead of taking measures to ensure equal opportunities for students from vulnerable groups in access to quality education, the Law on Dual Education was adopted, limiting education of vocational school students to acquiring narrow vocational competences for specific occupations. Moreover, amendments to the Law on Secondary Education introduced a discriminatory provision disabling students of three-year vocational schools to take general or vocational graduation exams in the period of two years after completing education. Reading and understanding a simple text and arithmetical operations are skills necessary for learning, development of specialised skills and personal development. Despite the fact that the proportion of students failing to reach functional literacy was increased compared to 2012 (6.6 percentage points in reading, 0.8 in mathematics and 3.3 in science), any kind of intervention focused on solving this problem is lacking.

<sup>16</sup> PISA – acronym for Programme for International Student Assessment. The study launched in 2000 by the Organisation for Economic Co-operation and Development (OECD) provides internationally comparable data on students' achievements. PISA assessments are carried out in three-year cycles to examine the level to which the 15-year-old students, approaching the completion of compulsory education in the majority of participating countries, have acquired key knowledge and skills necessary for full participation in social and economic life.

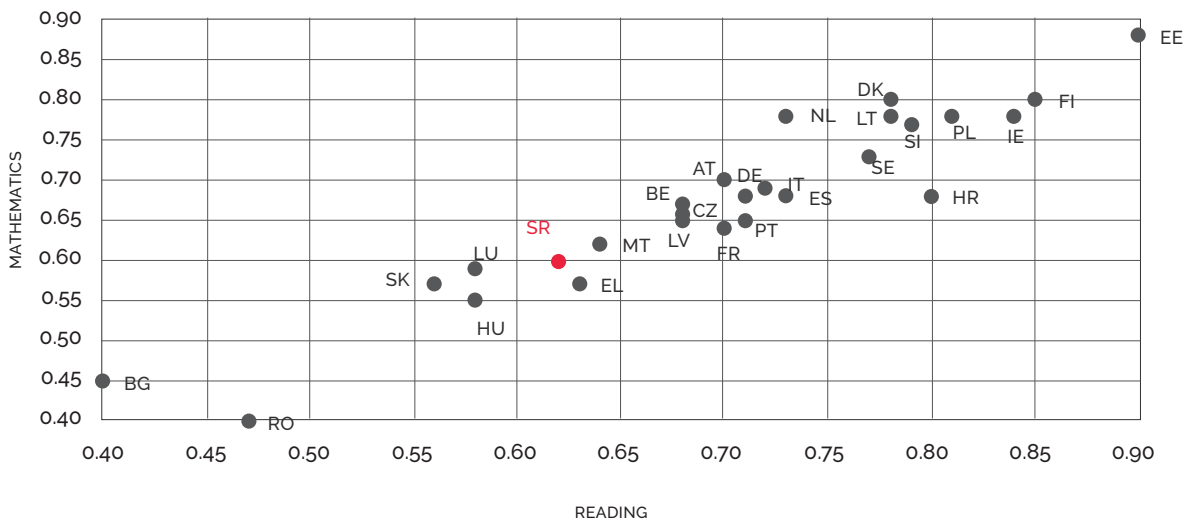
CHART 15: ACHIEVEMENTS IN READING (LEFT) AND MATHEMATICS (RIGHT) – DEPENDING ON THE SCHOOL TYPE



SOURCE: VIDENOVIĆ, M. AND ČAPRIĆ, G. (2020).

**Students coming from different socio-economic backgrounds are not provided with equal opportunities.** Equity in education in regard to opportunities provided to students coming from different socio-economic backgrounds in PISA study is measured by the ratio between the students' performance and their socio economic status expressed as an index of economic, social and cultural status (ESCS<sup>17</sup>). Chart 16 illustrates the data on the parity index for socio-economically disadvantaged compared to advantaged students. The parity index compares students achieving at least proficiency level two in reading and mathematics. The parity index value for Serbia is 0.62 in reading and 0.60 in mathematics, meaning that at every six socio-economically disadvantaged students achieving at least proficiency level two, there are ten students of the highest socio-economic status achieving the same proficiency level. In the majority of EU countries, parity index is higher than in Serbia, while a country providing greatest educational opportunities to socio-economically disadvantaged students is Estonia.

CHART 16: PARITY INDEX FOR SOCIO-ECONOMICALLY DISADVANTAGED STUDENTS COMPARED TO ADVANTAGED STUDENTS

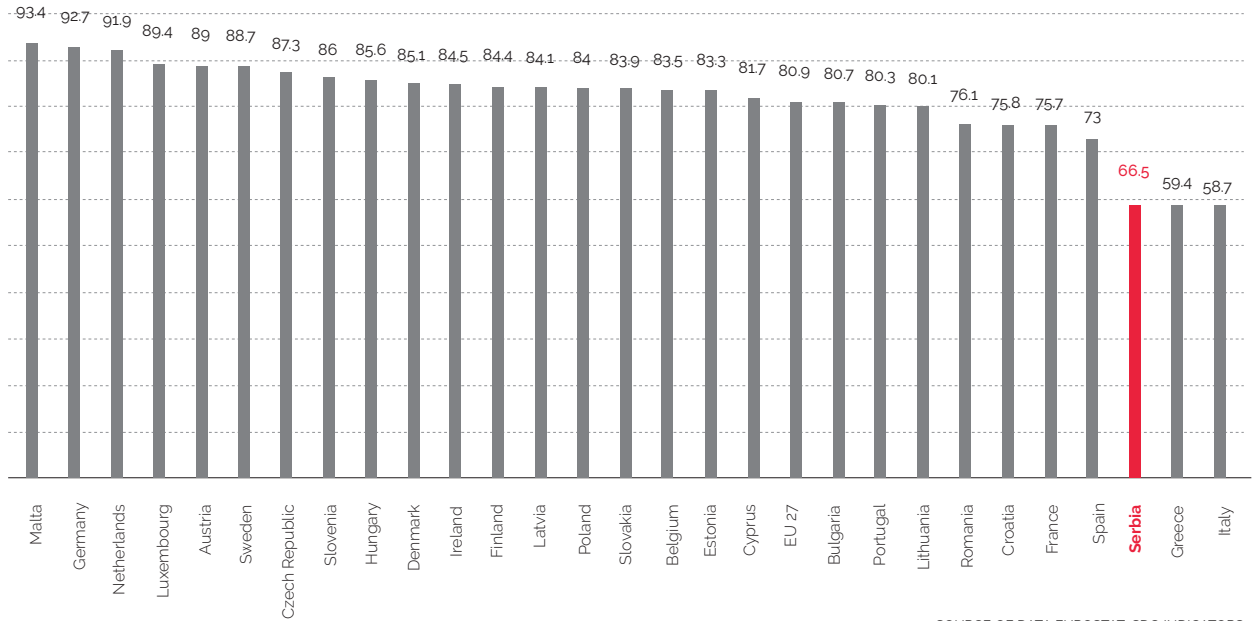


SOURCE: OECD (2019)

17 Index of economic, social and cultural status (ESCS) is derived from several variables related to students' family background: parents' education, parents' occupations, a number of home possessions that can be taken as proxies for material wealth, and the number of books and other educational resources available in the home. ESCS enables identification of advantaged and socio-economically disadvantaged students, as well as schools. Students are considered advantaged in socio economic terms if located among 25% of students with the highest ESCS index values, and disadvantaged in socio-economic terms if their ESCS index values are among the lowest 25%.

In transition from education to labour market, young people in Serbia are facing greater difficulties than their peers in most of the EU countries (Chart 17). In the period of three years after graduation, two thirds of youth in the age group 20-34 have found jobs. Lower employment rates are found only in youth in Greece and Italy.

CHART 17: EMPLOYMENT RATES IN RECENT GRADUATES AGED 20-34 (%)



SOURCE OF DATA EUROSTAT, SDG INDICATORS

The fact that problems do exist in transition from education to work is substantiated by the data on the youth not in employment, education or training (NEET) (Chart 18). Along with Italy, Serbia registered the highest NEET rate, given that more than one fifth of youth are either unemployed or not in education. The specificity of the NEET rate in Serbia is that is it rather high in youth with university degrees amounting to 23.2%, whereas the EU-27 average amounts to 9.6%. More than one third of youth who have completed vocational-technical education are unemployed or not in education, while the EU-27 average is half that high and amounts to 15.9%.

CHART 18: NEET RATE FOR AGE GROUP 15-29 (%)



SOURCE: EUROSTAT, TRANSITION FROM EDUCATION TO WORK

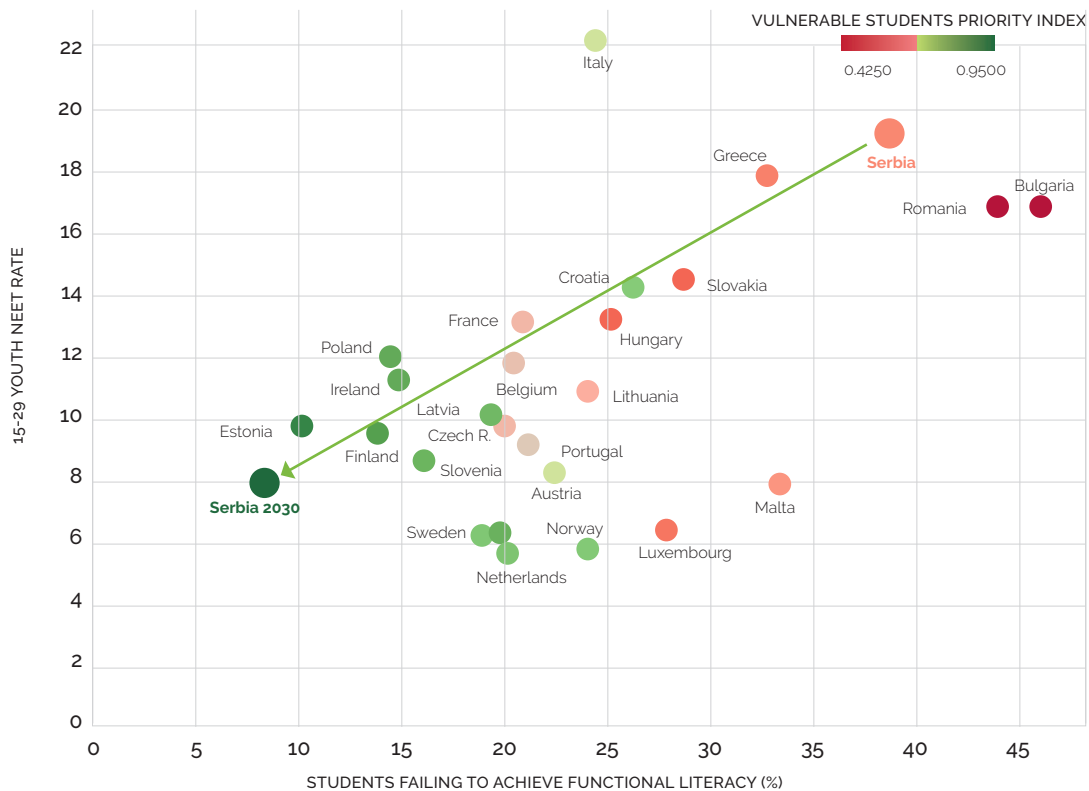
To achieve progress towards targets 4.1. and 4.4, the following activities in the public policy domain are found relevant:

- in drafting new education strategy, define quality of education as primary development goal so as to ensure quality conditions for teaching and learning, improve quality of educational curricula, improve teaching and learning process and improve quality of teachers' work,
- increase the coverage, relevance and efficiency of education to ensure inclusion and equity of education,
- ensure appropriate training and access to learning resources for teachers,
- improve and harmonise maintenance of statistical education data in the education data collection and processing system (Statistical Office of the Republic of Serbia) and education data collection and analysis system (Ministry of Education, Science and Technological Development),
- increase education spending to 6% of GDP.

#### Key performance indicators:

- Reduce the share of students failing to achieve basic literacy to 8% in reading, mathematics and science (baseline value 37.7% for reading and science and 39.7% for mathematics)
- Increase the parity index for vulnerable students to a value ranging between 0.9 and 1 (baseline value 0.62 reading and 0.60 mathematics)
- Reduce 15–29 youth NEET to 8% (baseline value 19%).

CHART 19: ILLUSTRATION OF SERBIA'S POTENTIAL PROGRESS TOWARDS TARGETS 4.1 AND 4.4 BY 2030



SOURCE: EUROSTAT



## >> 6. RESPONSIBLE AND EFFICIENT USE OF NATURAL RESOURCES

**In the domain of responsible management of natural resources, Serbia has been facing numerous challenges for years, that are usually found in other areas pertaining to environmental protection as well.**

This concerns the lack of administrative capacities and funding, insufficiently transparent and inclusive decision-making process, underdeveloped public awareness and insufficient cooperation between different sectors and stakeholders. These were recognised in the 2012 National Strategy for Sustainable Use of Natural Resources defining as one of the measures – “establishing mutual trust, understanding, communication, cooperation and coordination among all stakeholders/ participants (ministries, inspections, businesses, provinces, local government units, population, associations, etc.)”.

**Lack of political will in addressing these issues contributes to many of the strategic documents, their objectives and measures remaining just a piece of paper.** In addition, the absence of plans and programmes for each of the resources planned to be developed under this Strategy, hinders its adequate implementation and enforcement. The public policy framework has been partially established in regard to responsible use of resources, however in practice we are still facing many problems. For example, Ana Brnabić, current Prime Minister in the Serbian Government, stated in her 2020 exposé that exploitation of the newly discovered mineral lithium-borate (jadarite) is one of the major development potentials, which was substantiated by arguments pertaining to new jobs and economic growth. However, it is certain that implementation of such a project would seriously adversely affect the environment and public health. Taking all these into account, it becomes clear that sustainable development target 12.2 – By 2030, achieve the sustainable management and efficient use of natural resources – can hardly be achieved.

**Serbia is extremely inefficiently using its available resources. Serbian economy generates five times less value added per input kg compared to European average.** Moreover, Serbia is above the average dependent on non-renewable energy sources. To illustrate this, electricity generation is extremely and increasingly more coal-dependent, accounting for ca. 70% in the total energy balance. This is not only harmful to the environment due to the huge quantities of pollutants being generated, but is also insecure, having in mind limited domestic coal reserves. On the other side, solar, wind and biomass energy represents a major potential which has almost entirely been untapped. Major part of energy generation from renewable sources is related to hydro power plants. But, this approach, unfortunately, becomes questionable from the development perspective, keeping in mind the frequent construction of mini hydro power plants evoking controversies and strong resistance of citizens.

**In the area of energy generation from renewable energy sources,** Serbia has mainly established legal framework and institutional mechanisms. In the area of energy generation from renewable energy sources, Serbia has mainly established legal framework and institutional mechanisms. Irrespective of that, main challenges in this area relate to the absence of implementation and political will to initiate energy transition, but also to immense financial demand for an in-depth change. Serbia has committed to consume energy from renewable energy sources not only under the 2030 Agenda and SDGs making its integral part, but also in relation to the accession process to the European Union. A target was set for 2020 prescribing reaching the level of 27% of total final energy consumption from renewable sources, with the share of biofuels of 10% in the transport sector. Unfortunately, as it appears, this target will not be reached in the given time frame.

Nationalized target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with **increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes**

Serbia is rather intensively using energy obtained from fossil fuels – especially coal – while the competitiveness of its industry is largely based on cheap, environmentally detrimental, energy. Such an approach considerably contributes to profitability of domestic companies and their external competitiveness. It is also an important factor of living standard of many households in the country. Alternatively, economic growth achieved in this way becomes greatly dependent on greenhouse gas emissions, like carbon-dioxide or methane. In the current production structure, any more intensive growth in economic activity will imply at the same time growth in emissions of these pollutants, and in that way, besides many positive effects, it will produce adverse effect on the quality of life of the population and the environment as a whole. An additional problem stems from the fact that such growth is based on extensive use of fossil – therefore non-renewable-energy sources, meaning that such a growth model also entails serious limitations. In that sense, USAID (2017) has found that out of the total greenhouse emissions, even 55% comes from the electrical and heat generation sector – which is, obviously, greatly contributed by the coal dependency.

**At the same time, the efficiency of use of the majority of resources is at the very low level.** The economy has adopted the principles of circular economy only to a small extent, while the waste management system does not ensure adequate waste collection and separation for the purpose of recycling and reuse. To illustrate this, CEVES (2019) shows that only 22% of plastic packaging or ca. half of waste generated from electrical devices is being collected and treated. In the case of the latter, it primarily includes easily marketable materials like tin sheet or plastic parts, while many hazardous materials like glass or waste concrete are simply being deposited on the landfills. Even the separation and dismantling processes are often not in line with fundamental principles and involve excessive greenhouse gas emissions.

**Serbia's investments in environmental goals are among the lowest in Europe. The Fiscal Council (2018) reports that Serbia – including both private and public sectors – allocates only ca. 0.7% of GDP for environmental protection.** Out of that amount 0.3% pertains to investments, which is significantly lower compared to the CEE average (2% of GDP in total expenditures and 0.7% of GDP for investments). On its road towards the EU, namely towards meeting the requirements laid down in directives, according to the Fiscal Council estimation, EUR 8.5 billion will have to be invested in the next 10-15 years.

**The increased share of renewable sources in electricity production, more rational use of energy by industry and more extensive implementation of the circular economy principles represent key steps towards "greener" growth.** Meeting these preconditions primarily leads to reduced dependency on greenhouse gas emissions, and enabling a more sustainable and long-term economic growth with lesser consequences on the environment, accompanied by lower dependency on the availability and prices of non-renewable fuels.

**Achieving target 9.4 facilitates achievement of other targets, first and foremost those relating to conservation of the environment, diversification of energy sources and technological specialisation.** Such development facilitates achieving key elements of SDG 7 primarily relating to diversification of sources of energy (target 7.2) and its rational use (7.3). In addition, achievement of target 9.4 is aligned with the targets referring to achieving higher levels of economic productivity (target 8.2) and efficient use of natural resources (8.4 and 12.2). Moreover, target 9.4 is in direct correlation with goals/ targets concerning access to water (SDG 6) and sustainable local communities (SDG 11), but also with other targets under SDG 9, with an emphasis on targets 9.1, 9.2 and especially 9.5 referring to sustainable

*The Belgrade Open School report (2020) shows that SO<sub>2</sub> emissions in Serbia were 6.16 times higher than the permissible emission levels laid down in the National Emission Reduction Plan.*

*At the level of individual thermal power plants, **the largest polluter is Kostolac B**, with SO<sub>2</sub> emissions even 14 times higher (113,913 tonnes) than permissible in the National Plan for that plant. Second ranked is thermal power plant Nikola Tesla B, which discharged 89,045 tonnes of SO<sub>2</sub>.*

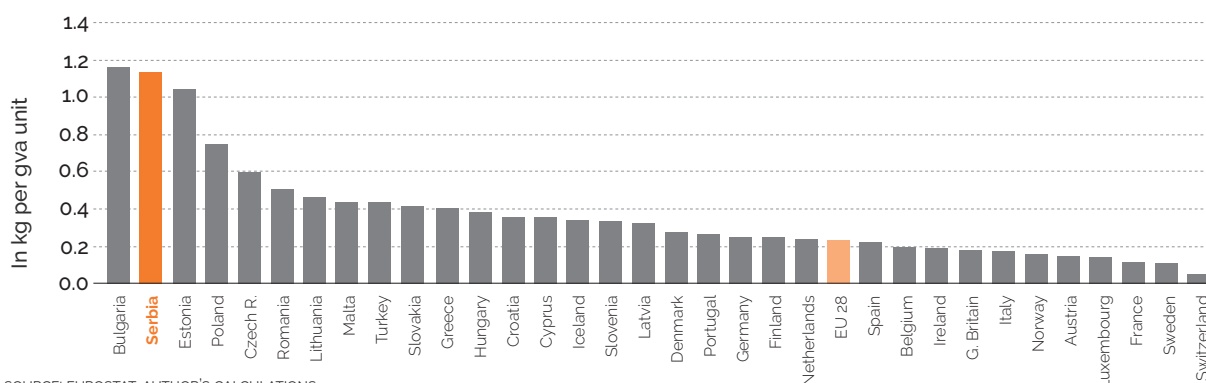
*Thermal power plant Kostolac B alone discharged more sulphur – dioxide than it is permitted for the entire region, despite being the only thermal power plant in the region with a brand new desulphurisation plant, allegedly commissioned back in July 2017.*

and technologically advanced (re)industrialisation. No doubt, the effects of progress towards this target would produce positive effects on achieving almost all targets under SDG 4 pertaining to population health. For more information and findings regarding the links between individual goals, and more references on this subject matter, we recommend Scharleman et. al. and Fonseca et al (2020).

**The starting position of Serbia is such that it is already considerably lagging behind European trends and achievements...**

- **Serbian economy is one of the leading CO<sub>2</sub> generators in Europe** – with ca. 1.1 kg of CO<sub>2</sub> per one generated gross Euro of gross value added in the economy, national economy is one of the most intensive polluters in Europe. Namely, such intensity of industrial CO<sub>2</sub> emission is similar only in Bulgaria and Estonia, while being almost six times higher than European average (Chart 1). As shown by the Health and Environment Alliance – HEAL (2019) 2016 data, out of the 10 largest thermal power plants-polluters as per pollutant emissions, even four are located in Serbia: Kolubara A, Nikola Tesla A, Kostolac A and Kostolac B. Although meanwhile some positive steps have been made to install desulphurization plants, pollutant emissions in these four plants remain far above comparable plants.
- **Serbian economy is unproductively using resources** – the 2018 Eurostat data shows that Serbian economy generates only ca. EUR 0.4 of GDP per kilogram of material consumption<sup>18</sup>, thus being ranked at the rear of Europe and an extremely distant position compared to the European average amounting EUR 2.1 of GDP per kg of material consumption.
- **Electricity generation also depends on the incineration of solid fossil fuels** – electricity generation from coal and other solid fuels accounts for almost 70% in the Serbian energy balance. According to this indicators, Serbia is second ranked behind Poland (77%), it is comparable with Bosnia and Herzegovina (65%) and North Macedonia (51%), and far above the EU-28 average (20%). Such a structure of electricity generation, combined with its irrationally high consumption, undoubtedly contributes to high industrial CO<sub>2</sub> emissions.
- **The outcomes of such a situation are rather unfavourable and reflected in high pollution level, particularly of air.** Air quality has been raising lots of attention in the past years, substantiated often by international rankings of the most polluted towns or states. According to <https://www.iqair.com/serbia>, air quality is far worse than in many other – industrialised-countries like Germany or France. These results were underscored in the latest annual European Commission Progress Report stating that air pollution was above the upper limit in 11 agglomerations, and that 5 of these 11 do not have air quality management plans developed. Finally, such a situation by all means directly affects health of the population – long-term exposure to pollutants in the air reduces lungs function and causes respiratory diseases, which is a particularly serious problem in the ongoing escalation of the Covid-19 pandemic. The latest 2020 analysis of the Belgrade open School shows that over 6,000 people annually die in Serbia due to the consequences of polluted air.

CHART 20: CO<sub>2</sub> EMISSION AGAINST THE UNIT (1 EUR) OF GROSS VALUE ADDED (2014)



SOURCE: EUROSTAT, AUTHOR'S CALCULATIONS

<sup>18</sup> Domestic material consumption (DMC) measures the annual amount of raw materials extracted and used in the national economy, increased by the difference between physical imports and physical exports.

**Serbia is intensifying dependency on solid fuels in energy generation.** As an example, Serbia has been intensively working on the construction and commissioning of a new block of the Kostolac thermal power plant which is to be finalised by 2024. Although this plant will contribute to energy stability of the entire country, its construction and commissioning may also induce negative consequences which will move Serbia farther away from the sustainable development target 9.4, but also from other targets covering the environment, energy and even cultural heritage conservation. Process fuel will be coal from the new coal mine in Radljevo, and its operation may additionally deepen industrial coal dependence, finally resulting in increased pollutant gas emission.

**The following activities in the public policy domain are extremely important for making progress towards target 9.4:**

- **Fostering investments into efficient use of energy resources and transition to the circular economy paradigm.** Fostering implies combination of different measures like incentives for the use of more energy efficient technologies in the entire technological process of the Serbian economy, introducing energy management in public and private sectors, more intensive use of natural gas in industry, stimulating electricity generation from biogas plants, but also constructing new infrastructure and extension of the existing energy infrastructure in the gas distribution domain. In addition, the entire industrial sectors are not covered by the circular economy principles. For example, glass or food are entirely disposed on the landfills without any reuse alternatives. According to the Fiscal Council assessment (2018), such investments that would, inter alia, enable meeting the requirements stemming from the full implementation of European directives, could reach ca. EUR 8.5 billion in the next 10-15 years.
- **Strengthening the role of the Environmental Protection Agency and Energy Agency, but also of environmental inspections,** implying strengthening of institutional, financial and human resources capacities in the said institutions.

The outlined recommendations greatly concur with the analysis and recommendations presented by the European Commission in the annual 2020 Report under the negotiating Chapter 27 (Environment) and 15 (Energy). In the view of this chapter, European Commission stresses the need to adopt and implement as soon as possible international treaties relating to climate change – the Paris Agreement – and environmental protection – the Natura 2000 – the adoption of which is still in an early stage,

**The key performance indicator for the period by 2030, with the recommended regular progress monitoring report in achieving indicators:**

- i) reduce CO<sub>2</sub> emission per EUR 1 of GVA by 50%, namely reach the level of ca. 0.6 kg CO<sub>2</sub> per GVA unit, while at the same time maintaining or increasing the share of manufacturing industry in GVA
- ii) reduce the share of electricity generated from fossil fuels by 20%, namely reach the level of ca. 50% which is currently the level in North Macedonia and Czech Republic

Nationalized target 7.2: By the end of 2030 **significantly increase the share of renewable energy in energy mix**

**Republic of Serbia is not sufficiently using locally available renewable energy sources, like solar energy, wind energy and agricultural biomass.** The most important potential source of renewable energy in the country is biomass. The biomass potential is estimated at 3,448 million tonnes, or 61% of total technically available potential of renewable energy sources (RES) in the country ("Official Gazette of RS" no. 101/15, 2015). The use of biomass has been slightly rising in the past period and nowadays its share in the total primary energy generation is 11.2% ("Official Gazette of RS" no. 94/19, 2019).

Forest biomass is predominantly being exploited and mainly used by households. On the other hand, agricultural biomass with almost 50% higher production potential, remains unused (SCTM, 2018). In regard to the capacity for power generation from RES, the most important role is played by large hydro power plants constructed mainly in the time of the Socialist Federal Republic of Yugoslavia, owned by the Elektroprivreda Srbije (EPS) today. It has been estimated that in 2020 hydro power plants will have the share of 24.5% in total gross power generation in the country ("Official Gazette of RS" no. 94/19, 2019). The important private sector investments have emerged after the Decree on Incentive Measures was passed in 2009. Wind parks were constructed, making up for 2.4% of total power generation in 2019, same as photovoltaic plants with still negligible share (Energy Agency, 2020). Introduction of subsidies in Serbia was a trigger for construction of hundreds of mini hydro power plants (MHPP), intensively criticized by the public. In the gross power generation, it has been estimated that the share of MHPP using incentives will amount to 0.79% in 2020 ("Official Gazette of RS" no. 94/19, 2019). In 2019, privileged power producers were paid the amount of RSD 13.6 billion, which is considerably more than it was paid in 2018 (Balkangreenenergynews.com, 2020). After the state of emergency was declared in the country due to the Covid-19 pandemic, in March 2020 Serbian Government passed the decision on the temporary suspension of preferential prices payment for power purchase from privileged producers. Due to the low operating costs, the estimates show that this decision did not affect liquidity of wind power plants, photovoltaic and small hydro power plants, however it did affect liquidity of biogas producers (UNDP, 2020).

**A significant share of renewables in the country's energy mix would contribute to its sustainable development in many ways,** especially if such measure would be accompanied by closure of existing lignite-powered thermal power plants currently producing more than two thirds of total electricity in Serbia. Construction of solar and wind parks would reduce the country's carbon footprint, but also alarming intensity of ambient air quality caused by emissions of sulphur and nitrogen oxides and particulate matter. Contrary to the limited coal reserves that could be exhausted in the next 30 years already, renewable energy sources ensure almost indefinite source of energy, and thus the source of the future energy security. However, not all RES forms contribute to sustainable development of the country. The most relevant example are mini hydro power plants constructed all over Serbia, based on the water regime laid down in the 1987 cadastral plan. They inflict immense damage to the environment and primarily serve the interest of an investor given that the entire amount of the power produced is purchased by EPS at privileged prices. Moreover, the excessive forest biomass harvesting, followed by poor handling and incineration in non-standardised devices, additionally threaten sustainability of forest ecosystems.

**Achieving target 7.2 contributes to achieving other sustainable development goals and targets.**

The use of RES fully contributes to climate action (SDG 13), conserving oceans and marine resources (SDG 14), same as terrestrial ecosystems (SDG 15). The use of RES is a precondition for building resilient infrastructure and achieving sustainable industrialisation (SDG 9), but also for ensuring sustainable consumption and production patterns (SDG 12). Their use contributes to ensuring access to water and sustainable water management (SDG 6) by improving water quality, achieved by reducing water pollution (target 6.3), ensuring sustainable withdrawals and supply of freshwater (target 6.4) and protecting and restoring water-related ecosystems (target 6.6.). The use of RES contributes to decent work and economic growth (SDG 8) by supporting economic growth (target 8.1), decent job creation (target 8.3), endeavouring to decouple economic growth from environmental degradation (target 8.4), while being directly linked to technological upgrading and higher levels of economic productivity (target 8.2). Sustainable cities and communities (SDG 11) require sustainable transport systems (target 11.2), sustainable urbanisation (target 11.3) and generally reduced adverse environmental impact (target 11.6) ensured by the use of RES.

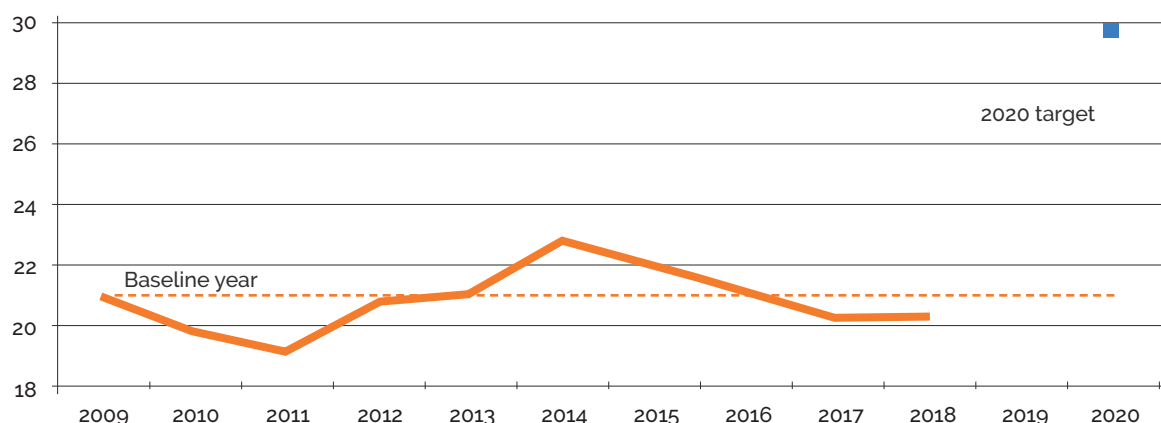
The country-specific energy policy is created by defining a vision looking several decades ahead due to the nature of the sector and level of required investments to implement the reforms. **Republic of Serbia has missed the chance to launch energy transition and catch up with the EU countries, and this is why it will suffer both political and economic consequences in the future.** The EU member

states are actively phasing out coal and restructuring their energy sectors increasingly relying on RES so as to reach ambitious targets in the areas of climate and energy by 2030 and 2050. On the other side, similar strategic orientation concerning coal does not exist in Serbia. Moreover, direct subsidies to the coal sector per installed capacity unit are considerably higher than for electricity produced from RES (Kopač, 2020). At the same time, new projects in this area are not being implemented since the quotas for subsidised production from RES have already been exhausted. What is encouraging is the fact that Serbia disposes with considerable potential for RES-based production, which apart from biomass included particularly solar and wind energy. The intensity of solar energy in Serbia is on average by 30% higher than the European average (Ašonja and Vuković, 2018). While the southeast of the country enjoys most sunlight, strongest winds are registered in the "kosava wind" area that can be compared with some of the windiest parts of Europe (Gburčik et al., 2006).

**Republic of Serbia has mainly established legislative and strategic frameworks necessary to increase RES-based production, same as institutional mechanism to support this sector.** Central challenges remain the lack of implementation of these measures and absence of political will to initiate energy transition. Therefore, the Energy Sector Development Strategy by 2025 with projections by 2030 envisages the use of coal even after 2050, when, by the way, EU strives to achieve carbon-neutrality ("Official Gazette of RS" no. 101/15, 2015). In regard to obligations assumed towards the Energy Community, Serbia is expected to adopt a new auction model which would replace the existing feed-in tariff system supporting privileged producers introduced in 2013 (Energy Community, 2020). In this way, contract award would cease to be the subject of an administrative decision and would become an outcome of a tender, namely of a market game. Increased competitiveness in the process accompanied by transparency, would finally ensure lower costs for consumers, while maintaining the long-term security of investors.

**Directive 2009/28/EC and Decision of the Ministerial Council of the Energy Community (D/2012/04/MS-EnC) set forth mandatory targets of 27% of the total final energy consumption from renewable sources, with the biofuel share of 10% in the transport sector in 2020.** The first value is at the same time monitored against the basic indicator set by the UN for target 7.2. Achieving this target is planned via implementation of projects in power generation, transport, heating and cooling sectors. However, the progress is lacking in each of the listed areas. Moreover, according to the latest available 2018 data, the share of final energy consumption from RES amounts to 20.3% which is lower than in the base year (Energy Community, 2020). An indicative example is that in district heating systems, RES continues to account for 1% of total fuel used. The biofuel data is equally devastating given that it only makes up for 1.16% of the total fuel consumed in the transport sector. The process of defining new targets by 2030 in the domain of RES, energy efficiency and reduction of greenhouse gas emission domains is underway, and they are expected to be equally ambitious as the targets at the EU level (Energy-community.org, 2018).

CHART 21 SHARE OF RENEWABLE ENERGY SOURCES IN TOTAL FINAL ENERGY CONSUMPTION IN SERBIA OVER THE YEARS



SOURCE: ENERGY COMMUNITY (2020)



Due to this reason, an indicator to be considered and achieved by 2030 would be for:

- i) Serbia to achieve the level of 27% of total final energy consumption from renewable sources
- ii) Serbia to achieve the biofuel share of 10% in transport sector against the current level of 1.16%

The progress towards target 7.2 requires implementation of the following priority activities:

- passing a new energy sector development strategy and defining a time frame for phasing out coal in Serbia;
- abandoning feed-in tariffs and introducing the auction system as a model of supporting privileged energy producers from renewable sources by amending the Energy Law;
- allocating new funds to support implementation of RES projects, awarded in the market under competitive conditions;
- allocating more funds via the Energy Efficiency Fund for biomass-fired heating plants' construction in the regions where its sustainable use is possible;
- defining precise requirements for construction of mini hydro power plants and amending legislation in the area of environmental protection, energy and spatial planning.

### Nationalized target 7.3: **By 2030 double energy efficiency level**

The energy efficiency concept implies **reducing required quantity of energy to produce equal quantity of goods and services**. Implementation of energy efficiency measures is possible in almost all segments of the economy like transport, agriculture and industry. Households and power supply sector have been particularly recognised as sources of inefficient energy consumption in the Republic of Serbia. After the decades of neglect, energy efficiency started being systemically addressed at a national level only in the past decade by assuming obligations to reduce final energy consumption in accordance with the Treaty establishing the Energy Community. The Government of Serbia Project Implementation Management Office plays a particularly important role in this process and acts as a central institution coordinating rehabilitation and improvement of energy efficiency in public buildings. For the needs of implementation of these and similar projects, slightly above RSD 500 million were allocated in 2020 in the Budget Energy Efficiency Fund ("Official Gazette of RS" no. 63/20, 2020). The funds made available to this budget remained unchanged compared to 2019.

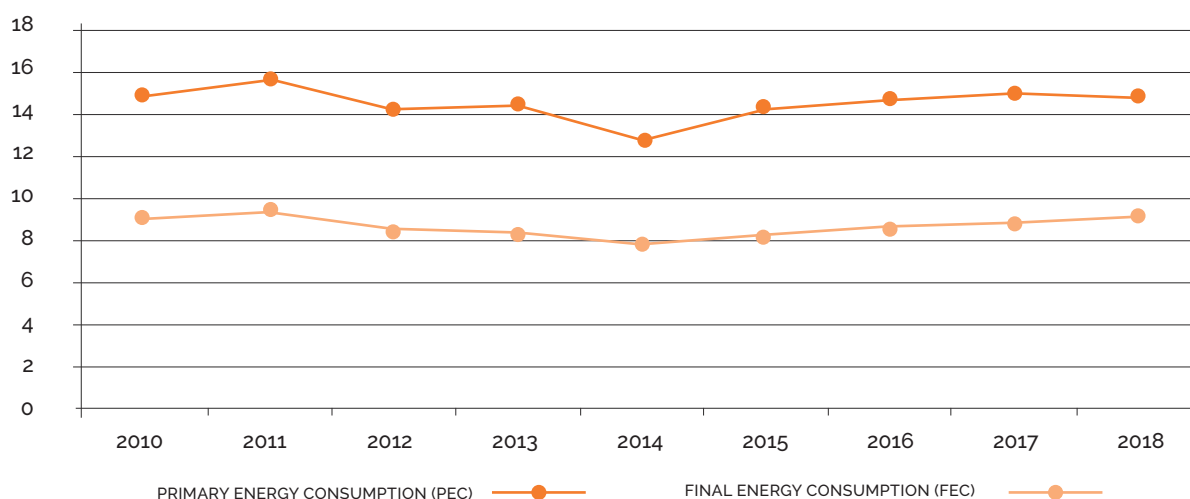
**Implementation of different energy efficiency measures has the potential to contribute in many ways to sustainable development of the Republic of Serbia.** By savings on fuel costs, private and public entities are able to invest more funds, thus stimulating economic growth. By reducing combustion of fossil and other fuels, contribution is made to climate action, reduced ambient air pollution and pollution in households. Consequently it contributes to preserving health of citizens across Serbia, which is put at serious risk during the heating season. Improving energy performance of buildings and heating devices ensures improved comfort, and combats energy poverty which is a broadly found problem in the Republic of Serbia. Almost 10% of surveyed households in the country have stated they cannot afford sufficiently warm homes (Statistical Office of the Republic of Serbia, 2020).

**Achieving target 7.3 is inseparably linked to many other SDGs.** Improved energy efficiency contributes to reduced energy poverty, and thus to achieving SDG 1 calling for ending all forms of poverty. Reducing the use of fuels contributes to climate action (SDG 13), conserving oceans and

marine resources (SDG 14), same as terrestrial ecosystems (SDG 15). There is also a link to other targets calling for efficiency in the use of resources in production and consumption (target 8.4); in managing industry and infrastructure (target 9.4) and human settlements (target 11.b). Concerning responsible consumption and production (SDG 12), the strongest link is to targets calling for sustainable management and efficient use of natural resources (target 12.2) and rationalization of inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions (target 12.c). Implementation of energy efficiency measures requires constant technological upgrade and innovation (target 8.2), and scientific research, leading to upgrade of technological capabilities of industrial sectors in all countries (target 9.5). Additionally, it positively affects economic growth (target 8.1) and air quality (target 11.6).

**In comparison with other European countries, Republic of Serbia is significantly lagging behind in implementation of energy efficiency measures.** So the energy intensity of national economy is even 1.85 times higher than the European average (Energy Agency, 2020). There are multiple underlying reasons for this, however residential sector is potentially of key importance in this respect. In final energy consumption, the share of Serbian households in total energy amounts to even 34%, compared to the European average of 26% (Energy Community, 2020). It has been estimated that more than 60% of total energy consumed by the households is used for heating (Todorović and Rajačić, 2017). Low energy efficiency of heating devices, but also the absence of thermal envelope, lead to wasting energy. 300,000 houses in the country have been estimated not to have thermal insulation, and consequently consume several times more energy than EU households (Politika, 2019). This results in the average consumption of heat in Serbian households of ca. 170 kWh/m<sup>2</sup>, while this figure ranges between 70–130 kWh/m<sup>2</sup> in the Western Europe (Todorović and Rajačić, 2017). One of the preconditions for implementation of energy efficiency measures in residential buildings, which has also not been met, is the systemic metering and consumption-based tariffs in the district heating systems (European Commission, 2020). These measures are being applied only in 15 out of 58 district heating systems in the country (Energy Community, 2020). Low net efficiency is the characteristic of the power and energy system in the country. Significant technical losses are found at thermal power plants in transformation of lignite into electricity, but also in later stages, like transport and distribution (Energy Agency, 2020).

CHART 22 PRIMARY AND FINAL ENERGY CONSUMPTION IN THE REPUBLIC OF SERBIA BETWEEN 2010 AND 2018



SOURCE: EUROSTAT (2020A) & EUROSTAT (2020B)

**Republic of Serbia has not set sufficiently ambitious targets to enable implementation of target 7.3, however it has to a large extent harmonised national legislation in this area with the European acquis, and with obligations assumed under the Treaty establishing the Energy Community.** The last, Third Energy Efficiency Action Plan setting these targets, expired in 2018, therefore it is required to adopt a new action plan to be the first one fully aligned with Directive 2012/27/EU.



What also awaits Serbia is the transposition of the Energy Efficiency Directive into national legislation by amending the current Law on the Efficient Use of energy, harmonising legislation in line with the Directive on Energy Performance of Buildings, and legislation in the area of energy labelling of devices (Energy Community, 2020).

**The Law on the Efficient Use of Energy established energy management system in the country, which has set the path for significant energy savings at the local government level.** Multiple reporting entities in this system have been defined, including every municipality with population above 20,000. The reporting entities designate their own energy managers who plan and implement measures in this area. Several local governments took lead in this segment, including the municipality of Priboj. Priboj did this primarily through support to introduction of new technologies in residential buildings enabling greater energy savings and improved district heating system operation. In addition to rehabilitation of public buildings where energy consumption was reduced by 50%, municipality of Priboj also financed energy efficiency improvement in private residential buildings via public calls. Subsidies covered even up to 80% of the total service cost. Moreover, since 2016 Priboj has been actively working on phasing out fossil fuels from the district heating system and its substitution by locally available biomass. This mission will be successfully completed in 2021 when new district heating plant of 8MW was planned to be commissioned, which will ensure fuel savings of up to 50%. Just alike, they have planned to reconstruct the hot water pipeline and construct new substations. Priboj is a member of the Global Covenant of Mayors international initiative, and is the first municipality in Serbia to launch the process of SECAP (Sustainable Energy and Climate Action Plan) development.

**Basic indicators monitoring progress in the area of energy efficiency are energy intensity and total energy savings.** Energy intensity is the ratio between primary energy and gross domestic product (GDP). It shows the amount of energy needed to produce one unit of GDP, with lower values indicating more efficient consumption. In the period 2010-2018, Republic of Serbia managed to reduce its energy intensity from 6.71 to 6.09 MJ/USD (Statistical Office of the Republic of Serbia, 2020), and **by 2030 the target should be to improve energy intensity to 5.00 MJ/USD.**

**The progress towards target 7.3 requires implementation of the following priority activities:**

- passing the Energy Efficiency Action Plan and full transposition of Directive 2012/27/EU in national legislation by amending the Law on the Efficient Use of Energy;
- setting ambitious targets in the area of energy efficiency by 2030 at the Energy Community level and planning sector measures to implement them;
- embedding the set of measures laid down in the Recommendation of the European Commission on energy poverty published on 14 October 2020 in the national legislative framework and their implementation. establishing mechanisms to monitor thereby defined energy poverty indicators;
- regulating the market of individual furnaces/ stoves, by setting high standards in terms of energy efficiency and establishing system to support low-income households in replacement of technologically outdated and inefficient devices;
- establishing mandatory consumption-based metering and collection in district heating systems.

Nationalized target 12.2: By 2030, achieve **the sustainable management and efficient use of natural resources.**

**Sustainable economic and social development, same as progress in improving the environment depend on the availability of natural resources.** Physical limitation and exhaustion of natural

resources question the perspective of the future development and sustainability of such development. This is particularly notable in many renewable resources like clean water, fish stock and landscapes which are being overexploited (above the renewal level), same as in the case of loss of biodiversity, natural habitats and landscapes used without any clear planning, protection and management instruments.

**In addition to availability, equally important is the way in which resources are being used – the type of exploitation, treatment, usage efficiency and waste disposal.** Potentially, any mineral deposit is a pollution source of a complex character. This is connected with the mandatory presence of increased concentrations of a broad association of toxic chemicals in extracted and processed minerals and tailing. The largest discharged quantities of sulphur oxides, nitrogen oxides and particulate matter in Serbia originate from thermal power plants, food processing, chemical and mineral industries. In the total nitrogen oxide emission, electricity and heat generation sectors also hold the largest share, or 53%, while road transport was second ranked with a share of 19% (Environmental Protection Agency, 2020). A dominant share of particulate matter PM<sub>10</sub> came from the district heating plants of installed capacity of less than 50 MW and individual furnaces/ stoves, or 57% which remained unchanged compared to the previous year. Predominant water contamination in Serbia by nitrogen and phosphorus comes from municipal and industrial sources discharging untreated waste water in the recipients via their sewerage systems. In the period 1998-2017, even 79% of water quality samples assessed as "very bad" come from the territory of Vojvodina. Monitoring the soil contamination hazard from chemical contaminants covered 18 local government units, and exceeded limits were registered for Zn, Cu, Ni, Co, Cd, PCB and DDE/DDD/DDT (Environmental Protection Agency, 2019).

**The basic strategic document for achieving target 12.2 is the National Strategy for Sustainable Use of Natural Resources and Goods.** The absence of plans and programmes for each of the resources planned to be developed under this Strategy, hinders its adequate implementation and enforcement. The Law on Environmental Protection may be brought into correlation with target 12.2 since it envisages development of the mentioned National Strategy of Sustainable Use of Natural Resources and Goods for the minimum period of ten years, which is to ensure sustainable use and protection of natural values by implementing the sustainable development principles, situational analysis and current level of exploration of natural resources and goods that are included in the balance, followed by the evaluation method and conditions for sustainable use of natural resources, planning and development and socio-economic analysis of strategic priorities, environmental and spatial baseline on the potential of natural resources and goods, requirements for gradual substitution of natural resources. Designing plans and programmes for each individual resource, and reporting on their implementation may enable sustainable use of natural resources as defined under target 12.2.

**Reaching the satisfactory level of sustainable development in Serbia requires reducing the burden and improving quality of the environment by more efficient use of natural resources.** Circular economy is an approach which would improve the level of resource use in the Serbian economy. What makes waste in the particular production process or after use, becomes raw material in some other production process. Besides this, special attention in circular economy is paid on the efficient use of energy and natural resources, under the assumption that through innovation and creative approach using less resources, and by introducing new models of production and use, the needs of users could be met.

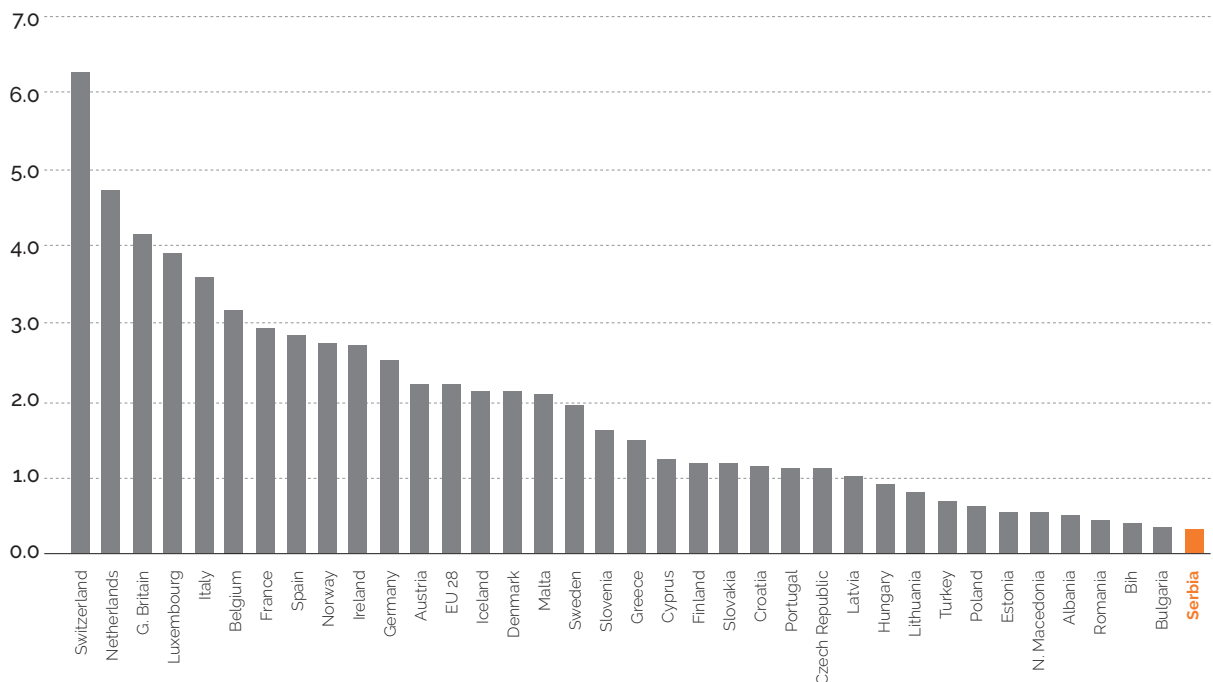
**The use of natural resources is affected by numerous practical policies** covering multiple sectors: water, biodiversity, soil protection, urban living environment, economic policy, fiscal policy, transport, agriculture, energy and mineral policy. This makes it evident why achieving this target contributes to other targets, as the following: SDG 15 by reducing degradation of the environment, then SDG 6 by restoring water-related ecosystems, SDG 7 by encouraging use of alternative energy

sources, SDG 9 by promoting sustainable industries based on modern technologies and SDG 13 by reducing the greenhouse gas emission.

**Natural resources are the property of the state and they need to be used under the conditions and in a way determined by law.** The Prime Minister in the Serbian Government, Ana Brnabić, in her 2020 November exposé announced the “Jadar” project focusing on exploitation and production of lithium, as a project of priority importance for economic development of entire Serbia which can contribute to long-term sustainable development and economic growth. However, the effect this mine could have on the people’s health and the environment is a limiting factor to sustainable development as a whole. Namely, underground exploitation of minerals includes soil settlement, occurrence of cracks, problems with the stability of the excavation site and formation of tailings on the surface, and the negative effects can affect all life-important resources – water, air, soil and food production – through accumulation of toxic chemical elements. Large damage to the nature and human communities could be expected to occur while pumping water from the Drina river given that lithium production requires large water quantities which will result in contamination of soil, surface and ground water. A special problem in underground exploitation is related to difficult conditions of work underground, carrying multiple risks to the health of workers.

An example of good practice when it comes to the use of natural resources, or reuse of already used material, is production of waterproof ECO panels by a domestic manufacturer. These panels are manufactured in a process which is environmentally-friendly since it does not use adhesives, additives and formaldehydes, but waste and used tetra pack packaging. 20 kg of tetra pack needs to be used to produce 2.5 m<sup>2</sup> of this panel. Tetra pack contains 75% of paper, 20% of polyethylene (plastics) and 5% of aluminium, and the recycling process of multi-layered cardboard packaging is similar to the paper recycling process. The studies and processed data have shown that paper recycling reduced water pollution by 35%, and air pollution by 74% compared to primary paper production. Ca. 16,000 tonnes of multi-layered cardboard packaging are produced in Serbia annually.

CHART 23 RESOURCE PRODUCTIVITY – RATIO BETWEEN GDP AND DOMESTIC MATERIAL CONSUMPTION (EUR PER KG OF MATERIAL)



SOURCE: EUROSTAT

**Key indicator monitoring progress towards target 12.2 is resource productivity.** It measures the total amount of materials directly used by an economy and is defined as the annual quantity of raw materials extracted from the domestic territory of the focal economy, plus all physical imports minus all physical exports. Chart above shows that, measured against this indicator, Serbian economy is the most unproductive in the use of resources in Europe. Specifically, with ca. 0.3 EUR/kg, Serbia is way below the European average amounting 2.3 EUR/kg.

In the period by 2030, the target could be for the Serbian economy to reach the level of 0.7 EUR/kg, measured by the resource productivity indicator, which is at the level of Central and Eastern European countries.

**Priority actions to achieve this target are as follows:**

- All elements of circular economy, green procurement and energy efficiency need to be embedded in the strategic document addressing sustainable use of natural resources and goods.
- Passing adequate laws regulating environmentally harmful and unacceptable production and consumption, namely import and export of environmentally unfriendly products and services.

## >> 7. CLEAN AND RESILIENT LOCAL COMMUNITIES

**Investments in local infrastructure – primarily in wastewater treatment, solid waste management and protection from air pollution, represent a priority to achieve clean local communities, healthy life and better quality of life for all citizens.**

**Serbia is one of the countries with abundant water resources, but with only 85% of the population connected to the water supply systems.** Public water supply is more accessible to population of Belgrade and Vojvodina, than to those living in other parts of Serbia. However, besides access, we must not neglect water quality which is mainly poorer in Vojvodina than in the rest of Serbia. Poor drinking water quality is principally caused by industrial and municipal pollution.

Quantity of generated waste has been increasing over the years thus posing a threat for exhaustion of existing capacities mostly not meeting technical standards, and creation of new dump sites. Moreover, capacities for measurement of generated waste at local level are also lacking. Irresponsible waste management, including unplanned construction of landfills and dump sites, contribute to threats to health by contaminating water sources, air and spreading infections. Hazardous waste is a particularly important and sensitive category, and its major generators are thermal power plants and waste treatment plants. Waste management is particularly problematic in particular local government units that have not yet joined any waste management region, therefore their municipal waste ends up in non-sanitary landfills. The Law on Waste Management has set a necessary framework, but due to inconsistent implementation its range is limited. Waste management was estimated as one of the highest cost areas for the Republic of Serbia in the process of joining the European Union.

**Air pollution in Serbia is increasingly becoming the subject of interest and active engagement by citizens, civil society organisation, the media and institutions.** According to the available Environmental Protection Agency data, almost one third of Serbia is breathing heavily polluted air, but one should bear in mind the data is based on a rather modest sample. The largest number of towns and municipalities with excessive pollution suffered the problem of particulate pollution, caused primarily by individual household furnaces/ stoves and small district heating plants. There are also different cases, of Bor for example, fighting the problem of air pollution due to the high concentration of sulphur-dioxide (SO<sub>2</sub>) released as a by-product of industrial activities. Lots of time and money will be required to eliminate the problems resulting from air pollution. The Fiscal Council estimations range from EUR 1.5 to 2.4 billion in the air pollution domain in the coming period.

**Climate change is a growing threat for the mankind.** 2019 was the warmest year in Serbia since 1951. Thirteen out of fifteen hottest years in Serbia were registered after the year 2000. Due to the change in the precipitation regime, we are frequently faced with long drought periods interrupted by intensive precipitation, which produces adverse consequences on biodiversity and food production. Unfortunately, Serbia has not yet adopted key strategic documents addressing resilience and adaptive capacity to the climate change related threats. The basic document is the Low Carbon Development Strategy, and its draft was developed under the IPA project "Climate Strategy and Action Plan". This document represents a basic document to meet Serbia's obligations under the Paris Agreement and other international obligations assumed by Serbia. However, the Strategy adoption is still pending. In addition, we are still waiting for adoption of the Law on Climate Change; its draft ought to lay foundations for harmonisation of national legislative framework with the sustainable development target 13.1 and EU acquis in the climate change domain.

**Nationalized target 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all.****Water is one of the vital resources for the survival, health and progress of human communities.**

Organised population water supply in Serbia commenced at the end of the 19th century, but it started being more seriously developed only after the World War II. It has been estimated that today 85% of Serbian population is connected to water supply systems. The percentage of coverage by public water supply systems differs regionally, and it is the highest in Belgrade and Vojvodina (ca. 95%), and somewhat lower in Central Serbia (ca. 70%).

**Serbia has relatively rich water resources.** The total water resources cover ca. 24 million m<sup>3</sup> of total renewable water resources per population 1,000, and only Norway has more, ca. 70 million m<sup>3</sup> (Eurostat). It should be kept in mind that water resources in Serbia mainly refer to water originating outside of its territory (ca. 90%). For the needs of the water supply, Serbia is extracting ca. 21 m<sup>3</sup>/s, or ca. 680 million m<sup>3</sup> of water (Strategy on Water Management in the Territory of the Republic of Serbia, 2015). Serbian water supply mainly uses ground water, ca. 63% of extracted water (SORS). Surface water is used only in areas poor in ground water like, for example, Šumadija and southern parts of the country (Polomčić et al, 2012).

**The total length of the water supply network in Serbia amounts to ca. 44,000 km (SORS). The status and density of the network differ a lot by regions.** Greater density is found in Vojvodina and Belgrade, and smaller in the south of the country and in mountainous areas. One of the characteristics of the water supply in Serbia is the high water loss in the network, estimated at 35% (SORS). The average connection rate of population to the public water supply systems in Europe is high and amounts to 92%. With the percentage of 87%, Serbia is among the dozen countries with connection rate below average. Compared to the countries in the region, Serbia is lagging behind Croatia and North Macedonia, but is ahead of Albania and Bosnia and Herzegovina.

**Drinking water quality is mainly within the limits of maximum allowed concentrations in larger settlements.** Water quality problems are more frequently present in smaller settlements. On average, quality of drinking water is poorer in Vojvodina, with the well-known example of Zrenjanin, an industrial town not having drinking water of adequate quality for decades. The drinking water adequacy analyses show that ca. 16% of samples from public water supply systems are bacteriologically or chemically inadequate (Public Health Institute "Dr Milan Jovanović Batut", 2020). Based on the afore said, it is clear that certain measures need to be implemented to achieve the appropriate drinking water quality in terms of target 6.1. Lower quality of water in particular settlements is by all means a consequence of industrial and municipal contamination. In addition, the ground water use control is not at the appropriate level. The unplanned and illegal abstraction and drilling threaten the ground water quality.

**Current water tariffs are far below the European average and often below the treatment and supply costs.** Under current conditions it may be assumed that it does not represent an obstacle in regard to availability for all categories of population, however it should be kept in mind that policies in the water management domain do envisage the need for availability increase. According to the Water Management Strategy, by 2036 the water tariff increase was envisaged from the current EUR 0.8 to EUR 1.6 at the end of the planning period in the territory of the Republic of Serbia.

Integrated water management represents a major challenge in regard to coordination and harmonisation of competences between different sectors. This is particularly visible in the example of supplying population with drinking water. The ministry in charge of water management holds general competence for water management, namely for planning and managing water as a resource in Serbia. The competence for water protection from contamination is split between the ministry

in charge of water management and the ministry in charge of environmental protection, whereas control of drinking water adequacy is under the exclusive competence of the ministry in charge of health. Under such political framework, efficient implementation of measures is often very difficult and slow.

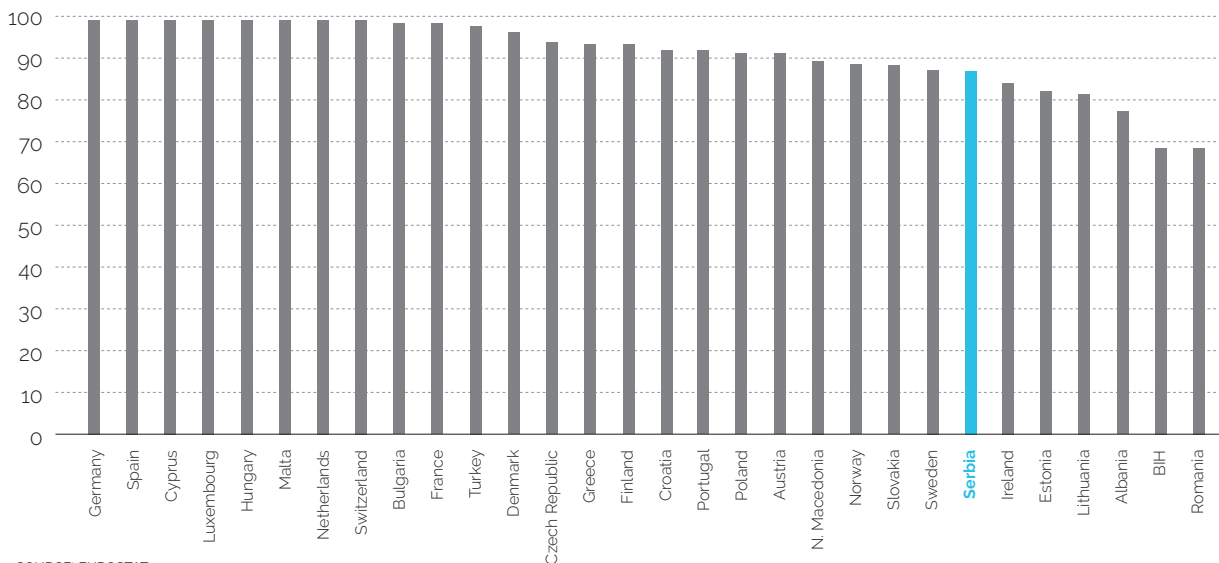
**Improving drinking water quality and water supply services directly contributes to improved quality of life of the entire population.** Since this is a vital resource, it is clear that adequate supply with drinking water ensures the basis for health and survival of the population, but also represents a precondition for further economic and social development.

**Achieving target 6.1. significantly contributes to reaching several other SDGs.** What comes without saying is that water as a vital resource must be accessible to the entire population, including the poor and the vulnerable. In that sense, quality drinking water supply contributes to SDG 1 in all of its dimensions, and especially to target 1.4 calling for access to basic services for all groups of population. Regular supply with quality drinking water is a precondition for good health of the population, therefore this target contributes to SDG 3. Achieving target 6.1 simultaneously affects reducing health risks resulting from inadequate drinking water (target 3.3). Urban settlements are rather challenging concerning the drinking water supply, therefore achieving target 6.1 also contributes to SDG 11. Specifically, adequate water supply represents an improvement of provision of basic services for all in urban settlements (target 11.1).

*The ban on the use of drinking water from the Zrenjanin water supply system came into force in 2004. Sanitary ban was introduced due to the high arsenic concentration in water. It is assumed that even before 2004 water had contained high concentrations of harmful substances, but this was below the radar of competent services and was not taken as a serious issue. Construction of the new water treatment plant has been ongoing for years, and despite technical works being mostly finalised, it has not been commissioned to date.*

**The competence in water resources management is complex and split between several sectors (water management, environmental protection and health care).** Despite the relatively developed legal framework, there is still a need to improve harmonisation and cooperation between these sectors so as to enable efficient achievement of SDGs. Priority activities for achieving this target need to include full transposition of EU standards, namely, full transposition of the EU Drinking Water Directive. In terms of reaching adequate drinking water quality, it is necessary to improve the use and protection of ground water and water sources, and enhance monitoring of drinking water and increase access of such data to the public. Given that public utility companies are responsible for water supply, further work is required in the domain of their capacity building and improved water supply services delivery.

CHART 24 POPULATION CONNECTION RATE TO THE PUBLIC WATER SUPPLY SYSTEMS IN EUROPEAN COUNTRIES (%) IN 2020



SOURCE: EUROSTAT



Two key indicators monitoring progress towards target 6.1 need to be taken into account here:

i) **The percentage of the population using drinking water from adequately managed public systems (from public water supply systems).** This indicator implies connection to the water supply systems ensuring regular supply with drinking water of adequate quality. **In Serbia, current population connection rate to the water supply systems varies around 87% (Eurostat, 2020), while the target value should gravitate towards full population coverage (100%) by 2030.**

ii) **Adequate water supply** as laid down in national standards. **Currently, adequacy of drinking water samples analysed by competent institutions in Serbia varies around 85%, and by 2030 water adequacy in all water supply systems should be 100%.**

Nationalized target 6.3: **By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse**

**Water contamination is one of the most prominent environmental problems in Serbia.** Around 10% of waste water, including municipal and industrial waste water is treated prior to being discharged in the recipients (Water Management Strategy in the Territory of the RS, 2017), while at the EU level ca. 95% is being treated (OECD, 2020). The appropriate monitoring of surface water quality, as a precondition for the plan-based water quality regulation has not yet been fully established, and currently covers ca. one fifth of water bodies in Serbia. Besides the high river pollution load, monitoring results show that ca. 80% of water bodies are classified in quality categories II and II, and under 20% in categories IV and V (Water Management Strategy in the Territory of the RS, 2017). An astonishingly low percentage of waste water treatment and high pollution pressure are somewhat compensated by the natural capacity of larger water courses, but this is not enough to assess the quality of water as satisfactory.

**Another important problem is a diffuse water pollution coming from population** not connected to the sewerage system, same as from agriculture. In the forthcoming period, Serbia would need to significantly increase investments in waste water treatment systems in order to approach European standards in this area. Apart from investing in infrastructure, we must considerably enhance institutional capacities for implementation of the water quality protection measures.

**Current situation is a consequence of a multi-decade neglect of the waste water issue and absence of investments in the necessary infrastructure.** A significant percentage of Serbian households (ca. 40%) is still not connected to the sewage system (SORS, 2019). Relevant steps forward in legal and institutional frameworks were made since 2010 when the set of laws regulating environmental water resources' protection was passed (Law on Environmental Protection, Water Law), setting the basis for water quality improvement and approximation to the required EU standards in this area. Unfortunately, the pace of progress in planning and practical terms is extremely slow. Some of the key elements to assist in operationalisation of water quality improvement, like the Water Management Plan or the Plan of Water Protection against Pollution, are still pending. Likewise, implementation of the waste water treatment plant construction projects is rather slow, with a notable lack of capacities for efficient progress in this domain. In the past period, construction of waste water treatment plants was mainly implemented with the assistance of international donors, but still, total investments are very limited.

**Systemic addressing the water pollution problem contributes to other goals, such as:** SDG 2, by improving quality of water used in agriculture and food production; SDG 4 by contributing to health by improving quality and health adequacy of water used for drinking and recreation; SDG 8



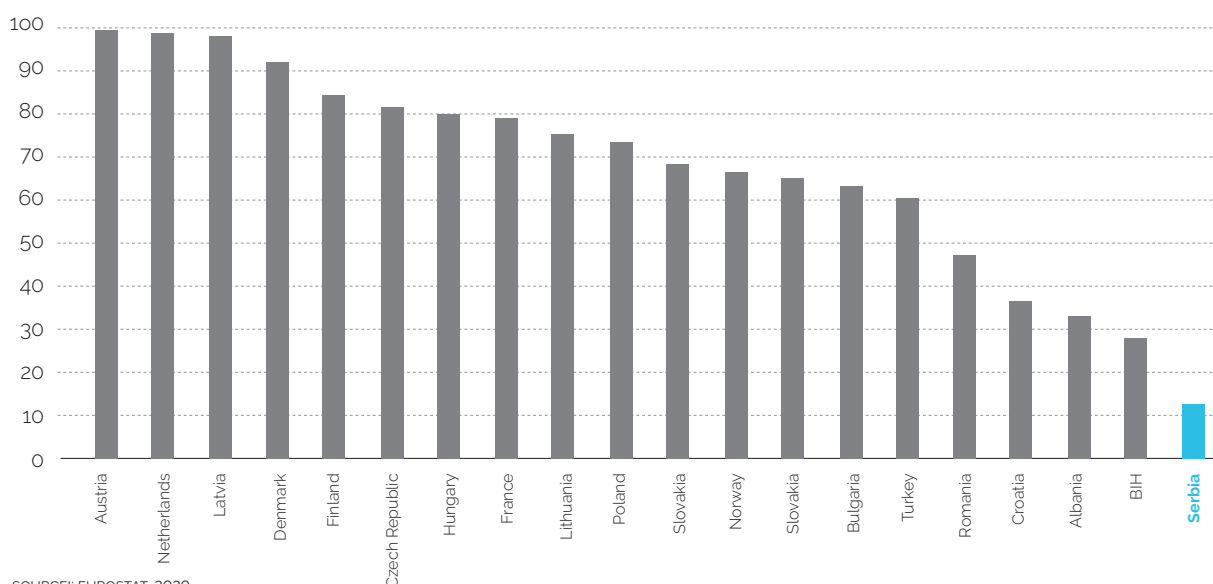
by contributing to improved efficiency of water resources' use; SDG 9 by supporting sustainability and industrial resource water use efficiency; SDG 11 by improving quality of life in urban settlements; SDG 12 by reducing pollution in industrial waste water; SDG 13 by enhancing resilience to climate change by improved water use efficiency and recycling (treatment); SDG 14 by reducing pollutions in river basins, and thus pollution in marine ecosystems; SDG 15 by improving terrestrial water-based ecosystems.

**Indirectly, systemic improvement in water management domain creates opportunities for development for investments and knowledge to implement new water treatment technologies.**

Taking into account large financial requirements concerning the water treatment infrastructure, there is a need to invest in new, more efficient and less expensive solutions based on domestic capacities. To that end, target 6.3 indirectly contributes to industrial development and innovation (target 9.4). Achieving good water quality largely contributes to development of sustainable tourism and similar industries, given that many tourist destinations in Serbia are connected with rivers and lakes. In this way target 6.3 indirectly contributes to SDG 8, since the development of sustainable tourism provides additional employment opportunities, especially in rural environments.

**Major financial investments in the environmental sector are required in the water sector. It has been estimated that harmonisation of the water sector with EU standards by 2030 requires an investment of EUR 5.5 billion** (Ministry of Environmental Protection and Spatial Planning, 2012). The largest portion of this amount, ca. EUR 3.2 billion, needs to be invested in the waste water treatment systems. Current spending in the budget of the Republic of Serbia in the water management sector amounts to ca. EUR 25 million per annum. This means that a more specific progress towards target 6.3 would need to entail a considerable shift in funding of this area and finding new solutions.

CHART 25 POPULATION CONNECTION RATE TO WASTE WATER TREATMENT SYSTEMS WITH AT LEAST SECONDARY WASTE WATER TREATMENT (BIOLOGICAL TREATMENT)



SOURCE: EUROSTAT, 2020.

Key indicators monitoring progress towards target 6.3 are as follows:

**i) Percentage of treated waste water** – National target is defined in line with the EU Framework Water Directive, and it is not stated as percentage of total waste water, but as coverage of agglomerations/settlements above 2,000 population equivalent with waste water treatment. **The goal set forth in the Water Management Strategy in the Territory of the Republic of Serbia implies waste water treatment in all agglomerations exceeding 2,000 population equivalent (PE).** The Strategy foresees the year 2034 as the deadline to reach the target, and there is

no other time frame defined in other national documents. Currently in Serbia there are approx. 50 waste water treatment plants, but for the time being there are no records on agglomerations exceeding 2,000 PE. These records will be an integral part of the Water Management Plan which is under development.

**ii) Percentage of water bodies with good quality status** – reaching the level of 100% of identified water bodies at national level achieving good ecological status in line with the provisions of the Framework EU Water Directive.

**Priority activities to achieve this target are as follows:**

- In the past several years there was a certain progress in the development of strategic and planning documents in the water domain, but key documents for water protection are still lacking. **In the coming period priorities should include development of an Action Plan implementing Water Management Strategy in the Territory of the Republic of Serbia, Water Management Plan and Plan on Water Protection against Pollution.**
- **The key measure to achieve target 6.3 is the construction of waste water treatment plants.** This financially and organisationally demanding measure needs to be approached strategically, in other words, it requires developing a strategy of increasing investments in this area. This strategy needs to include capacity building for the preparation and implementation of the waste water treatment plant construction projects.
- **Improving monitoring of surface water quality is also one of the key measures, given that current monitoring is not at an appropriate level.** This should be supplemented by an update and completion of the water polluters cadastre at local and national levels, and intensified oversight of the water protection measures' implementation in municipal and industrial sectors.

**Nationalized target 11.6: By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management**

**Cities are the largest consumers of natural resources and energy.** An imperative in reducing negative environmental effect of cities stems from the fact that urban settlements, although taking proportionally small part of the territory – 3% of Earth's surface (UN Sustainable Development Goals, 2020), have a dominant share in the consumption of resources and effects on the environment: the estimations indicate that urban settlements are "responsible" for 60-80% of energy consumption, 75% of carbon-dioxide emission and consumption of over 60% of resources globally (UN Sustainable Development Goals, UN Environment, 2020). The adverse environmental impact, in addition to GHG emission and contribution to climate change as a global phenomenon, is primarily manifested at local level in waste generation and exposure to air pollution.

**A large majority of urban population worldwide breathes excessively polluted air.** More than 80% of people living in urban settlements where air pollution is monitored, are exposed to air quality levels exceeding the limits of the World Health Organisation (WHO). Although all regions around the world are affected, low-income urban population is affected the most. According to the new data bases of air quality in urban settlements, 98% of cities in low and middle-income countries with population over 100,000 do not meet the WHO guidelines on air quality. However, in high-income countries, this percentage drops to 56% (WHO, 2016). The latest air pollution estimates go even beyond this, so the WHO data states that polluted air is the cause of death of seven million people globally and annually, while only in Europe 550,000 million people die annually, of whom 6,600 deaths being registered in Serbia. Moreover, particulate matter (PM) strongly affects public health

given that the exposure to suspended PM<sub>2.5</sub> matter leads to 3,585 premature deaths annually, including 1,796 in Belgrade, therefore in the next 10 years 150,865 life years lost due to air pollution are expected provided the same level of air pollution as it is today (Belgrade Open School, 2020).

**Cities generate huge waste amounts expected to be increased in the future.** Waste generation rates are rising globally. In 2016, world cities generated 2.01 billion tonnes of solid waste, making a footprint of 0.74 kg per capita daily. The estimation is that Serbian citizens daily generate a slightly more waste compared to the global average of 0.84 kg per capita daily (Balkan Green Energy News, 2019). With the fast population growth and urbanisation, annual waste generation is expected to grow by 70% in relation to the 2016 level, to 3.40 billion tonnes in 2050. In comparison with developed countries, population of developing countries, particularly poor urban societies, is more affected by the unsustainably managed waste. In low-income countries, over 90% of waste is often disposed to unregulated dump sites or openly incinerated (World Bank, 2019).

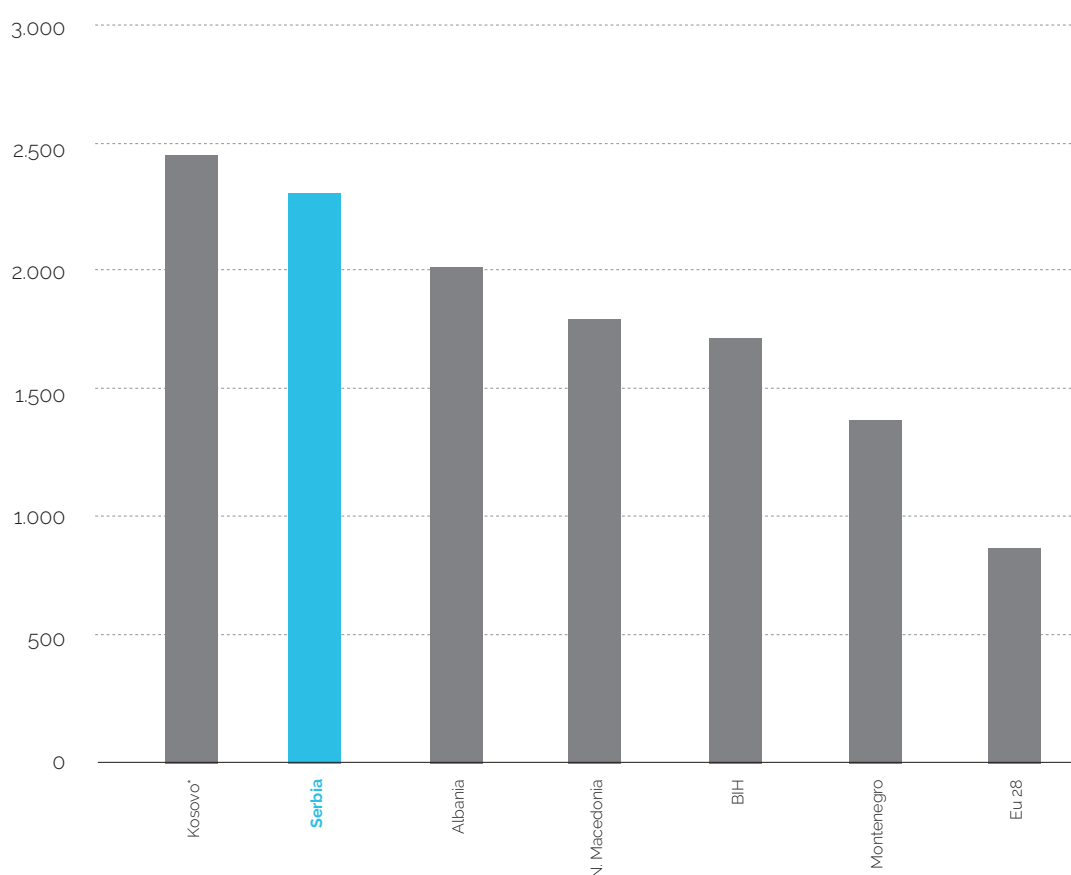
**The progress in the waste management and air protection domains in urban settlements would produce multiple benefits for the population wellbeing, primarily reflected in the improved health of the population, enhanced utility services and reduced pollution of not only air, but other environmental media as well (water and soil).** Achieving target 11.6 is directly and indirectly linked to multiple SDGs. First of all, it is directly linked to several targets under SDG 12 (Responsible consumption and production). These are the following targets: 12.2 (Achieve the sustainable management and efficient use of natural resources); 12.4 (By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment); 12.5 (By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. The link here is mainly connected with waste management at municipal and other levels).

**Cleaner cities require cleaner and more accessible energy.** This manifests the link to target 11.6 under **SDG 7** (Clean and affordable energy for all) in relation to air quality, taking into account that air pollutant emissions are a direct consequence of the use of fossil fuels, inaccessibility of clean and renewable energy and insufficient energy efficiency. Practically, all targets under SDG 7 may be correlated with target 11.6, and especially 7.1 (By 2030, ensure universal access to affordable, reliable and modern energy services) and 7.b (By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries). Achieving target 11.6 is directly linked to **SDG 3** (Good health and wellbeing), and especially to target 3.9 (By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination). Indirectly, reducing negative environmental impact of cities by reducing air pollution and establishing waste management system, contributes to SDG 13 (Climate action) and SDG 6 (Clean water and sanitation).

**Legal framework is in place, but there is a strategic gap.** The existing legislative framework in the Republic of Serbia provides a basis for implementation of this target, via the Law on Air Protection ("Official Gazette of RS" no. 36/2009 and 10/2013), and the Law on Waste Management ("Official Gazette of RS" no. 36/2009, 88/2010, 14/2016 and 95/2018 – other law). When it comes to strategic framework, currently we do not have valid strategies to ensure a framework for achieving this target, since the Air Protection Strategy has not yet been adopted, although legal deadline for its adoption expired on 1 January 2015, while in the waste management area new strategy for the period 2019-2024 is expected. Previous strategy, which expired in 2019, set forth short-term and long-term objectives making the basis for reaching the part of target 11.6 relating to waste management. Serbia first ranked in Europe and among top ten globally in respect to pollution effects on the population health. According to the report of the Global Alliance on Health and Pollution (GAHP), Serbia is taking the ninth place globally and first in Europe in mortality rate attributed to household and ambient air pollution, with estimated 175 deaths per 1,000 population caused by excessive

pollution. Serbia is lagging behind in relation to population exposure to excessive air pollution. The annual Air Quality Report of the European Environmental Agency shows that major effect on health, in the view of premature deaths and years of life lost due to PM<sub>2.5</sub> pollution, is present in the most densely populated countries like Germany, Italy, Poland, France and the United Kingdom. However, in relative terms, when considering mortality rates and years of life lost per 1,000 population, major effects are identified in the Central and Eastern European countries where the highest PM<sub>2.5</sub> concentrations have been identified: Serbia, Bulgaria, Albania, North Macedonia and Kosovo\*. The lowest relative impacts are identified in Northern and Northwestern European countries like Iceland, Norway, Sweden, Ireland and Finland (EEA, 2020). The excessive air pollution in Serbia is officially registered in 12 large urban settlements, meaning that approximately three million citizens in Serbia are exposed to excessive air pollution (Environmental Protection Agency, 2020). In the next ten years, additional 150,865 years of life lost of Serbian citizens attributable to air pollution may be expected, should the current pollution level remain unchanged (WHO, 2019).

CHART 26 YEARS OF LIFE LOST (YLL) PER 100,000 POPULATION ATTRIBUTABLE TO EXCESSIVE PM<sub>2.5</sub> POLLUTION



SOURCE: EEA \* IN ACCORDANCE WITH THE UN RESOLUTION 1244

**The setback is also noticeable in connection with waste management at municipal and other levels.** Approximately 47% of municipal waste is being recycled in the European Union. In Serbia this percentage varies around 1% (EEA, 2020). Serbian population is generating less municipal waste per capita than EU citizens. The EU average amounts to 492 kg per capita annually, while the estimated level in Serbia equals to 300 kg of generated municipal waste per capita per annum (Eurostat, 2020; Balkan Green Energy News, 2019). A separate problem lies in the disparity between the municipal waste quantities properly disposed. By the end of 2019, 11 sanitary landfills were constructed in Serbia, although it was planned to build 29 sanitary landfills together with recyclable waste separation units and transfer stations. This means that at the beginning of 2020, instead of the planned 90%, only 38% of the population disposes waste to sanitary landfills (Coalition 27, 2020).

**Key indicators monitoring progress towards target 11.6 are as follows:**

- i) By 2024, reach the coverage of population of the Republic of Serbia by municipal waste collection services of 100% (in line with the draft National Waste Management Strategy in the Republic of Serbia 2019-2024);
- ii) Reduce PM<sub>2.5</sub> emission by 22% by 2030 (in line with Directive 2016/2284/EU (NEC Directive)).

**The measures to be implemented so as to achieve progress towards target 11.6:**

- Adopting new Waste Management Strategy for the period 2019-2024
- Adopting new Air Protection Strategy in the Republic of Serbia
- Adopting local air pollution planning documents – air quality plans, in all urban settlements where excessive air pollution was registered
- Improving air quality monitoring at local level, so as to enable measuring concentrations of all hazardous pollutants in all urban settlements
- Improving waste management oversight system
- Developing waste generation prevention plan
- Introducing stricter control of non – sanitary landfills

**Nationalized target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, re-cycling and reuse.**

**Waste generation is on the rise in Serbia, which is significantly affecting the environment.** The total quantity of waste generated in 2019 is slightly under 12 million tonnes, with the quantities being somewhat increased compared to 2017 and 2018. According to the Environmental Protection Agency data, waste generation was increased in the period between 2011 and 2019 by more than five times. This shows that more waste is being generated, thus resulting in exhausting the capacity of existing landfills and emergence of new dump sites. Non-sanitary landfills and dump sites are major polluters, but also a hazard, since they are often prone to frequent fires and potential infection spread.

**The majority of landfills where collected waste in Serbia is disposed do not meet sanitary standards,** meaning that hazardous and harmful matters end up in soil, plants and animals, but also in air and ground water. Public utility companies dispose waste to at least 123 such dump sites, where many of them do not meet even the minimum technical standards and represent "environmental bombs" due to the absence of controlled collection of landfill gas resulting from degradation of waste on the landfill, which may lead to fires or explosions. In 2019 and 2020, many non-sanitary landfills and dump sites were on fire. Only one of such cases is the fire on the central landfill in Stara Pazova which took place in September 2020. The fire was localised in 24 hours, but it left a dense smoke cloud extending kilometers away. Heat gases coming from the landfill are very dangerous to human health.

**Apart the obvious increase in waste quantities, there are no adequate ways of their measurement.** The disposed municipal waste quantity was increased by ca. 60 tonnes annually. The deposited waste

quantity at local level was also increased, but when we take into account the fact that small number of public utility companies were measuring waste amounts and that in the majority of municipalities scale was one of the major problems for collection of reliable and quality data on waste generation, we could conclude that information on the deposited waste quantities is incomplete.

**There is more information available in relation to industrial waste.** The Environmental Protection Agency maintains the existing waste management information system used for reporting purposes since 2013. Over the seven-year period, a five-fold increase in the number of companies submitting reports has been registered. This means that the data is available on what is being done with the waste generated in the economy, how such waste is managed and what quantities are concerned.

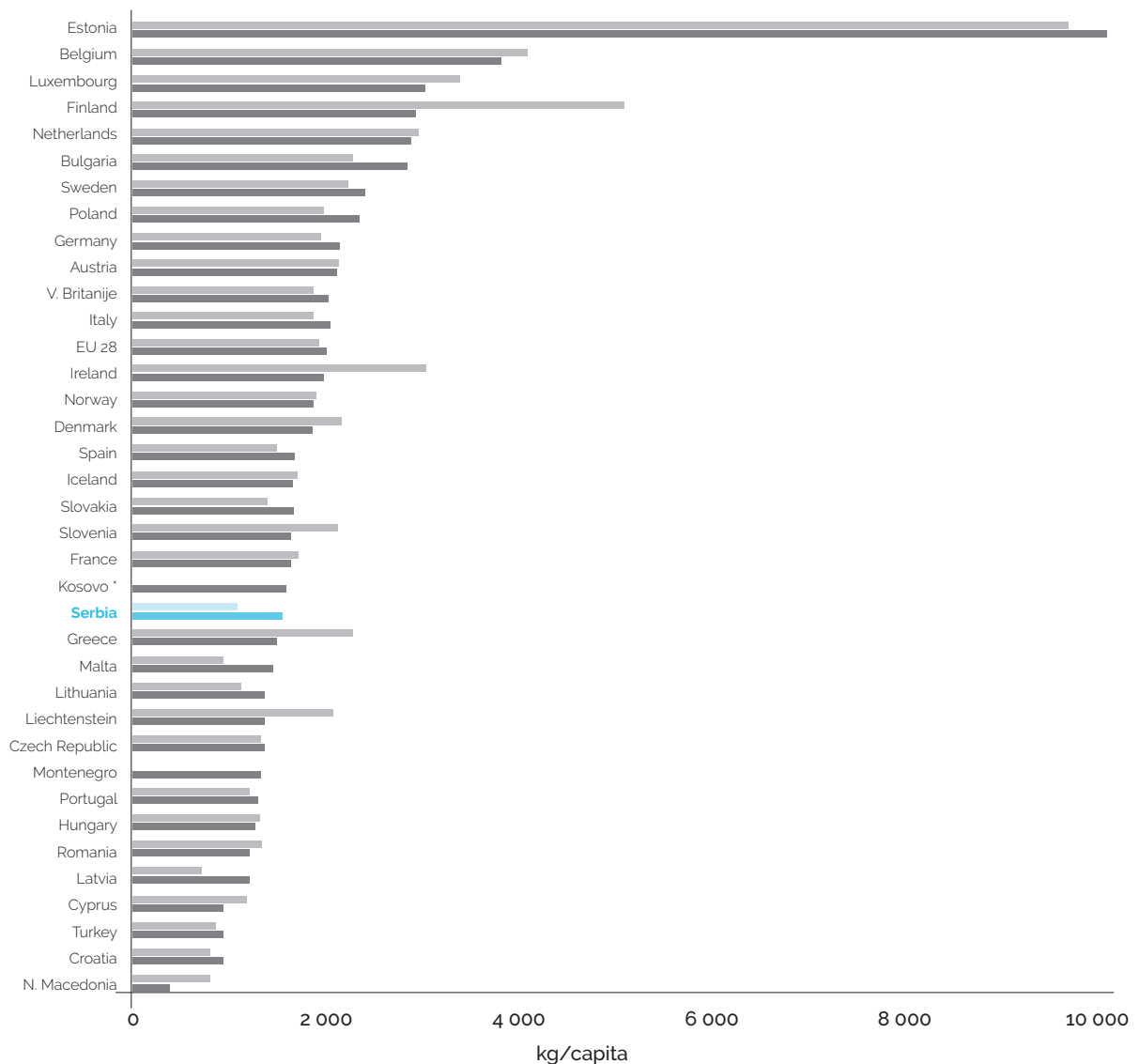
**Sustainable waste management is an inseparable part of sustainable development.** Environmentally-friendly waste management is a cross-cutting issue found in other sectors as well, requiring an appropriate network of facilities and waste collection, treatment, recycling and disposal plants. Research and development aimed at creating cleaner products and technologies, same as products and technologies generating less waste, promotion of obtained results and implementation of positive practices, are all important factors underlying success in strategic waste generation prevention. Research and development on the efficient use of resources and sustainable material management support waste generation prevention on the long run. Surveying behaviour of consumers and socio-economic demographics affecting waste prevention is another important area. Therefore, introducing research subsidies is an important waste generation prevention measure to be considered.

**Sustainable waste management is a key element of the overall environmental protection strategy and life for the future generations, indicating that reaching target 15.5 directly affects delivery of SDG 3 relating to good health and wellbeing.** Irresponsible waste management is a threat to health by contaminating water sources, polluting air and spreading infections. Alternatively, non-planned construction of landfills and illegal dump sites in the vicinity of water courses may contaminate surface and ground water, thus affecting achievement of SDG 6 relating to clean water and sanitation. There is a clear link between the analysed target and SDG 9 covering industry, innovation and infrastructure, since industry was targeted as significant waste generator that can reduce the generated waste quantity by innovating production. SDG 11 referring to sustainable cities and communities, also affects reaching target 12.5 via target 11.6 covering municipal waste management.

**The hierarchy principle set forth in the Law on Waste Management established the legislative framework for implementation of target 12.5, by covering all of its aspects.** The Rulebook on the list of measures to prevent waste generation lays down the measures aimed at preventing waste generation and thus enable achieving target 12.5 in part relating to reducing waste generation through prevention. The Decree determining the Plan on the packaging waste reduction for the period 2020 to 2024 sets forth general goals for reuse and recycling of packaging waste, specific objectives for packaging waste recycling and targets to be achieved, by years. The problem lies in the inconsistent implementation of laws and other regulations and inappropriate inspection oversight on the grounds. In line with the Rulebook on methodology for collection of data on the composition and quantities of municipal waste in the local government unit territory, local governments are obliged to analyse four times a year, quantities and composition of municipal waste in their territories and submit such data to the Environmental Protection Agency. Since there is no sanction policy for failing to submit the data to the Agency, local governments mainly do not do so. The National Waste Management Strategy, as defined in Articles 10 and 11 of the Law on Waste Management, represents an overarching document for long-term setting and orientation of waste management in the Republic of Serbia. Besides being harmonised with the sector law, National Strategy will also be in accordance with Article 28 of Directive 2008/98/EC (Framework Waste Directive). This document has not yet been adopted, but there is a draft Waste Management Strategy with the national waste management plan for the period 2020 to 2025.

**The fees and charges may be used as an incentive for the change of behaviour aimed at preventing waste generation.** The "Advanced Recycling Fees" have proven to be successful even outside of Europe, for securing funds for recycling of certain waste products. There are several examples of good practice in Serbia regarding waste collection and separation, one of which is Public Utility Company Šumadija Kragujevac, which installed the first recyclomat, a smart machine for collection and sorting of packaging waste in Serbia. Citizens are encouraged to place packaging waste into this machine by getting in return a top-up on their public transportation card or mobile phone card. In this way, by collecting and sorting packaging waste, plastic bottles, cans and glass packaging using the recyclomat, PUC Šumadija actively contributes to the development and improvement of the waste management hierarchy, same as to citizen awareness-raising on the importance of waste separation.

CHART 27 WASTE GENERATION PER CAPITA (EXCLUDING MINERAL WASTE AT EXTRACTION AND PROCESSING OF MINERAL RESOURCES)



\* Kosovo\* (in line with UNSC Resolution 1244/99)

2016 ■ 2010 ■

SOURCE: EUROSTAT (2019)

Achieving target 12.5 is monitored against the indicator **National recycling rate, tonnes of material recycled**, which is supposed to register positive trend in order for the set target to be achieved. Target value to be reached should follow the targets for waste reduction and recycling of the Republic of Serbia, aligned with the specific plans for implementation of the Framework Waste Directive 2008/98/EC, Packaging Waste Directive 94/62/EC and Directive on Waste Electrical and Electronic Equipment 2012/19/EC.

TARGET	2024	2027	2029	2032
RECYCLING / REUSE OF PACKAGING WASTE	46%	51%	53%	59%

The following activities need to be implemented to achieve target 12.5:

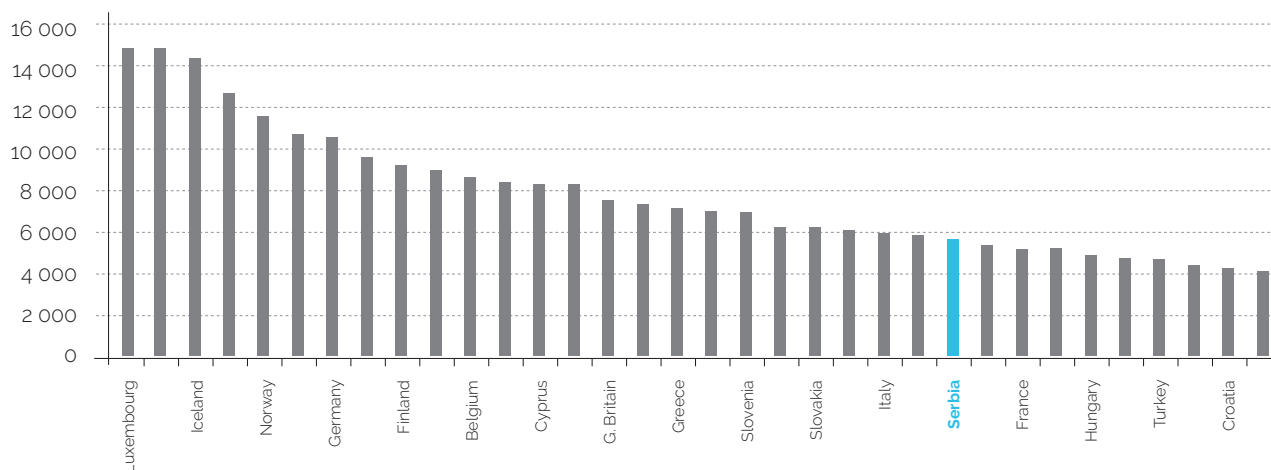
- adopting new waste Management Strategy, with a municipal waste management action plan
- introducing functional inspection oversight system;
- ensuring preconditions for the implementation of the waste management hierarchy principle with a focus on waste generation prevention, waste reuse and waste recycling;
- imposing sanctions on LGUs not forwarding reports and data to the Environmental Protection Agency;
- educating population on the proper waste separation at origin;
- introducing obligation on the households to separate waste.

Nationalized target 13.1: **Strengthen resilience and adaptive capacity to climate related disasters.**

**Serbia has been facing continuous and notable increase in average temperature.** The increase in annual average temperature and extreme weather conditions are well-known consequences of climate change on the Planet, and Serbia is no exception. In the territory of our country, the year 2019 with average air temperature of 12.3°C, was the hottest year since 1951, while the same year with registered 14.7°C, was recorded as the hottest year in Belgrade since the meteorological station started its operation in 1888. Thirteen out of fifteen hottest years in Serbia were registered after 2000 (measurement period 1951-2019), while in Belgrade fourteen hottest years were recorded in this century (measuring period 1888-2019).

**In addition, Serbia has been facing a change in the precipitation regime, with long drought periods interrupted by intensive precipitation.** Such weather conditions affect biodiversity, food production, but also habits of Serbian citizens, causing social and economic damage along the way.

CHART 28 INDUSTRIAL AND HOUSEHOLD GHG EMISSION, IN TONNES OF CO<sub>2</sub>



SOURCE: EEA IN LINE WITH UNSC RESOLUTION 1244



**Achieving target 13.1 would produce a positive effect on reaching the higher level of sustainable development in Serbia.** Achieving this target would reduce the number of deaths, missing and directly affected persons attributed to climate change and disasters per 100,000 population. Despite the forecasts that greenhouse gas emissions would be reduced by 6% in 2020 and that the quality of air would be improved as a consequence of travel ban and economic slow-down due to the Covid-19 pandemic, such improvement is only temporary. According to the UN recommendations, governments and businesses should use the lessons learned to accelerate transition needed to reach the Paris Agreement goals, redefine relationship with the environment and systemic changes, and transformative changes to reduce the greenhouse gas emission and create climate-resilient economies and societies.

**Target 13.1 is directly linked to several other Sustainable Development Goals, with expected feedback in their achievement.** These are SDG 6: Ensure availability and sustainable management of water and sanitation for all; SDG 7: Affordable and clean energy; SDG 11: Sustainable cities and communities, SDG 12: Responsible production and consumption, and SDG 15: Sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. These targets would contribute to improved adaptability to climate attributed risks: access to safe drinking water (target 6.1), improve water quality by reducing pollution (target 6.3), integrated water resources management (target 6.5), increase substantially the share of renewable energy in the global energy mix (target 7.2), develop quality, reliable, sustainable and resilient infrastructure (target 9.1), upgrade infrastructure and retrofit industries to make them sustainable (target 9.4), reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management (target 11.6), ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services (target 15.1).

Despite adopting umbrella international documents, **Republic of Serbia has not yet adopted key strategic documents** addressing resilience and adaptive capacity to the climate change related threats. The basic document to enable implementation of target 13.1 in Serbia is the Low Carbon Development Strategy, and its draft was developed under the IPA project "Climate Strategy and Action Plan". However, the adoption of this strategy is pending to date. The Low Carbon Development Strategy with an Action Plan is to establish the direction of development of the Republic of Serbia towards the low-carbon and resource-efficient economy. Moreover, this Strategy represents the basic document to meet Serbia's obligations under the Paris Agreement and other international obligations assumed by Serbia.

**Although the 2019 Government Work Plan announced passing of the Climate Change Law, it has not yet been adopted,** while the 2020 Government Work Plan did not even envisage passing of this document. The draft Law on Climate Change ought to lay foundations for harmonisation of national legislative framework with target 13.1 and EU acquis in the climate change domain.

Besides the fact that the existing strategic and legislative frameworks do not enable reaching target 13.1, mechanisms are still lacking at national level to monitor targeted progress towards target 13.1. The data base of the Statistical Office of the Republic of Serbia, same as the SDG indicator monitoring portal do not contain available data for this target.

**Progress of Serbia could be monitored against the following indicators:**

- i) Reduce the number of deaths, missing persons and directly affected persons attributed to disasters per 100,000 population
- ii) By 2030, all local governments have adopted and implemented local disaster risk mitigation strategies in line with national disaster risk mitigation strategies

**Priority actions to achieve this target are as follows:**

- Adopting the Climate Change Law;
- Adopting the Low Carbon Development Strategy with an Action Plan;
- Statistical Office of the Republic of Serbia should monitor and regularly publish indicators regarding target 13.1;
- Making available the data on greenhouse gas emissions for the period after 2014;

Defining and adapting legal and institutional frameworks related to climate change adaptation and integrating them into all other sectors, primarily: water management, agriculture, urban planning, construction, infrastructure, forestry, nature conservation and energy.

## >> 8. SAFEGUARDING NATURAL AND CULTURAL HERITAGE

**For the protection of ecosystems in Serbia, besides the environmental protection sector, additional relevant sectors are the sectors of forestry, water management, agriculture, energy, transport and spatial planning.**

Under 8% of Serbian territory is currently under protection, which is significantly under the European average amounting to 18%. The prevalent problems in the nature conservation sector are the insufficiently inclusive and transparent decision-making process, lack of political will in reaching high standards, lacking administrative capacities and weak inter-sector cooperation. Legislative framework is not at satisfactory level, which is reflected in high disproportion between the use and conservation of natural values. Amendments and supplements to the Law on Nature Conservation relating to construction of mini hydro power plants in protected areas have not yet been passed. The Strategy on Nature Conservation has also not been adopted, although the process was launched in 2016. Another problem in the nature conservation area is the excessively long procedure for protection of an area. Likewise, the state is not investing enough funds in nature conservation, which is by all means one of the reasons for numerous problems in this sector.

**Despite the fact that afforestation has become very topical in Serbian public, it often happens in practice that many forests are subject to purpose re-designation to construction land.** The larger the area under forests, the better quality of the environment, soil and water are more protected, climate change effects are mitigated, same as the negative effects of wind. The area under forests currently amounts to 31%, while the European average is ca. 46%. Apart from the afforested areas, the condition of forests is not favourable since only ca. 29% are high, conserved forests. The percentage of the degraded soil area in Serbia is estimated at 6.5%. It is additionally very important to improve the forest stock situation. The condition of forests in Serbia is principally satisfactory, however there are numerous problems like the high percentage of coppice forests (64.7%), increasingly present illegal harvesting, lack of data on privately-owned forests, and weak control of their use. Forest sector is still without an umbrella strategic document, given that the Forestry Development Strategy of the Republic of Serbia had expired.

**Serbia is abundant in cultural and historical monuments, but their conservation practices are inappropriate.** Out of the five UNESCO-protected sites, one has been classified as at-risk. Moreover, the list proposed by Serbia contains seven more localities of major cultural importance; however, recent reports of certain international organisations show that specific sites in this group are not properly managed, which entails a serious risk of them not being included in the UNESCO World Heritage List. One of the examples is Belgrade Fortress, a key element of the so called Danube limes, categorised by the international organisation Europa Nostra among the seven most endangered monuments of Europe, primarily due to the planned construction of the cable car to connect it with the New Belgrade Ušće park. Institutional capacity building of key institutions in this area-like, for example, the Institute for Protection of Cultural Monuments – is a basic precondition for improved management of this Serbian resource of invaluable importance.

**The natural protected sites' area is relatively small. Serbia disposes with relatively spacious forests, and water and geothermal natural resources.** To illustrate this, ca. 29% of the territory is under forests, which is at the European average level. Still, only 8% of the territory is under some kind of a nature protection regimes, namely within national parks, nature parks, landscapes of exceptional features, nature reserves, protected habitats, natural monuments or areas of exceptional cultural and historical importance. This is lower compared to the European average amounting to 18%, and far below other countries in the region: Slovenia (38%), Croatia (37%) or Bulgaria (35%).

Nationalized target 11.4: **Strengthen efforts to protect and safeguard the world's cultural and natural heritage.**

**At the same time, there is much room for improvement when it comes to the natural heritage conservation practices.** The European Commission 2020 Annual Serbia Progress Report underlines that the level of harmonisation with the EU environmental acquis is moderate. Hunting legislation has not been harmonised, and the identification process under the Natura 2000 network is rather slow. Institutional capacities at national and local levels are weak, especially in the domain of trade control in wild animals. According to the Report, development of hydro energy is potentially not in line with the respective EU acquis. In addition, frequent media articles and other reports on construction in protected areas, and even on illegal forest harvesting in some of the national parks with the strictest protection regime.

**Rich historical heritage of Serbia, reflected in immovable cultural and historical monuments, is poorly managed to some extent.** Currently Serbia has five UNESCO protected sites, recognised as sites of exceptional cultural, historical and artistic importance for the entire mankind, one of which is the group of medieval sacral monuments in Kosovo and Metohija, classified as endangered. Countries of similar size often have a larger number of such sites – to give an example, Bulgaria has seven, Croatia eight, and the Czech Republic even fourteen. This does not necessarily imply rich abundant heritage, but weaker protection measures of the existing sites. For example, on the proposed Serbian list there are seven more sites of cultural and historical importance, like Danube limes, Belgrade fortress is a vital element of, and five more sites of natural importance, such as Devil's Town (Djavaljka Varos) or Deliblatska peščara (Deliblato Sands). Still, management of these proposed sites shows the signs of weakness. This has been recognised in the European Commission Progress Report stating that the pan-European association for the protection of culture monuments, Europa Nostra, has included the Belgrade fortress and its surroundings in the list of the seven most endangered culture monuments and cultural heritage sites in Europe in 2020 – thus questioning the possibility of its inclusion in the UNESCO list of protected sites.

**Capacity building and increasing investments in protection is a basic precondition for achieving this target.** According to the 2030 Agenda, the only indicator measuring achievement of this target is the level of public and private spending for protection of all forms of natural and cultural heritage per capita, and this statistics is not available for Serbia. However, a clear link between this type of spending and effects on the heritage protection is more than obvious. Increased spending for these targets would be reflected in strengthened administrative and institutional capacities, and further in the higher quality and more comprehensive care of the heritage, which has finally been recognised as a deficiency in the latest EC Progress Report.

**Achieving target 11.4 facilitates achievement of other targets, first and foremost those relating to improved quality of life of the population.** Such development accelerates achievement of targets 12.8 (ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature) and 8.9 (sustainable practice in tourism), but also multiple targets under SDG 4 relating to quality and inclusive education for all.

*Support of the state to diversification of electricity sources, particularly in direction of an increased share of renewable energy sources, is rather complimentary, especially keeping in mind that Serbia is one of the most coal-dependent economies.*

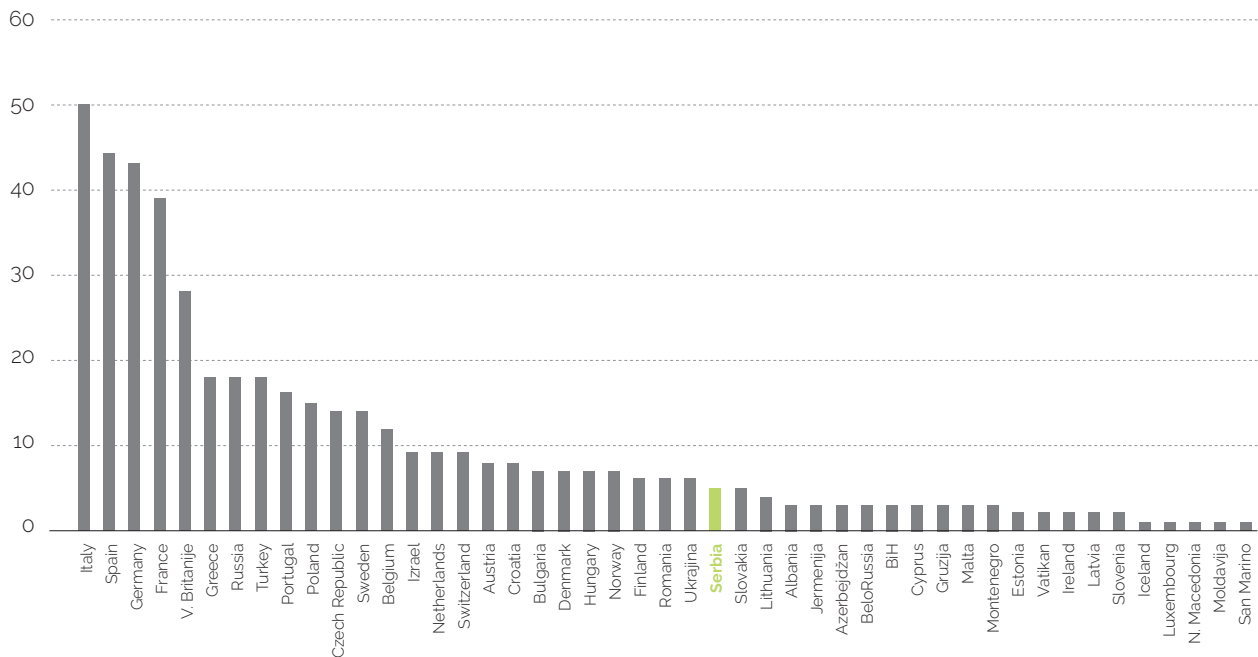
*In that sense, the increasingly present construction of mini hydro power plants by private investors across water-rich areas in Central and Southern Serbia, may seem like a step in a good direction. However, recent practical examples in their construction show that they lead to biodiversity devastation, namely, putting diversity and number of fish species at risk. This is a serious threat, having in mind that many of these mini hydro power plants are constructed or planned to be constructed in areas that are under a protection regime, like for example, Stara planina.*

*This problem was recognised in the latest European Commission Serbia Progress Report stating that further development of hydro-energy needs to be in line with the EU environmental acquis, including environmental impact assessment accompanied by public debates.*

*The Belgrade Fortress was recognised by the national authorities as a first-class monument of historical importance, comprising historical and archeological layers of many phases in the history of Belgrade and Serbia. It has also been nominated to be included in the UNESCO list as part of the international Danube limes site, namely as the Danube border of the Roman empire.*

*Despite its immense importance, in 2018 plans started being developed for construction of a cable car to connect the fortress with the Ušće park on the other side of the Sava river. This construction would, according to the findings of the Europa Nostra and many other civic and nongovernmental associations, entail extensive construction works. These works would potentially devastate at least a part of the existing archeological heritage, and after their completion, the recognisable view of the fortress would permanently be altered.*

CHART 29 THE NUMBER OF UNESCO PROTECTED SITES IN EUROPE

SOURCE: [HTTP://WHC.UNESCO.ORG](http://whc.unesco.org)

The following activities in the public policy domain are extremely important for making progress towards target 11.4:

- Implementing measures to adequately prepare for the Natura 2000 network** The general goal of the "EU for Natura 2000" is to increase efficiency in the Republic of Serbia for EU accession in the area of nature conservation. One of the main requirements to be met by the candidate countries in the nature conservation area is determining the areas under the Natura 2000 network, with the list of sites each member state has identified in line with two European directives, the Birds Directive and the Habitats Directive, in order to ensure long-term survival of the most important species and habitats. However, the work on identifying areas of extreme natural importance within the pan-European Natura 2000 network is rather slow, as indicated in the last EC Progress Report.

- Capacity building of institutions engaged in conservation of cultural and natural heritage.** This entails strengthening institutional, financial and human capacities of institutions like the Institute for Nature Conservation of the Republic of Serbia, Environmental Protection Agency, national and local institutes for the protection of monuments, etc. Besides, it is important to invest additional efforts in biodiversity protection on the grounds by strengthening inspection oversight, and control of illegal trade and hunt of wild animals, control of illegal forest harvesting, and control and prevention of illegal construction activities in protected areas.

The key performance indicators for the period by 2030, with the recommended regular progress monitoring in achieving indicators:

- increase the area under one of the nature protection regimes to 20% of the territory of the Republic of Serbia,
- ensure conditions for including at least one more site from the proposed national list in the UNESCO heritage list.

Special attention of the public in the past years was focused on the case of **illegal construction of a large hotel** in the protected natural area of the **Kopaonik National Park**, in a particularly visible spot/ on the highest peak of this mountain,

The construction of this facility is contravening the Law on National Parks, and spatial plan of the special purpose area of the Kopaonik National Park, principally not permitting construction of hospitality facilities unless of temporary character and unless they have been granted the permit of the local municipal assembly. In this case, this building exceeds the permitted square meters, with the area of 1,000 m<sup>2</sup> including foundations, concrete walls and reinforcement.

**The loss of biodiversity at global level is happening at the unprecedented speed, with the increased rate of extinction of species, which is seriously affecting people across the world (IPBES, 2019).**

**Nationalized target 15.5: Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.**

The loss of biodiversity is the consequence of degradation and fragmentation of habitats, spread of invasive species, excessive exploitation of wild species and other factors. Under the Law on Nature Conservation, 462 areas taking the territory of 677,484 ha are protected in Serbia, thus accounting for 7.65% of the total territory of our country (Serbian Government, 2020). If we take into account that under the Spatial Plan of the Republic of Serbia 2010-2020 it was planned to place 12% of the territory under protection, the shortfall becomes evident. Concerning special reserves, Serbia currently hosts 39% of the total European flora, 50% of European vertebrate fauna, and 50.51% of the old continent mammal fauna (CHM portal of the Biological Diversity Convention). So far, 44,200 taxons of plants, animals and fungi have been registered in our country, of which 868 species are protected, and 1,760 species are under strict protection. A part of the protected animal species are protected by hunting closure, meaning that hunting these species is banned in the specified period of the year. There are 112 plant and animal species currently under the wild flora and fauna use and trade control (Ibid.).

**Protection of ecosystems and natural resources in Serbia is implemented via several sector policies.** Besides the environmental protection and nature conservation sector, particularly relevant for the ecosystem protection are the sectors of water management, agriculture, energy, transport and spatial planning. The key strategic document in this area is the Nature Conservation Programme of the Republic of Serbia for the period 2020-2022. Achieving target 15.5 is principally well-regulated and fostered by sector laws addressing the nature, forests, game animals, fish stock, water and land. The Nature Conservation Law and accompanying bylaws set forth protection measures of species and habitats, the manner of use and a framework for establishing and managing protected areas (Bradaš et al, 2020).

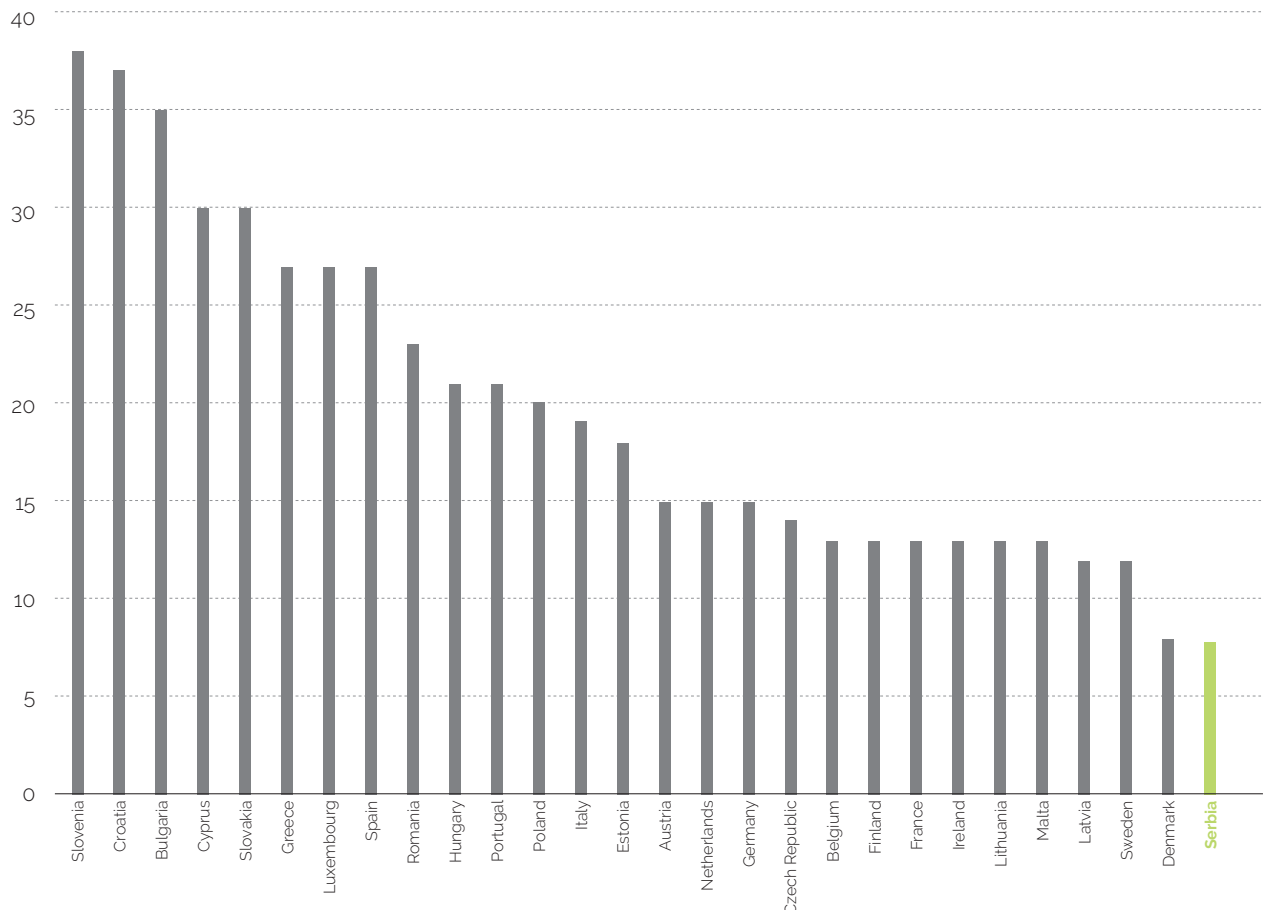
**The protected areas management system in Serbia does not ensure necessary protection of habitats and species.** Namely, in practice protected areas, and especially those under forests, are being dominantly used as a source of resources, with the nature conservation function being secondary. However, exploitation of resources is often contravening the needs for conservation of species and habitats, why it is necessary to strategically discern economic management of forests and other resources from nature conservation. The desired protection level which would ensure biodiversity protection would imply reaching the standards for the protection of areas defined by the International Union for Conservation of Nature. On the other hand, degradation and fragmentation of habitats, both within and outside protected areas, occurs as a consequence of implementation of various infrastructure and other projects. Despite being envisaged under the law in such cases, environmental impact assessment studies are almost never carried out based on the environmental needs, meaning that they seldom contain sufficient information on the existing biodiversity and the related project impact, so as to avoid endangering factors.

**The state is not taking urgent and relevant measures to protect the species.** The protection of species in Serbia is just "on paper", in legislation and individual cases of preventing endangering wild species by actions of inspection and other expert services. Conservation through implementation of active protection measures of species and their habitats by the state is almost entirely lacking, and these activities are being implemented sporadically by civil society organisations mainly under international projects. Budget expenditures are rarely allocated to these purposes, with total funds for nature conservation in Serbia being scarce – in the 2019 budget they accounted for 7.73%

of the Ministry of Environmental Protection budget, while in 2020 6.47% of the line ministry's budget was allocated to nature conservation (Coalition 27, 2020).

**Biodiversity conservation plays a key role in achieving sustainable development.** A clear indicator is the fact that the majority of SDGs contain at least one target addressing or depending on some kind of ecosystem service, organism or natural process. The negative trends in biodiversity conservation are estimated to jeopardise progress towards 80% of the 2030 Agenda targets (35 out of 44 targets) relating to poverty, hunger, health, water, sustainability of cities, climate change, oceans and land (SDGs 1, 2, 3, 6, 11, 13, 14 and 15). This shows that the lack of biodiversity is not only an environmental problem, but also developmental, economic, social, and moral and security issue (IPBES, 2019). Conservation of species and habitats is directly affecting mitigation and improving resilience to climate change, thus directly contributing to preventing damage to human life and economy that may occur as a consequence of natural disasters. Healthy ecosystems with preserved functions, are resilient to the spread predator species and represent a source of material, food and medicines. Plant species play an essential role in reducing pollution from various sources. The abundance of species and the number of their populations ensure diversity of genetic resources playing an immense importance in production of seeds and seedlings as a source of food, and ensuring survival of various varieties of domesticated animals. The nature is also a source of wood, which is one of the very important resources. Its mismanagement may jeopardise conservation of forest habitats and dependent species, which would put achieving target 15.5 at risk. A direct impact of this target is reflected in ensuring jobs in agriculture, fisheries, forestry and other sectors, and by all means in safeguarding human health and wellbeing. Without the implementation of efficient measures aimed at biodiversity conservation and sustainable use of natural components, achieving targets set under the 2030 Agenda will not be possible (CBD, 2018).

CHART 30 PERCENTAGE OF THE TERRITORY OCCUPIED BY PROTECTED AREAS IN THE TOTAL TERRITORY OF THE COUNTRY





**Less than 8% of the Serbian territory is currently under protection, which is significantly below the EU-27 (18%) and global average (15%).** Countries in the region have a particularly high share of protected areas in the total territory, thus enabling protection of important species and habitats (Slovenia 38%, Croatia 37% and Bulgaria 35%), and representing an example of good practice Serbia ought to follow in the process of establishing national environmental network.

To monitor achievement of target 15.5, one indicator, the "Red List Index" was defined under the 2030 Agenda, measuring total probability of survival for all plants, mammals, amphibia and cica-dellidae. Taking into account the effect that many limiting factors like degradation and destruction of habitats, spread of predator species, excessive exploitation, man-caused disturbance, pollution and climate change on the living world, this indicator evaluates the impact of these factors, namely the level of their conservation (IUCN and BLI, 2017).

**The indicators that could indirectly demonstrate the achievement of target 15.5 are as follows:**

- i) Protected areas managed in accordance with the Nature Conservation Law occupy at least 20% of the total territory of the Republic of Serbia.
- ii) All protected areas in Serbia correspond to the IUCN classification of protected areas, in line with their ranking.

**Priority activities to be implemented to achieve target 15.5 are the following:**

- Establishing an official list of the types of habitats and the list of species of all groups of organisms found in the territory of the Republic of Serbia.
- Implementing regular (annual) monitoring of species and habitats at least in the area covered by the Environmental Network of the Republic of Serbia.
- Improving management of protected areas with mandatory distinction between the nature conservation function and economic resources management function in the protected area, with the key focus on the nature conservation.
- Ensuring and earmarking funds for the implementation of protection measures of endangered species and habitats in line with international standards.
- Improving the Nature Conservation Law so as to ensure actual protection of species and habitats.
- Improving the Law on the Environmental Impact Assessment and the Law on the Strategic Environmental Impact Assessment so as to ensure information on the actual status of nature in the respective location at the moment when the procedure is being implemented.
- Capacity building of services and institutions in charge of nature conservation at local and national levels (environmental inspection, institutes for nature conservation, LGU environmental departments).
- Developing and improving key planning documents and regulations like the Decree on the admissibility assessment and the Decree on the Environmental Network of the Republic of Serbia, and harmonising other legislation in accordance with the needs of nature conservation in line with the Nature Conservation Law (Law on Planning and Construction, Law on Game and Hunting, etc.).





# LIST OF ACRONYMS AND ABBREVIATIONS

<b>GDP</b>	Gross domestic product
<b>GVA</b>	Gross value added
<b>SDG</b>	Sustainable Development Goal(s)
<b>ERP</b>	Economic Reform Programme
<b>ESRP</b>	Employment and Social Reform Programme
<b>EU</b>	European Union
<b>PUC</b>	Public Utility Company
<b>LGU</b>	Local government unit
<b>LNOB</b>	The 2030 Agenda concept – Leave No One Behind
<b>PISA</b>	Programme for International Student Assessment
<b>RS</b>	Republic of Serbia
<b>RPPS</b>	Republic Public Policy Secretariat
<b>SORS</b>	Statistical Office of the Republic of Serbia:
<b>SEPA</b>	Serbian Environmental Protection Agency
<b>UN</b>	United Nations
<b>UNDO</b>	United Nations Development Programme



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# **ANNEXES**



## **METHODOLOGY IN BRIEF**

# >> 1. MAPPING THE REPUBLIC OF SERBIA GOVERNMENT PRIORITIES AGAINST THE 2030 AGENDA

On 28 October, Prime Minister had presented the priorities in the work of the new Government, contained in her 47-page long exposé. **Although the majority of these priorities could be linked to some of the Agenda goals or targets, its analysis has shown that the 2030 Agenda in itself and its key principles and values – like the Leave No One Behind principle – did not represent priorities in the work of the new Government.** Neither the 2030 Agenda nor SDGs were mentioned in the exposé. In addition, it did not touch upon still rather relevant and challenging topics for Serbia – poverty and inequalities. The topic of gender equality was mentioned declaratively, by pointing out the progress made in the percentage of women in the parliament and in ministerial offices. Likewise, the treatment of topics related to conservation and improvement of the environment and institutional strengthening suggested these were not priorities of this Government, and the most important amongst them seemed to have been declaratively mentioned.

**Although the 2030 Agenda was not explicitly mentioned in the exposé, the priorities set therewith could be directly linked to the SDGs presented in the 2030 Agenda, i.e. SDG 3, 8 and 16.** The exposé clearly set six priorities for the future work of the Government. Mapping these priorities against the 2030 Agenda revealed they referred to SDG 3 (one priority), SDG 8 (one priority) and SDG 16 (four priorities). Further insight into the elaboration of the said priorities has shown that most attention in this document was given to the priority entailing economic strengthening of Serbia, therefore it had been most thoroughly elaborated in terms of policies proposed to achieve it. In the context of such policies, as important the following areas were mentioned: education (SDG 4), research, technology and innovation (SDG 9.5).

THE PRIORITIES DEFINED IN THE EXPOSÉ	CORRESPONDING TO SDG
Care about the health of the population, fight against Covid-19 virus and strengthening of the Serbian health care system	3 – <b>Ensure healthy lives</b> and promote wellbeing for all at all ages
Preserving vital interests of Serbian people in Kosovo and Metohija	16 – <b>Promote peaceful and inclusive societies for sustainable</b> development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
Fight against organised crime and comprehensive war on mafia thinking it could be stronger than the state	16.4 – Significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and <b>combat all forms of organized crime</b>
Preserving independence and autonomous decision-making in Serbia	16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and <b>build effective, accountable and inclusive institutions at all levels</b>
The rule of law and accelerating reforms on our European path	16.3 <b>Promote the rule of law at the national and international levels</b> and ensure equal access to justice for all
Economic empowerment of Serbia	8 – Promote <b>sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>

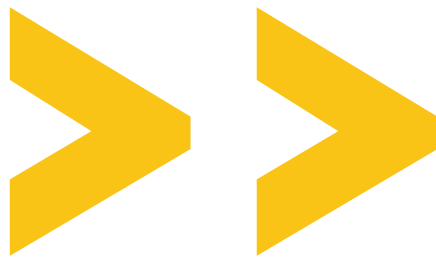
The outlined secondary Government priorities were the following:

- The environmental protection and green transformation, primarily in the area of SDG 6 (Ensure availability and sustainable management of water and sanitation for all), and in lesser parts in areas SGD 11 and SGD 12 pertaining to air quality and waste treatment.
- Given that numerous studies on the environmental impact have neither yet been completed nor published, a question has arisen as to presenting to the public the preliminary information used to write the exposé, that would serve as a basis for further environmental policy development. This particularly related to the project of exploitation of lithium-borate, the so called "jadarite" in cooperation with the "Rio Tinto" company. Many organisations active in the area of environmental protection have stated their concerns regarding the impact of this project on the environment and wellbeing of the local community. They kept on pointing out that public discussion to this topic and adequate informing of the citizens were still lacking, same as the project elaboration was not done transparently not in the spirit of open and accountable governance.
- The remaining stated Government goals primarily concerned **modernisation of agriculture (link to SDG 2.3), tourism (SGD 8.9) and more extensive reliance on artificial intelligence and creative industries (SDG 8.3 and 9.5).**

The text of the exposé was analysed in the context of the 2030 Agenda to reach the following observations:

- **The concepts of poverty and inequality could not be found in the text of the exposé, nor were presented or addressed under different terminology.** The exposé was clearly focused on the issue of economic growth – without addressing the issues of poverty, inequalities, even vulnerable groups and gender inequality – thus contravening the concept of sustainable and inclusive human development and the core of the 2030 Agenda. This has even more been stressed in Serbia given that the percentage of people at the brink of relative poverty was among the highest in Europe, while according to international indicators, Serbia was among the European countries with most prominent inequalities.
- Although considerable part of the exposé was dedicated to the rule of law, strong institutions and human rights, the concepts which in the case of Serbia made a clear precondition for building such institutions like **meritocracy and accountability were not mentioned at all, nor addressed under different names.**

The topics of particular interest for transformation of Serbia's development paradigm related to **energy efficiency and reform of public enterprises were mentioned only declaratively**, without any specific targets, deadlines or guidelines.



# **SERBIA 2030**

## **DEVELOPMENT PRIORITIES**

### **THE NON-STATE SECTOR REPORT**

**BELGRADE, 2020**

THIS REPORT WAS COMPILED UNDER THE "SGDS FOR ALL" PLATFORM,  
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