

FOREWORD EU

Dear reader,

It is a privilege for me to contribute the foreword for the first time to the annual White Book of the Foreign Investors Council (FIC).

My compliments go to the FIC on its impressive growth, from 14 member companies in 2002 to over 120 in 2021 with their combined investments in Serbia standing at €36 billion with around 100,000 employees. One could dare to say that the EU in a certain way has an importance in the FIC, given that 68% of all companies in the Council are headquartered in the EU. We are glad to partner with the FIC, in particular in the light of the fact that its advice is very much in line with what we pursue with our assessments.

Unprecedented events and challenges have shaken the world we in live in. We have been fighting COVID-19 pandemic for almost two years now. Everyone had to adapt, be flexible and endure through these tough times. The crisis has had enormous economic consequences on the global economy.

Serbia responded in a timely manner with three economic stimulus packages that were well received and successful in mitigating the consequences of the crisis. The COVID-19 crisis thus led to only a mild contraction of the Serbian economy in 2020, and Serbia's economic performance turned out to be among the most favourable in Europe. Projections for the year 2021 are optimistic, with GDP growth rate expected to reach around 6-7%.

The EU has spent up to date more than 10 million Euros in emergency assistance for small and medium sized enterprises to mitigate the Covid-related impact. But the overall amounts in this field are much bigger. In real terms, out of more than EUR 200 million invested in the Serbian economy, the EUR 20 million guarantee facility will bring more than EUR 180 million in favourable credit lines for Serbian businesses, EUR 30 million is dedicated for innovation, research and development and we are thus pro-actively helping scientists to build a bridge to the market.

Serbia's economy also remained closely integrated with the EU as Serbia's most important trading partner, accounting for 61.4% of Serbia's total trade in 2020. This share remained stable at 61.2% in the eight months of 2021. Moreover, the EU is by far Serbia's biggest source of foreign direct investments (FDI). The EU investors remain undisputed leaders in Serbia accounting for 68%

of total FDI in 2020. This is a continuation of decade-long trend with the EU investments comprising over 67% of total FDI to Serbia, reaching a total of €17.4 billion in the period 2010-2020.

The significance of the EU funds provided to Serbia is enormous. I would like to mention only several projects for illustration, for instance railway Corridor 10 (Belgrade-Nis-Presevo), the Peace Highway (Nis-Merdare), both vital for enhancing regional connectivity. Furthermore, construction of the gas interconnector or the Serbian leg of the Trans-Balkan Electricity Corridor. All these facts illustrate how the EU and Serbia are deeply interlinked.

How does the EU support Serbia to go further with reforms? One of our key instruments is the European Commission's Annual Report for Serbia that tracks progress in all areas vital for Serbia's EU accession process. The report evaluates state of reforms in relation to political criteria, rule of law and democracy, including economic criteria and the existence of a functioning market economy. It also presents state of play in 35 negotiating chapters. So far, Serbia has opened 18 out of 35 chapters that are divided into 6 clusters based on the revised enlargement methodology. The report indicates to the remaining reforms, consistently following developments year after year. Rule of law remains at the heart of the EU negotiation process.

Another vital tool for jointly planning economic reforms in Serbia is the Economic Reform Programme. It is one of the EU's key tools to monitor economic governance with medium-term macroeconomic projections, budgetary plans for the next three years and a structural reform agenda. The most recent European Commission's assessment of the Economic Reform Programme includes six reform recommendations: maintaining macro-fiscal stability, reducing grey economy, ensuring strong financial sector regulatory framework, improving business environment, developing long-term energy and climate strategy and reducing poverty.

How does the EU support Serbia's sustainable growth? The new Instrument for Pre-accession Assistance (IPA III) for the period 2021-2027 that was recently adopted envisages grants worth more than €14 billion to support candidate countries and potential candidates in key political, institutional, social and economic reforms. It will focus on the rule of law and the respect of fundamental values, strengthening democratic institutions and public administration

reform, promoting economic governance and reforms towards competitiveness.

The IPA III also includes the Economic and Investment Plan for the Western Balkans, aiming to boost the long-term economic recovery of the region, support a green and digital transition, foster regional integration and convergence with the EU standards. The Economic and Investment Plan sets out a substantial investment package worth €9 billion of grants for the region and it is expected to leverage another €20 billion of investments.

The EU plays an important role in driving Serbia's growth. Ranging from support to small and medium sized enterprises, through the push for a more digital future and development of innovative products. With the support of the EU's Horizon 2020 programme and Serbia's Innovation Fund, we supported numerous projects including digital farming and we are on the road to making the Novi Sad-based BioSense Institute a Centre of Excellence.

Another extremely important area for our support is the Green Agenda for the Western Balkans, part of the EU's new development strategy called the Green Deal. The Green Agenda includes: climate action, including decarbonisation, energy and mobility; circular economy; biodiversity; fighting pollution of air, water and soil and finally sustainable food systems and rural areas. Green is the key word for growth, jobs and health. Investing in environment and climate change is an investment for the future because the cost of non-action is much higher.

As you can see from the initiatives that I tried to outline above, there is still a lot of work to be done through reforms and joint projects. I would like to invite the decision makers to make use of these recommendations, as well as available financial resources to improve Serbia's economy and quality of life of its citizens in order to bring the country into the European Union family.

I look forward to seeing all of this happen!

Sincerely,

Emanuele Giaufret

Ambassador of the European Union to the Republic of Serbia