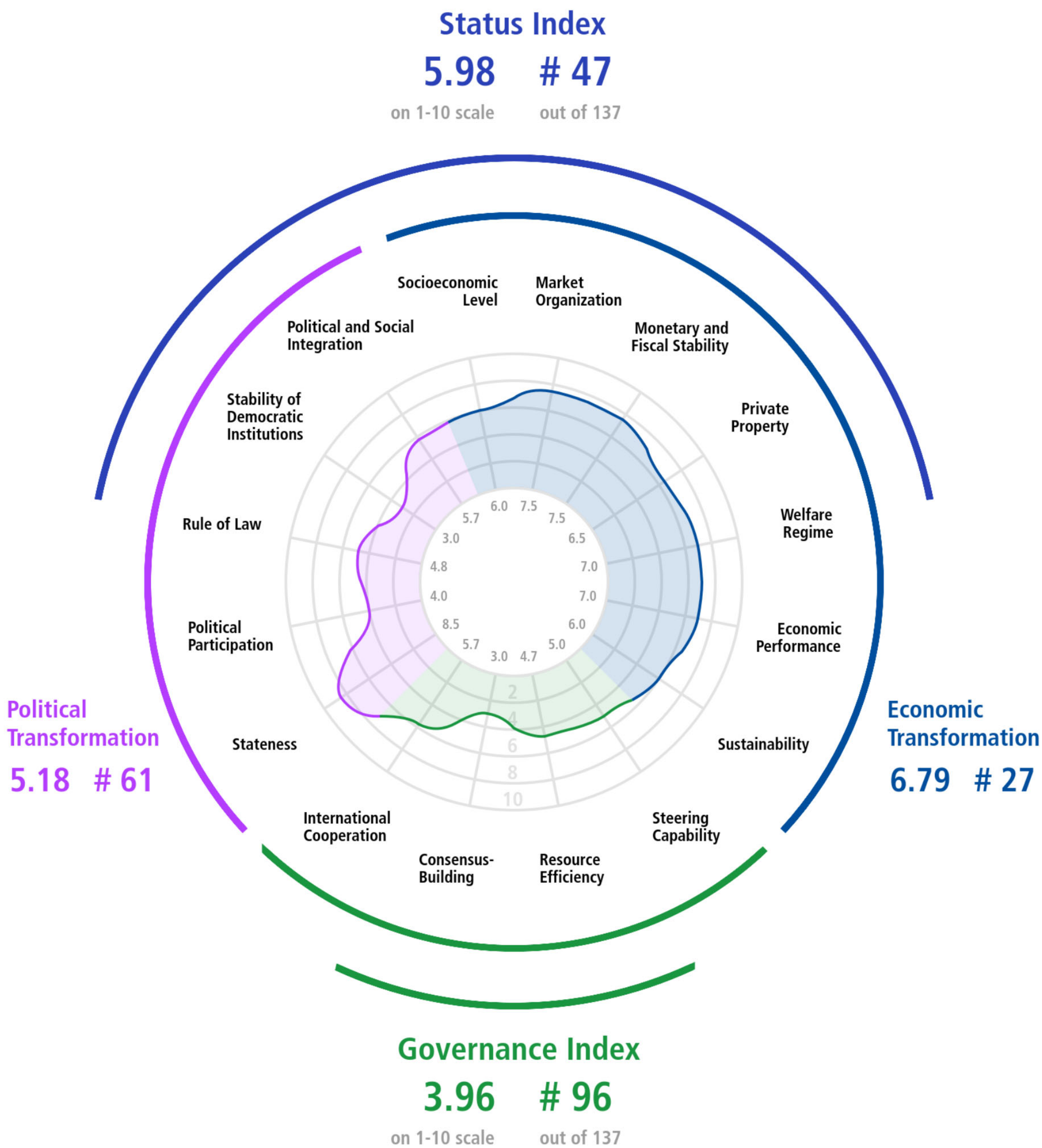
BTI 2026 Country Report

Serbia



This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at https://www.bti-project.org.

Please cite as follows: Bertelsmann Stiftung, BTI 2026 Country Report — Serbia. Gütersloh: Bertelsmann Stiftung, 2026.

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Key Indicators

Population	M	6.6	HDI	0.833	GDP p.c., PPP	$	31867
Pop. growth[1]	% p.a.	-0.5	HDI rank of 193	62	Gini Index		32.8
Life expectancy	years	76.2	UN Education Index	0.806	Poverty[3]	%	2.5
Urban population	%	57.4	Gender inequality[2]	0.117	Aid per capita	$	87.3

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.65 a day at 2017 international prices.

Executive Summary

Democracy in Serbia continued to deteriorate, with a significant decline in electoral conditions, the rule of law and media freedom, and rising political polarization. The economy stabilized somewhat after a turbulent period marred by high inflation, but growth remains driven by public spending, and Serbia remains among European countries at the highest risk of poverty and inequality.

The Serbian political system continues to be dominated by President Aleksandar Vučić and his Serbian Progressive Party (SNS). The president controls the government, parliament and judiciary, despite his largely ceremonial constitutional role. The parliament primarily approves legislation in line with the president’s will. Its proceedings are marred by fierce political exchanges between the president’s loyal majority and the opposition, often ending in insults and physical confrontations. The regime’s manipulation of elections has intensified in recent years. This has led to new opposition boycotts. The government systematically abuses the electoral process, for instance, by splitting local elections into two parts without justification, apparently to allow illegal voter migration – that is, registering voters where they do not reside to influence the results.

The opposition is composed of many political parties and movements that are individually weak and are forced to unite in electoral coalitions. Collectively, the opposition could present a serious challenge to the government, as seen in the 2023 elections, but it is marred by ideological differences and mistrust among party leaders. The opposition faces constant smear campaigns by the government’s propaganda machinery.

Civil society is hampered by frequent government and pro-government media smear campaigns, as well as harassment by the police and secret services, including the illegal use of spyware against critics of the regime. Civil society participation in decision-making is mostly formal, and its recommendations and comments are mostly ignored.

Independent media continue to face challenges, including smear campaigns by the government and pro-government media as well as strategic lawsuits against public participation (SLAPP) aimed at silencing them. The government controls key media regulatory institutions and manipulates the media market in favor of outlets that spread frenzied government propaganda.

Political polarization is increasing as the government and pro-government media accuse most critics of the regime of seeking to destroy Serbia. The political crisis escalated sharply during the student-led anti-corruption protests of 2024/25. The president and his entourage portrayed the protests as a foreign-controlled attempt to stage a “color revolution.”

In 2022, the economy was hit by shock waves – fallout from the Russian invasion of Ukraine and an energy crisis. Mostly due to increased public spending, GDP growth reached 3.8% in 2023 and 3.9% in 2024. Inflation, however, soared to 12% in 2022 and 12.4% in 2023 before dropping to 4.6% in 2024. Public debt also fell, standing at 48.8% of GDP in 2023.

The budget deficit was 2.2% of GDP in 2024, after much higher deficits during the pandemic years. Serbia remains among European countries with the highest risk of poverty, at 28.1% of the population (2022), and has one of the highest levels of inequality in Europe, with a Gini index of 33.1 (2021). Actual individual consumption per capita was 55% of the EU average in 2023. Government involvement in the economy remains substantial. Government spending amounted to 44.8% of GDP in 2023, and almost 25% of the labor force works in the public sector, where wages remain higher than in the private sector.

Some progress has been made in professionalizing and improving the management of state-owned enterprises, but they remain under the government’s control and continue to serve its political interests. The government also continues to favor foreign investors with lavish subsidies.

Serbia’s most important trading partners are the EU member states (60% of total trade) and countries in the Western Balkans. Most exports go to Germany, Bosnia and Herzegovina, and Italy, while the largest imports come from Germany, China and Italy. China’s role as a trading partner has become increasingly important, especially after a free trade agreement took effect in 2024. Relations with neighboring countries are often strained due to historical grievances and bilateral disputes. The country remains officially committed to EU accession, but no progress has been made on EU accession since 2021, when new negotiation chapters were last opened.

History and Characteristics of Transformation

Serbia's transition to democracy and a market economy has been beset by statehood conflicts. The communist successor party, the Socialist Party of Serbia (SPS), led by Slobodan Milošević, won the first multiparty elections in 1990. Whereas Milošević and his allies sought to preserve a federal state, the Slovenian and Croatian leaders wanted their republics to secede. Irreconcilable political aims and nationalist mobilizations led to the collapse of the federation and wars.

Milošević subsequently imposed authoritarian rule over Serbia. He controlled most of the media, manipulated election results and suppressed the political opposition. The regime harshly repressed secessionist tendencies among the ethnic Albanian majority in the nominally autonomous province of Kosovo, whose autonomy was controversially revoked in 1989. In the late 1990s, armed Albanian groups began attacking the Serbian police and army. The regime's harsh response led to human rights abuses and the displacement of hundreds of thousands of ethnic Albanians. In spring 1999, NATO launched a bombing campaign against Serbia with a stated goal of preventing further bloodshed in Kosovo. Serbia's defeat, the deepening socioeconomic crisis, the emergence of a broad alliance of opposition parties, student protests and dissatisfaction among other sections of the population all contributed to Milošević's fall from power in October 2000.

After three months of NATO bombing, Serbia accepted the deployment of the Kosovo Force (KFOR), a NATO-led international peacekeeping force, to take control of the province in June 1999. The U.N. Mission in Kosovo (UNMIK) was established by U.N. Security Council Resolution 1244/1999 to stabilize the postwar situation. Following mass unrest and attacks on Serbs and other minority communities in 2004, the United States and EU member states initiated negotiations between Serbia's government and Kosovo Albanian representatives on Kosovo's future status. After the talks failed, the United States and other major Western states backed an internationally supervised process of independence for Kosovo. In 2008, the Albanian-dominated government in Pristina declared Kosovo's independence, which was subsequently recognized by most Western states but opposed by Serbia, Russia, China and five EU member states. In 2013, Belgrade and Pristina, in talks under the auspices of the European Union, agreed to integrate ethnic Serb-dominated northern Kosovo into Kosovo's legal framework in exchange for Serb autonomy, mainly in the form of the Association of Serb-majority municipalities. This Brussels Agreement paved the way for Serbia to open EU accession negotiations and for Kosovo to reach the Stabilization and Association Agreement (SAA) with the European Union. However, Kosovo has not yet formed the Association of Serb-majority municipalities.

Serbia's integration into the European Union began in 2000, when the European Union and the Federal Republic of Yugoslavia signed the Framework Agreement. In 2009, Serbia officially applied for EU membership, and three years later, in 2012, it was granted candidate status. Accession negotiations began in 2014, and as of 2024, Serbia had opened 22 of 35 negotiation chapters but none since 2021.

After elections in late 2000, opposition leaders Vojislav Koštunica and Zoran Đinđić were elected the Yugoslav president and Serbian prime minister. Internal divisions within the governing coalition slowed progress on economic and political reforms. In March 2003, a criminal gang linked to the state apparatus assassinated Prime Minister Đinđić. Subsequent elections through 2012 resulted in majorities for parties and candidates dedicated to democracy and European integration. In 2006, Serbia adopted a new constitution, and in 2008 the Stabilization and Association Agreement (SAA) was signed with the European Union. The state structure has shifted repeatedly since the breakup of Yugoslavia. From 1992, Serbia and Montenegro formed the Federal Republic of Yugoslavia (FRY), which in 2003 was replaced by a looser, EU-brokered state union with limited powers. That arrangement ended in 2006 after Montenegro voted for independence.

In 2008, a faction of far-right politicians led by Tomislav Nikolić and Aleksandar Vučić left the anti-EU Serbian Radical Party (SRS) and founded the Serbian Progressive Party (SNS), which declared itself supportive of EU integration. The SNS won the 2012 elections and formed a coalition with the Socialist Party of Serbia (SPS), Milošević's former party. Since then, SNS leader Aleksandar Vučić has dominated the Serbian political scene, first as the deputy prime minister (2012 – 2014) and the prime minister (2014 – 2017) and most recently as president (2017 –). Five parliamentary elections, two presidential elections, four provincial elections and numerous local elections took place between 2012 and 2024, all resulting in victories for Vučić and the SNS, which gained power at the national and regional levels and in almost all municipalities.

According to reports from the European Union and other international organizations, democratic standards in Serbia have steadily and sharply declined. Electoral conditions deteriorated significantly, contributing to the emergence of a political crisis and increasing political polarization. The president's abuse of power, rampant corruption and permanent aggressive propaganda continued to provoke widespread protests.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

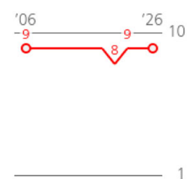
I. Political Transformation

1 | Stateness

Question Score

The Serbian state has a monopoly on the use of force within its territory, except in Kosovo, which Serbia does not recognize as an independent state. Belgrade maintains influence among Kosovo Serbs in areas such as education, health care and employment, and Serb political parties in Kosovo are closely linked to Belgrade.

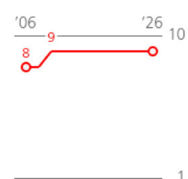
Monopoly on the use of force
9



In Serbia, violent criminal cartels often operate with impunity, and there are many unresolved murders. Investigative journalists have credibly documented links between organized crime groups and elements of the state's security apparatus. Among the best-known examples of the poor performance of the police and the judiciary are the long and inconclusive trials of Veljko Belivuk and his gang of killers, and of the owners of the large Jovanjica marijuana plantation.

The Republic of Serbia is defined in the constitution as a state of the Serbian people and of all citizens who live in it. According to the 2022 census, Serbs comprise the largest ethnic group (80.6%), followed by Hungarians (2.8%), Bosniaks (2.3%) and Roma (2%). The Serbs are singled out as a constitutive ethnic group, and their ethnic identity corresponds to the state's national identity. National minorities are guaranteed extensive linguistic and cultural rights, as well as the right to exercise nonterritorial autonomy through national councils. There are 23 registered national councils, as well as the Federation of Jewish Communities, which exercises this role for the Jewish national minority.

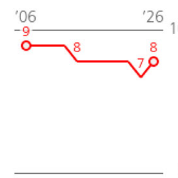
State identity
9



There is no significant separatist presence, only sporadic calls for greater autonomy in regions such as the multiethnic Autonomous Province of Vojvodina and the majority-Bosniak region of Sandžak. The most serious problems with integrating national minorities occur in Albanian-populated parts of southern Serbia due to issues such as Albanian-language education, the ethnic composition of the judiciary and police, and a lack of economic development.

No interference of religious dogmas

8

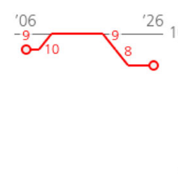


Serbia is constitutionally defined as a secular state, with separation of church and state. Freedom of religion is guaranteed, and the law recognizes seven “traditional” religious communities: the Serbian Orthodox Church (SOC), the Catholic Church, the Jewish community, the Muslim community and three Protestant denominations. A vast majority of Serbian citizens identify as religious, with 81.1% identifying as Orthodox, 4.2% Muslim and 3.9% Catholic, according to the 2022 census.

The SOC is the most influential religious organization, by both number of believers and societal impact. It holds conservative views on LGBTQ+ rights, gender equality and abortion, and strongly promotes Serbian nationalism. The SOC endorses nationalist narratives, including Serb victimization, animosity toward the West and fierce opposition to Kosovo’s independence. Its political influence is bolstered by its strong reputation among Serbians and close ties with political leaders. The SOC’s stance against LGBTQ+ rights led the ruling party to abandon the same-sex partnership law. While the church often supports the government, the state also significantly influences the church.

Basic administration

8



Serbia has a public administration that mostly fulfills its role of collecting and distributing resources and providing services throughout its entire territory. Parts of Serbia’s administration still operate in Serb-dominated areas of Kosovo, whose independence is not recognized by Serbia.

Serbia’s public administration is constrained by limited resources and staffing, corruption, weak rule of law and tight political control over the administration. The unlawful practice of appointing senior officials in an acting capacity for indefinite periods has continued, reinforcing political loyalty to appointing authorities. Public administration is also burdened by fictitious employment of pro-government activists. The deadly collapse of a railway station canopy in Novi Sad in November 2024, which killed 16 people, underscored how systemic corruption undermines the state’s ability to deliver safe infrastructure and erodes public trust in public institutions.

Access to basic services remains uneven. While 97.9% of the population has access to basic sanitation, only 25.3% benefit from safely managed sanitation services, according to World Bank data from 2022. About 95.7% of residents have access to basic drinking water, but only 75.1% receive safely managed drinking water. Electricity access is universal. Water management remains a major challenge: only about 15% of the population is connected to wastewater treatment systems, among the lowest rates in Europe. Serbia also faces serious environmental pressures, including water and air pollution and landfill overcapacity, while recycling accounts for only about 13% of municipal waste.

Mandatory public health insurance covers nearly the entire population, yet access to medical care remains uneven. Long waiting lists in the public system push wealthier patients toward private clinics and supplementary private insurance.

Education is largely publicly funded, with compulsory elementary schooling. According to the 2022 census, 93.3% of the population has completed elementary education, 70.9% has attained a high school education and 16.4% holds a university degree.

2 | Political Participation

Free and fair elections

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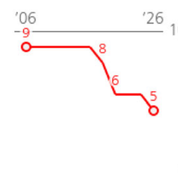

Serbia holds regular elections, but they are primarily an instrument for consolidating political power rather than for democratic change. Since Aleksandar Vučić and his Serbian Progressive Party (SNS) came to power in 2012, there have been five parliamentary elections, four of them snap elections, all held despite stable ruling majorities. The 250 members of the Serbian parliament are elected through a system of proportional representation with a single nationwide electoral unit and a threshold of 3% (lowered from 5% in 2020). The last parliamentary election, in December 2023, was the second snap election in less than two years. Voter turnout of 58.8% in the 2023 parliamentary elections was slightly higher than in 2022 (58.6%), but turnout in the 2024 local elections was significantly lower because several opposition parties boycotted the elections in Belgrade and other municipalities.

Universal suffrage is guaranteed, and voting rights are largely respected. However, numerous irregularities in the electoral process render the elections neither fully free nor fair. The playing field between the government and the opposition is highly uneven, as the government enjoys a substantial media advantage and spends significantly more resources on electoral campaigns. Mechanisms of pressure on voters, such as blackmail of public sector employees or recipients of social welfare aid, are widespread, as are vote-buying schemes. A wholly new electoral irregularity, organized busing of voters from different parts of Serbia or even neighboring countries to influence local election results, was recorded in December 2023.

Electoral administration in Serbia is neither efficient nor impartial, with frequent delays in establishing election results and accusations of vote-rigging. Representatives of electoral lists nominate members of electoral bodies, leading to cases of forged signatures intended to ensure the candidacy of additional pro-government lists. Institutions such as the Ministry of the Interior, the judiciary and the Constitutional Court either contribute to or enable electoral irregularities through inaction.

Priority recommendations by the OSCE Office for Democracy and Human Rights include improving voter lists, preventing undue influence on voters, enhancing the capacity of the electoral administration and ensuring its impartiality.

Effective power to govern

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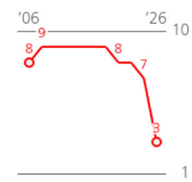


Political power is de facto concentrated in the hands of President Aleksandar Vučić. Despite lacking constitutional prerogatives to do so, Vučić is in practice the head of government and controls the SNS party, which holds the parliamentary majority.

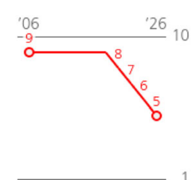
Vučić openly presents himself as the one making all important political decisions. Members of the government, including the premier, refer to him as “the boss.”

President Vučić holds this position because his popular support is significantly greater than that of his party, leaving the party dependent on him to stay in power. Vučić formally stepped down as SNS leader in 2023, but the decision did not affect his role in the party or the government.

Foreign investors exert significant influence over the Serbian government, which often defends their interests through policymaking or by ignoring local environmental and labor laws. For instance, Serbian labor laws were bypassed through a bilateral agreement with China, allowing workers at the Chinese Linglong tire factory to be governed by Chinese laws. Additionally, a special law on linear infrastructure projects was introduced to circumvent public procurement regulations for major projects.

Association / assembly rights

5



The freedoms of association and assembly are guaranteed by the Serbian constitution, but they are not adequately respected in practice. The government often makes arbitrary decisions on freedom of assembly based on its political interests. For example, in June 2024 it banned the “Mirdita, dobar dan!” Serbian-Albanian cultural festival in Belgrade, allegedly due to threats from far-right groups. It did not ensure participants’ security.

The Serbian government’s treatment of anti-government protesters has become increasingly harsh in recent years. The government sends thugs to attack protesters, publicly justifies violence against them, stages violence followed by arbitrary arrests and uses dubious accusations of “calling for a violent overthrow of constitutional order” to discourage further protests. Such practices culminated during the 2024/25 anti-corruption protests, which the government tried to suppress by provoking violence, making arbitrary arrests, mounting smear campaigns and justifying violence against protesters. The suppression escalated significantly in early 2025.

Civic groups are increasingly targeted by smear campaigns on the part of pro-government media and GONGOs, as well as through government spyware.

Freedom of expression
3

The Serbian constitution guarantees freedom of expression and media freedom. However, although censorship is rare, significant constraints on freedom of expression persist in practice. Journalists and independent media are increasingly targets of pressure, smear campaigns or even physical attacks. The Independent Journalists’ Association of Serbia (IJAS) recorded 184 such cases in 2023 and 166 in 2024, representing two of the three worst annual results since 2008. SLAPP lawsuits are increasingly used against independent media.

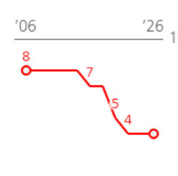
The government continues to influence the media market through public funding to loyal media, including via the state-owned Telekom Srbija; advertising by public enterprises and government contracts; politically motivated allocation of broadcasting licenses; and control of distribution channels, such as cable networks.

The Regulatory Body for Electronic Media (REM) – responsible for issuing broadcasting licenses and supervising electronic media to ensure compliance with relevant laws – is a captured institution controlled by the Serbian government. After deciding to award all four national television broadcasting licenses to pro-government, propagandistic TV stations in 2022, REM indefinitely postponed the decision on the fifth license to prevent its allocation to a government-critical TV station. The mandate of the REM Council expired in November 2024, but the new council was not appointed by the required deadline, and the process was once again marked by delays and the government’s attempt to appoint loyalists to this institution.

Two important media laws were adopted in October 2023 – the Law on Public Information and Media and the Law on Electronic Media – but they did not deliver the desired positive results. They were not properly implemented, and national and local governments found ways to bypass some provisions of the laws, such as rules on public funding.

3 | Rule of Law

Separation of powers
4



The Serbian constitution envisions a separation of executive, legislative and judicial powers with mutual checks and balances. According to the constitution, Serbia is a parliamentary democracy in which the National Assembly should play a key role. In practice, however, political power is concentrated in the hands of President Aleksandar Vučić despite his largely ceremonial constitutional role.

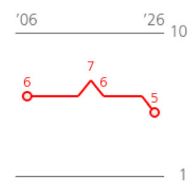
In practice, the parliament is also subordinated to the government, because it usually serves only to confirm the government’s legislative proposals, with no realistic chance for either members of the ruling parties or the opposition to influence important legislation.

A constitutional reform, initiated in late 2021, aimed to increase judicial independence and was largely implemented by 2023. However, these changes have not eliminated the ruling majority’s influence over the appointment of judges or prosecutors, as loyalists were appointed to the High Judicial Council and the High Prosecutorial Council through a backup mechanism.

Serbia’s security sector serves the political interests of the ruling parties and lacks adequate mechanisms for democratic control and oversight. High-ranking party officials are often appointed to lead the Security Information Agency (BIA).

Independent judiciary

5



Serbia ranks 94th out of 142 countries in the Rule of Law Index, down 13 places over the past three years, with the greatest concerns involving constraints on government powers (World Justice Project, 2024).

Judicial autonomy in Serbia is limited by political influences that undermine its independence. The judiciary’s inefficiency also harms citizens’ access to justice. While the average duration of a first-instance criminal trial is 155 days, the average time to a first-instance verdict in civil cases is 472 days (European Commission for the Efficiency of Justice Report 2022). About 30,000 court cases were pending at the end of 2023 (European Commission 2024).

Political influence on the judiciary has remained strong despite a constitutional reform aimed at increasing its independence. The government used a backup mechanism to appoint prominent lawyers to the High Judicial Council and High Prosecutorial Council to maintain influence in these key institutions.

Serbia has 95 courts of general jurisdiction at different levels and 64 courts of special jurisdiction. Prosecution is organized similarly, with 88 public prosecutions at different levels and two with special jurisdiction: the Public Prosecution for Organized Crime and the Public Prosecution for War Crimes.

However, while courts are independent of one another in their work, the prosecution is highly hierarchical. Government loyalists within the prosecution can pressure individual prosecutors who do not fall in line.

The Judicial Academy is the key institution for training judges and prosecutors, and its reform is underway to increase its role in judicial appointments.

Prosecution of office abuse

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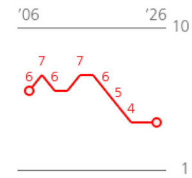


In the Rule of Law Index, Serbia ranks 139th out of 142 countries on the indicator "government officials are sanctioned for misconduct," which is well below the regional or global average (World Justice Project, 2024).

Serbia recently adopted an Anti-Corruption Strategy (2024 – 2028), more than five years after the previous one expired. However, the strategy sets modest ambitions, and the adoption of the accompanying Action Plan was significantly delayed.

Final convictions, new investigations and new indictments in high-level corruption cases increased, according to the European Commission's 2024 report.

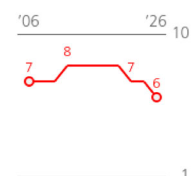
However, a culture of impunity for high-ranking government officials persists, with arrests and indictments occurring only after intraparty political clashes or mass citizens' protests.

A wave of anti-corruption protests swept Serbia in 2024 after the collapse of a recently renovated railway station canopy in Novi Sad, killing 15 people. The protests forced the government to jail some high-ranking officials, though not on corruption charges. As the protests spread, the government launched an anti-corruption campaign in early 2025, but it was perceived as a marketing tool rather than a genuine effort to combat corruption, and it failed to halt the protests.

Investigative media reports that point to cases of corruption are usually ignored, and prosecutors are generally silent or passive when it comes to politically sensitive cases. Whistleblowers often become targets of prosecution despite the legal protection provided for them.

Civil rights

6



The constitution guarantees the protection of basic human rights, and Serbia is a signatory of most of the relevant international documents, including the European Convention on Human Rights. Legislation also bans any form of discrimination.

However, serious problems persist, including discrimination against women, LGBTQ+ people and Roma. The Roma are the most discriminated-against community in Serbia, targeted by hate speech, employment discrimination and violence. Problems persist in housing and education, with school segregation occasionally present.

The number of registered migrants decreased by 82% from 2023 to 2024. Problems persist with access to asylum procedures, and very few migrants apply for asylum in Serbia. Recently, there have been improvements in work permits for asylum grantees and seekers and better access to travel documents for asylum grantees.

Violence against women and femicides remain matters of grave concern, as at least 406 women were killed during from 2011 to 2023. There were numerous homophobic attacks and incidents of discrimination against LGBTQ+ people, with 62 hate crimes and 23 discrimination cases reported in 2023. The Law on Same-Sex Partnerships was not adopted after the president announced in 2021 that he would not sign it. The 2023 Ombudsman Report recorded 83 complaints of discrimination related to gender equality and LGBTQ+ rights and 34 related to national minority rights, representing 1.87% and 0.87% of all cases, respectively.

Problems persist regarding police violence, with numerous credible allegations of physical abuse and torture. Two notable cases in 2024 involved the death of a suspect during interrogation in a child abduction case and the severe injury of a senior citizen in police custody during the 2024/25 anti-corruption protests. Prisons remain overcrowded and in poor condition.

4 | Stability of Democratic Institutions

Performance of democratic institutions

3

Political power is concentrated in the hands of President Aleksandar Vučić, and both the government and the parliamentary majority are de facto subordinate to him. Parliament fails to fulfill its constitutional roles of checking the executive or legislating, as it simply approves the government's legal proposals (in 2024, 87 adopted laws came from the government; only 3 from members of parliament).

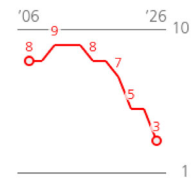
The opposition has no impact on policy whatsoever, and parliamentary debates consist mostly of insults, with the polarized atmosphere deteriorating further because of biased behavior by the parliamentary speaker and discriminatory treatment of opposition members of parliament. Physical altercations are increasingly common. There were signs of normalization of political life in 2022 when the opposition returned to the parliament after a three-year absence, but by 2023 political life had already deteriorated significantly once again.

The SNS holds power at all levels – national, regional and municipal – with only one municipality run by the political opposition. As the country is highly centralized, this dual centralization has led to a situation in which even local governments are controlled by President Vučić. In December 2023, the SNS coordinated mass mayoral resignations to trigger snap local elections and split local elections into two parts, both facilitating electoral manipulation and demonstrating the subordination of local self-governments to the central party.

The government also exerts significant influence on the judiciary, especially the prosecution, which is often instrumentalized for political purposes. Dissenting prosecutors face repercussions ranging from smear campaigns to demotions.

Commitment to democratic institutions

3



The government and the president are publicly committed to democracy, with the president repeatedly stating that his legitimacy comes from the support of a majority of citizens. However, his understanding of democracy is illiberal, defined by the will of the people rather than by the proper functioning of relevant democratic institutions and a culture of dialogue and deliberation. There is no respect for or proper recognition of the opposition's legitimacy; the opposition is often insulted and labeled as wanting to destroy Serbia. Such rhetoric also dominates public discourse, thanks to propagandistic pro-government media. However, there are no relevant openly anti-democratic political or social forces.

Although 52% of Serbian citizens support the concept of democracy and only 22% oppose it, 54% of citizens support having one strong leader to whom everyone would be subordinate. Citizens are equally divided over whether they would choose one or the other – 43% would opt for democracy and 46% for a strong leader. (CRTA 2023).

Voter turnout at the national level is consistently somewhat below 60% (58.8% in 2023, 58.6% in 2022, except for the boycotted 2020 elections), with lower turnout in presidential and especially local elections. However, actual turnout is significantly higher because many registered voters no longer reside in Serbia.

Opposition parties and civil society organizations are the main advocates for the functioning of democratic institutions, with civil society organizations as the main drivers of democratic reform. This role of civil society frequently puts it in the crosshairs of the government and its propagandistic media machinery, which accuses it of being controlled by the opposition or Serbia's external enemies.

5 | Political and Social Integration

Party system

4

Serbian politics is dominated by the Serbian Progressive Party (SNS), which, together with several small satellite parties, usually wins a majority of seats in the national parliament and controls most local self-governments. The party is believed to have more than 700,000 members – more than 10% of the Serbian population – largely thanks to widespread clientelism.

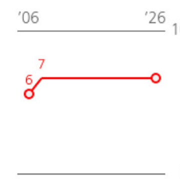
The rest of the party system in Serbia is highly fragmented, with at least 30 parties present in the National Assembly. Opposition parties are individually quite weak, with underdeveloped local branches, and are usually identified by their leaders rather than by ideology. Opposition coalitions change in every election, and voter identification with individual parties is quite weak, as evidenced by large swings in the opposition's election results.

The weakness and lack of rootedness among Serbian political parties are even more evident when one takes into account that President Vučić has been attempting for years to create a new political umbrella movement centered on him personally that would integrate the SNS as well as the SNS's perennial coalition partner, the Socialist Party of Serbia (SPS).

The level of polarization is quite high and continues to increase in 2023 and 2024, with the main dividing line between those who support Aleksandar Vučić’s regime and those who oppose it, while ideological divisions are much less relevant.

Interest groups

7



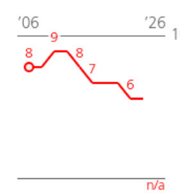
Serbia has a vibrant civil society, with more than 38,000 registered citizens’ associations and with mechanisms in place to ensure the involvement of civil society organizations in policymaking. The National Convention on the European Union (NCEU) brings together more than 700 civil society organizations to contribute to the EU accession process, and the Serbian parliament has an obligation to consult the NCEU in its EU-related legislative activities. However, decision-makers often ignore civil society’s contributions, and critical organizations are frequently targeted by smear campaigns. An increasing number of GONGOs are being formed to simulate civil society’s involvement in policymaking and to confuse the public.

There are many trade unions, and two nationwide representative trade unions participate in the government’s Socioeconomic Council. The impact of these unions on government policies and legislation is limited. Disputes with other unions are frequent, and their actual representativeness is in question. The Serbian Association of Employers, which brings together more than 130,000 employers, also participates in the Socioeconomic Council. Social dialogue is rather weak and simulated, with the government as the only decision-maker. There are several business-sector associations, such as the Serbian Chamber of Commerce, NALED, AmCham and the Nordic Business Alliance.

There are few cooperative initiatives across sectors. Trade unions have, on some occasions, stepped into the political arena, and there is sporadic cooperation between businesses and civil society organizations.

Approval of democracy

n/a



Serbian citizens are largely ambivalent toward democracy: they support democracy as a concept (52%) but also support the idea of a single strong leader to whom everyone would be subordinated (54%, Center for Research, Transparency and Accountability, CRTA 2023). When forced to choose between the two, 43% would opt for democracy and 46% for a strong leader.

According to the same survey, 25% are satisfied with how Serbian democracy works and 45% are dissatisfied. For the Serbian government, 35% are satisfied and 37% are dissatisfied. Dissatisfaction with parliament is most significant. Only 21% are satisfied with the work of parliament, while 44% are dissatisfied. In addition, 72% of citizens believe that members of parliament care more about the interests of their parties than the interests of citizens, and 64% believe that they tarnish parliament’s reputation with their behavior.

Only 45% of citizens believe they can change the situation in their country through voting in parliamentary elections, and 44% believe they can do so through voting in local elections (CRTA 2024). This is a sharp drop of 10% and 12%, respectively, in just one year.

Social capital
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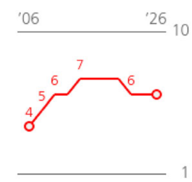


Serbia ranks among the countries with the lowest interpersonal trust in Europe (European Social Survey 2023) and has by far the worst result on the question of whether people look out for themselves or try to be helpful, with 17.5% expressing an extremely distrustful stance. Ethnic distance between Serbs and national minorities remains an issue, especially regarding Albanians and Roma (Institute of Social Sciences 2020).

More than 38,000 citizens' associations are registered in Serbia, but citizens generally hold negative views of civil society organizations' work. Only 37% believe that non-governmental organizations protect public interests and drive societal change, while 26% see them as foreign funded and as representing external interests (CRTA 2024). Citizen activism is low, with 39% taking no action for societal change and only 16% believing that engagement with citizens' associations can make a difference.

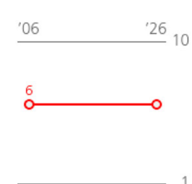
While distrust toward civil society organizations and political parties remains an issue, Serbian society has shown greater social mobilization at critical junctures, such as mass protests and natural disasters. The anti-corruption protests following the Novi Sad railway station collapse in 2024 led to massive social mobilization, spreading to more than 400 localities and drawing historically large crowds. When university student protests erupted in late November, they quickly spread to high schools and elementary schools and gained widespread support from other social groups, who also joined the protests. The broader society mobilized to assist students in their university blockades and marches across the country, leading to two one-day general strikes in early 2025.

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Socioeconomic barriers
6



Serbia had a Human Development Index (HDI) of 0.805 in 2022, ranking 65th among 193 countries in the very high human development category. The loss in HDI due to inequality was 8.1%, resulting in an Inequality-adjusted HDI (IHDI) of 0.740, placing Serbia 54th globally (UNDP).

The poverty rate in Serbia was 2.5% in 2021, showing a significant reduction over the past decade (World Bank). However, Serbia had one of the highest shares of people at risk of poverty or social exclusion in Europe, at 28.1% in 2022, compared with the EU average of 21.8% (Eurostat). Those most at risk include people 65 and older and households with three or more children.

Serbia's Gini index score was 33.1 in 2021 (World Bank), and its S80/S20 income quintile share ratio was 5.54 in 2022 (Eurostat), placing it among the dozen most unequal European countries.

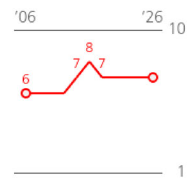
Significant structural inequalities persist, including large regional income disparities and the concentration of economic activity in major cities, especially Belgrade. Roma face significant employment discrimination and have a much poorer socioeconomic position than the general population. Serbia's Gender Inequality Index was 0.119, ranking 36th of 166 countries (UNDP 2024).

Economic indicators		2021	2022	2023	**2024**
GDP	$ M	66159.9	66797.6	81342.7	**89083.5**
GDP growth	%	7.9	2.6	3.8	**3.9**
Inflation (CPI)	%	4.1	12.0	12.4	**4.7**
Unemployment	%	9.8	8.4	8.3	**7.4**
Foreign direct investment	% of GDP	7.0	6.9	6.1	**6.3**
Export growth	%	20.4	17.0	2.7	**3.2**
Import growth	%	17.7	16.2	-1.6	**8.3**
Current account balance	$ M	-2654.4	-4457.0	-1947.1	**-4311.9**
Public debt	% of GDP	53.6	50.9	45.7	**44.5**
External debt	$ M	41166.0	44479.3	49000.1	**-**
Total debt service	$ M	5653.9	5716.1	6063.4	**-**
Net lending/borrowing	% of GDP	-8.0	-3.1	-	**-**
Tax revenue	% of GDP	19.7	23.9	-	**-**
Government consumption	% of GDP	18.8	18.4	17.1	**17.8**
Public education spending	% of GDP	3.1	3.1	3.4	**-**
Public health spending	% of GDP	6.3	6.0	-	**-**
R&D expenditure	% of GDP	1.0	1.0	1.0	**-**
Military expenditure	% of GDP	2.3	2.7	2.9	**-**

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Market organization
7



The institutional framework for a market economy is largely in place in Serbia, with the private sector contributing about 70% of GDP and employment. However, the state remains a significant actor through market regulation and state-owned enterprises (SOEs). Public sector salaries are higher than those in the private sector, though the gap is narrowing.

SOEs play a crucial role in strategic sectors such as energy, telecommunications and finance. They are often subject to political control, rely on government subsidies and employ 6% of the workforce. The government adopted the Strategy on State Ownership and Management of SOEs (2021 – 2027) and a new Law on SOE Governance (effective 2024) to improve management and corporate governance, but reforms have not been fully implemented.

Starting a business is relatively easy, but red tape, inefficient public administration, corruption and political interference hinder the business environment. Progress has been made in electronic services and e-governance, but the system remains inefficient.

Informal employment is 17.8%, with higher rates among women (19.3%) than men (16.6%) (ILO 2023). The rate is highest in agriculture, where it exceeds 50%. In other sectors, high taxes and contributions on the lowest salaries drive informal employment.

Most prices are market-determined, but some, such as energy, are regulated. In response to the 2022 inflation crisis, the government froze prices for basic foodstuffs, such as flour, sugar, milk and sunflower oil, with only limits on flour prices still in effect in 2025. The government also regulates gasoline and diesel prices and adjusts them weekly.

Serbia has made progress in liberalizing capital movements but retains certain restrictions. Citizens are prohibited from opening accounts abroad except in very specific circumstances, and all transactions from abroad must be disclosed. Foreign ownership of land, especially agricultural land, is restricted. Foreign entities are also legally prohibited from owning land. The national currency, the Serbian dinar (RSD), is convertible. There are administrative barriers to financial transactions, but Serbia is making progress toward membership in the Single Euro Payment Area (SEPA), which would reduce the costs of financial transactions in euros.

Competition policy
6

The legal framework for competition is largely in place and broadly aligned with EU standards. Further reforms to implementing legislation are needed to achieve full alignment with EU standards.

The Law on Competition established the Commission for Protection of Competition in 2005 as an independent institution responsible for upholding antitrust regulations. The Commission is a member of the International Competition Network (ICN). However, the Commission is generally passive, making very few decisions regarding competition infringements or abuse of a dominant position. Despite a threefold increase in fines issued from 2022 to 2023, its passivity and lack of transparency remain a problem.

State aid remains a significant problem for competition because there is politically motivated support for state-owned enterprises (SOEs) and a policy of large subsidies and tax cuts for foreign investors. State aid is not fully transparent and is sometimes provided without the approval of the Commission for State Aid Control, another independent institution envisioned by the Law on State Aid.

There are no commercial monopolies, even though cartelization remains a problem and SOEs have dominant roles in certain strategic areas, such as electricity and railway freight transport. Progress toward liberalization has been slow in recent years.

The food retail sector is highly concentrated, leading to high consumer prices that have significant negative consequences for living standards. In October 2024, the Commission for Protection of Competition launched proceedings against four major supermarket chains for price collusion. Despite this, boycott campaigns against the chains began in early 2025.

Liberalization of foreign trade
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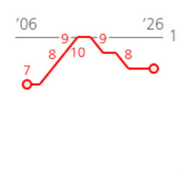

Serbia's trade is largely liberalized, with an average most-favored-nation tariff rate of 7.3% and a weighted average of 6.4% (World Trade Organization 2023). Serbia has free-trade agreements with the countries of the Western Balkans and Moldova (Central European Free Trade Agreement – CEFTA), the European Union, EFTA, the Eurasian Economic Union (EAUE), Türkiye and – since 2024 – China. Serbia's most important trading partners are the European Union (60% of total trade) and CEFTA. The most important countries for exports are Germany, Bosnia and Herzegovina, and Italy, while the largest imports come from Germany, China and Italy (European Commission, Serbian Chamber of Commerce 2023).

In addition to CEFTA, a regional free-trade zone, Serbia is actively involved in the Berlin Process of regional cooperation and its project to establish the Common Regional Market (CRM) in the Western Balkans. Previously, Serbia promoted the Open Balkan regional cooperation project (formerly known as Mini-Schengen) with Albania and North Macedonia, under which it reached and implemented several agreements.

Serbia is still not a member of the World Trade Organization (WTO) because it has banned the production and trade of genetically modified organism (GMO) products. WTO membership remains a requirement for Serbia in the EU accession process.

Some non-tariff trade barriers remain, including certain import and export quotas. Because Serbia is largely surrounded by the European Union and the Schengen Area, long lines at borders are a significant obstacle to free trade. The establishment of “green corridors” for transport of essential goods and progress in establishing integrated border crossings with Western Balkan neighbors have improved the situation somewhat, but the problem remains significant.

Banking system

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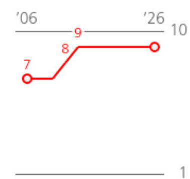


Serbia’s banking system is stable, and banks are adequately capitalized. The central bank (NBS) supervises the banking sector and ensures compliance with international Basel standards. Serbia has fully implemented Basel III standards since 2015. The NBS Average prescribes disclosure rules that are largely in line with international and EU standards.

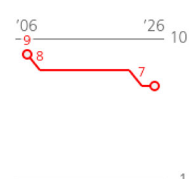
The NBS sets hard budget constraints, including requirements for capital adequacy and liquidity. The monthly liquidity ratio must be at least 1, but it is regularly above 2. The capital adequacy ratio was 21.9% in October 2024 – much higher than the required 8% – while the percentage of non-performing loans (NPLs) was at a historic low of 2.7% in November 2024. Bank net-balance assets were measured at 81% of GDP in 2021. Reforms are underway to create a bank restructuring fund, which will be financed from banks’ deposits. The banking sector in Serbia remains profitable, with almost all banks reporting profits.

Twenty banks currently operate in Serbia, most of which are foreign-owned, largely from EU member states such as Austria, Italy, Slovenia and Hungary. There are only a few Serbian-owned banks, including two small state-owned banks. The largest state-owned bank, Komercijalna banka, was privatized in 2020.

8 | Monetary and fiscal stability

Monetary stability

7



The National Bank of Serbia (NBS) is legally obligated to maintain price stability and uses an inflation-targeting policy to do so. The NBS also ensures exchange-rate stability. It does so by adjusting interest rates, conducting open-market operations and trading in foreign currencies. In practice, protection of the exchange rate has been much more successful than the management of inflation. In practice, the NBS is heavily influenced by the government and is subordinate to its political goals. Its governor is a former high-ranking ruling party figure.

Inflation was relatively low between 2014 and 2020, but the CPI rose to 12% in 2022 and 12.4% in 2023, largely because of the economic fallout from the Russian invasion of Ukraine and the simultaneous energy crisis (World Bank). In 2024, inflation fell to 4.6% (National Statistical Office 2024).

The NBS employs a managed floating exchange rate policy for the Serbian dinar (RSD). There has been very little exchange rate fluctuation since 2019 relative to the euro, with the rate practically fixed at around RSD 117.5 per euro. The NBS's foreign currency reserves are high, amounting to around 37% of GDP in December 2024. The policy of keeping the exchange rate stable and overvalued benefits imports at the expense of exports, nominally increases GDP and reduces external debt.

Fiscal stability

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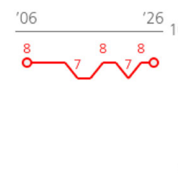

Serbia's government spending was 44.8% of GDP in 2023 – down from previous years – and peaked at 49% of GDP in 2020. This remains somewhat higher than pre-pandemic levels from 2015 to 2019 (Serbian Ministry of Finance). Government consumption was 15.9% of GDP in 2023, marginally lower than in previous years (World Bank).

Public debt was 48.8% of GDP in 2023, down from 53.5% in 2022, below pre-pandemic levels and significantly below the 2015 peak of 69.9% (IMF). Serbia's external debt was $44 billion in 2022, somewhat higher than $41.1 billion in 2021, and total debt service was $5.7 billion in 2022 (World Bank).

The net lending/borrowing ratio in 2022 was -2.7% of GDP, a significant reduction from -4.1% in 2021 and from the 2020 peak pandemic level of -7.5%, but still significantly higher than the last few pre-pandemic years (World Bank). Budget deficits decreased from 8.3% in 2020 to 2.2% in 2024 (National Bank of Serbia). In 2023, the account balance stood at -$1.95 billion, while total reserves were $24.9 billion (World Bank).

According to fiscal rules in the 2022 law on the budget system, there can be no budget deficit if public debt exceeds 60% of GDP. The deficit can be up to 0.5% if debt is between 55% and 60%, and up to 1.5% if debt is between 45% and 55%. If public debt is below 45% of GDP, deficits of up to 3% are allowed. However, these fiscal rules were already breached in 2022 with no consequences.

Serbia received a BBB- credit rating with a stable outlook from Standard & Poor in October 2024, giving the country an investment rating for the first time. Moody's credit rating is Ba2 with a positive outlook, while Fitch's rating is BB+ with a positive outlook. These improvements in credit ratings stem from fiscal stability and positive expectations for the next several years, with expected benefits for foreign investments and lower costs of debt.

Fiscal stability is threatened by high levels of public investment (7.4% of GDP in 2025), especially in the EXPO 2027 project, which the government prioritizes, allocating about €700 million in both the 2024 and 2025 budgets. These allocations contributed to budget deficits and public debt and overshadowed investment in other areas.

9 | Private Property

Property rights

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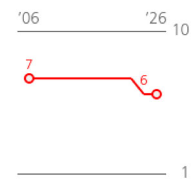

The legal framework for the protection of private property is largely in place. However, inefficiency in the judiciary, corruption and political pressure on the judiciary and the police mean that private property is not as well protected as it should be.

The government often disregards private property in pursuit of politically important projects. In the infamous Savamala case in April 2016, armed thugs associated with the ruling party demolished private property in central Belgrade at night to make way for a government-sponsored construction project, the Belgrade Waterfront. The police refused to intervene; the project later went ahead, and the culprits were never identified. A special law on EXPO 2027 was adopted in October 2023, bypassing the relevant law on expropriation. Previously, a change to the law on expropriation, believed to be connected to the Jadar lithium mine project, was revoked in 2021 after mass protests.

Bankruptcy resolution remains inefficient, and personal bankruptcy for private individuals and entrepreneurs is not allowed. The work of enforcement officers has been highly controversial because of numerous cases of private property being seized without proper legal remedies for debtors, accusations of corruption, the unilateral setting of service costs and overly broad powers.

There are significant problems with the legalization of buildings because five million buildings (according to 2018 estimates) were built without building permits. The government allowed the legalization of all illegally built structures erected before 2018 under basic conditions, but the process has been significantly delayed, with an estimated 1.5 million yet to be legalized. Illegal construction and corruption in legalization remain problems, and stories by investigative journalists about these issues often have no legal outcome.

Restitution of property nationalized under the socialist regime is ongoing, but the return of physical property has largely been completed. As of August 2022, more than 700,000 square meters of objects and 118,000 hectares of land had been returned to rightful owners. Property that could not be physically returned is compensated financially, often at a value below its current worth. In the 14 years since the Agency for Restitution was created, about €270 million has been spent on compensation for nationalized property. More than 70,000 restitution requests have been filed, and about 40,000 citizens are entitled to financial compensation.

Private enterprise

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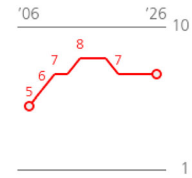

Private enterprises remain the main drivers of the Serbian economy, and a majority of employees work in the private sector (70%). The government made significant efforts to attract foreign investment, including substantial subsidies and tax cuts. The level of foreign direct investment in 2024 was €5.1 billion, a record. In 2023, around 20% of all employees worked for EU companies. As of January 2025, there are more than 350,000 registered entrepreneurs in Serbia, more than 5% of the total population. However, despite some progress in previous years, public sector salaries remain higher than those in the private sector.

State-owned enterprises (SOEs) play an important role in the Serbian economy, especially in sectors such as energy, telecommunications and transportation. In 2023, there were at least 527 SOEs, of which 164 posted losses in 2022 that outweighed the profits of the rest. The most profitable SOE was the Oil Industry of Serbia (NIS), while the biggest losses were recorded by the electric utility Elektroprivreda Srbije (EPS). There have been some steps toward privatization of SOEs in recent years, but no major privatizations have occurred. Serbia began transforming SOEs into limited liability companies (LLCs) and joint-stock companies (JSCs), and in 2024 designated 42 SOEs of national interest, 75 SOEs of special interest and another 15 with minority state ownership for centralized ownership management.

Privatization in Serbia is largely complete, but the deadline for completing the process has been extended to 2027. As of January 2025, 46 companies were undergoing privatization, and progress was very slow. Privatization has been marked by a lack of transparency, numerous single-bidder cases and frequent allegations of corruption. The 24 problematic privatizations flagged by the European Union in 2012 remain largely unresolved.

10 | Welfare Regime

Social safety nets

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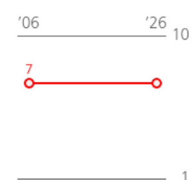

Social safety nets in Serbia are based on mandatory contributions to health care, retirement insurance and unemployment insurance, which are deducted from gross income. Since these contributions do not cover the entire cost of these services, they are also supported by the government's budget. The average pension in May 2024 was about 45.6% of the average net salary. The retirement age was 65 for men and 63 years and 8 months for women, with a trend toward equalization over time. Retirement benefits are not universal, as at least 15 years of employment are required, leaving an estimated 150,000 senior citizens without pensions. Pension increases are based on growth in consumer prices and average net salaries, following the "Swiss model plus." Unemployment benefits are low and only available for 12 months.

The pension system is increasingly strained by a low fertility rate and mass emigration. Serbia's population shrank from 7.2 million in 2011 to 6.6 million in 2022. The average age of citizens was 43.8 years, an increase of about 1.5 years since

2011. Average life expectancy in 2022 was 75.5 years (World Bank), similar to other countries in the region. To ensure the long-term sustainability of the pension system, a rule was added in 2022 to limit pension growth by linking it to the share of GDP used for pensions.

The health care system continues to be inefficient and expensive. Public spending on health accounted for 6.3% of GDP in 2021 (World Bank), somewhat less than in most other former Yugoslav countries. However, total health expenditure was more than 10% of GDP in 2021. More than 35% of these funds come from payments by citizens. The public health care system is overburdened, lacks both equipment and personnel and often has long waiting lists, forcing many patients to turn to private clinics instead.

Social assistance is low and does not cover basic needs. Welfare for one person is less than half the poverty risk threshold, and a family of two adults and one child receiving welfare cannot cover even 40% of the minimum consumer basket. Any income individuals earn is deducted from social assistance.

Equal opportunity
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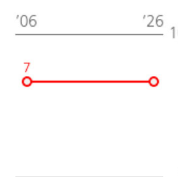

The Serbian government has adopted several strategic documents dedicated to achieving equality: Strategy for Gender Equality (2021 – 2030), Strategy for the Social Inclusion of Roma (2022 – 2030), Strategy for Prevention and Protection from Discrimination (2022 – 2030). The new Law on Gender Equality and amendments to the Law on the Prohibition of Discrimination were adopted in 2021, but the Constitutional Court suspended some elements of the former in 2024. The Law on Same-Sex Partnerships was drafted at the initiative of the Ministry for Human and Minority Rights for Social Dialogue but was withdrawn from procedure after the president of Serbia announced he would not sign it.

Most complaints to the Commissioner for Protection of Equality in 2023 involved discrimination based on age, disability, ethnicity, sex and marital status. The complaints primarily concerned work and employment, followed by administrative procedures, education, public services, health care and media.

Serbia’s gender equality scores have improved recently. The Gender Inequality Index reached 0.119, ranking it 36th among 166 countries (UNDP 2024). Serbia scored 58 points on the Gender Equality Index in 2021, marking significant progress over five years (EIGE 2021). Serbia ranked 26th of 146 countries, according to the Global Gender Gap Report 2024, which measures economic participation and opportunity, education, health and political empowerment.

Women’s political representation has improved, partly due to a 2020 law requiring that 40% of places on electoral lists be reserved for the under-represented gender. Literacy is virtually universal among men and women. The female-to-male enrollment ratio is 1.0 in primary and secondary education and 1.3 in tertiary education. Women accounted for 45.5% of the labor force in 2023, a modest increase over the last decade (World Bank 2024).

Roma continue to face severe discrimination and have a significantly worse socioeconomic position than other ethnic groups or the general population. While 96% of Roma children attend elementary school, only 84% enroll in secondary education (UNICEF 2024). Only about 1% of Roma have a university education. Their life expectancy is much lower than that of the general population, and they struggle to find employment.

There is also significant discrimination based on political affiliation – ruling-party membership is crucial for employment in both the public and private sectors.

11 | Economic Performance

Output strength

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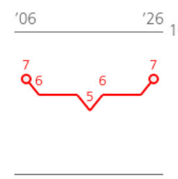


Serbia’s GDP grew 3.9% in 2024 (National Bank of Serbia), continuing recovery and stabilization after the COVID-19 pandemic. Serbia’s GDP per capita (PPP) was $28,674 in 2023, nearly double the 2013 figure (World Bank). Economic growth was driven by construction and increased domestic demand. Foreign direct investment in 2023 was 6.5% of GDP, consistent with previous years (World Bank 2024). It reached a record high of €5.1 billion in 2024. Gross capital formation was 21.4% of GDP in 2023, while the account balance was -$1.95 billion (World Bank). Despite these gains, Serbia struggles to enter the high-income category due to low innovation and local private investment, with most investment coming from the state or foreign investors using state subsidies.

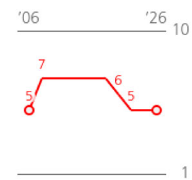
Unemployment has declined significantly, dropping to 8.7% in 2023 from a peak of 22.2% in 2013 (World Bank 2024). This decline is due to rising employment levels and a decrease in the working-age population. Employment in the third quarter of 2024 was estimated at 51.9%, marking significant growth. Youth unemployment also fell to 20.2% in the second quarter of 2024. The not in employment, education or training (NEET) rate for young people ages 15 to 29 was 15.2% in 2023, down from 18.9% in 2019.

Inflation has been a major issue since 2022, exacerbated by an energy crisis and the economic fallout from the Russian invasion of Ukraine. One-time pandemic relief funds also contributed. The consumer price index (CPI) rose to 12% in 2022 and 12.4% in 2023 after remaining low since 2014 (World Bank). In 2024, the CPI dropped to 4.6% (National Statistical Office 2024). The government prioritized maintaining the exchange rate over controlling inflation and sought to curb price growth by fixing prices on some key products in 2023, but these measures had limited impact. Rising consumer prices led to a boycott of large supermarkets in January 2025.

12 | Sustainability

Environmental policy

5



Serbia has largely established its legal framework for environmental protection. Recently, it adopted key laws such as the Law on Climate Change (2021), the Law on Environmental Impact Assessment, the Law on Strategic Environmental Impact Assessment and a new Law on Environmental Protection (all in 2024), aligning its regulations more closely with EU standards. Work is ongoing to adopt the Strategy for Environmental Protection – Green Agenda of Serbia (2024 – 2033).

However, implementation remains a significant issue because of limited administrative capacity, insufficient funding and a lack of political will. Consequently, substantial problems persist in environmental protection despite formal progress toward EU standards.

The Ministry of Environmental Protection's budget increased to RSD 21.7 billion in 2024, compared with around RSD 14 billion in 2023 and 2022. Total expenditure on environmental protection has also grown slightly in recent years, with RSD 78.4 billion spent in 2023. However, this remains well below the levels set out in strategic documents and those required to meet the desired standards. This represents only 0.9% of GDP (National Statistical Office) and is several times less than the funds collected from environmental taxes. The Green Fund to finance reforms in the area of environmental protection has not yet been established, making it difficult to assess how much of the funds raised through such taxes was actually spent on environmental protection.

Air pollution remains a serious issue, and PM2.5 particles account for an estimated 15,000 deaths annually. The government has increased the number of air pollution monitoring stations, but some larger cities still lack them. In many cities, air pollution exceeds legal thresholds for more than 35 days a year, and Belgrade often ranks among the most polluted cities in the world. Problems also persist in groundwater management, including pollution and unregulated construction.

The level of environmental consciousness among citizens remains low, but ecological concerns have led to mass mobilization and protests in recent years. This is especially true of the planned Rio Tinto lithium mine in the Jadar Valley in western Serbia. Protests in 2021/22 forced the government to cancel the project, but the Constitutional Court annulled the government's decision in summer 2024. Serbia and the European Union also reached a memorandum on a strategic partnership on sustainable raw materials, battery production chains and electric vehicles in July 2024. Mass protests once again erupted throughout Serbia, and the mine's future remains uncertain. There have also been frequent protests against dangerous landfills and small hydroelectric power plants that threaten river ecosystems.

Education policy / R&D

7

Public expenditure on education fell to 3.2% of GDP in 2022, lower than in most countries in the region (World Bank). The Strategy for Development of Education by 2030 acknowledged failure to meet the previous goal of increasing public expenditure to 6% by 2020 and recommended that spending increase or at least not decrease.

Protests and strikes by teachers are frequent, driven primarily by low salaries that are below the national average and well below average public sector salaries for similar levels of education.

Serbia's U.N. education index stood at 0.786 in 2022, representing an improvement in the past 10 years (UNDP). Primary school enrollment was 95% in 2018, while secondary school enrollment was also 95% in 2022 (World Bank). The literacy rate was 99% in 2019, similar to other countries in the region.

The tertiary education enrollment rate has consistently increased over the past two decades and reached 72% in 2023. Among people ages 30 to 34, only 38.2% have completed tertiary education, below the EU average (43.9%), though the gap is narrowing. There are eight public and nine private universities; 83.7% of students are enrolled in public universities (National Statistical Office 2023). There are also dozens of public and private colleges, but they enroll significantly fewer students. The University of Belgrade is the most prominent and has ranked between 300 and 500 in the Shanghai rankings in recent years.

Universities found themselves at the center of the 2024/25 anti-corruption protests when students blocked more than 80 colleges. The students received support from many universities and colleges, many of which also went on strike. The protests also spread to high schools and elementary schools, almost paralyzing the entire educational system, and received widespread support from the wider society.

R&D expenditure was 1% of GDP in 2021/22, representing a slight rise from previous years. This is higher than in other countries in the Western Balkans, apart from Croatia and Slovenia, but well below the EU average (2.27% in 2021, World Bank). The business sector accounts for 44% of gross investment in R&D, tertiary education for 30% and the government for 26% (National Statistical Office).

Serbia ranked 22nd among 132 economies in the Global Innovation Index 2023, with only slight changes over the last several years. Serbia filed 244 patent applications in 2023, ranking 74th in the world in this category (World Intellectual Property Organization).

Governance

I. Level of Difficulty

Structural constraints

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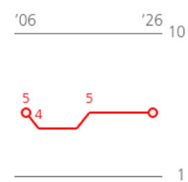


Despite economic growth in the past several years, poverty remains a significant problem. Wages and the employment rate have grown, but high inflation after 2022 – especially in basic foodstuffs – has dealt significant blows to living standards. High levels of poverty and the risk of poverty create dependency among many citizens on the government and ruling-party giving, creating ample space for political corruption. There are examples of welfare recipients being forced to vote for the ruling party.

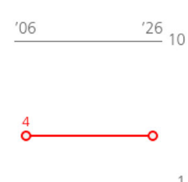
Autocratic behavior by the government has eroded trust in democratic processes, causing political and social instability, limiting public debate and undermining the possibility of democratic change in government. The unresolved issue of Kosovo also remains a source of instability and nationalist mobilization.

Serbia is experiencing sharp demographic decline, driven by both low birthrates and mass emigration. The population fell from 7.2 million in 2011 to 6.6 million in 2022. There is already significant migration to the European Union. Germany, Czechia and some other EU countries have largely opened their labor markets to the so-called Western Balkan countries. On the other hand, Serbia has begun employing foreign workers, mostly in low-paying jobs.

Natural disasters such as floods, droughts and forest fires are occurring more frequently due to climate change, and relevant institutions often fail to respond adequately. Serbia is landlocked, which affects its economy and limits its strategic choices.

Civil society traditions

4



Serbia has a vibrant civil society with roots in dissent against communist rule and in the struggle against Slobodan Milošević in the 1990s. Since then, civil society organizations have become more professionalized and specialized, taking an active role in the EU integration process. There are more than 38,000 registered civil society organizations in Serbia.

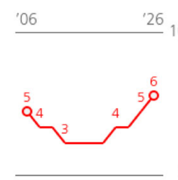
However, civil society organizations working on democracy and reconciliation have also traditionally been targets of smear campaigns, echoing accusations from the 1990s that they are “traitors” and “foreign mercenaries” working against Serbia’s interests. Such narratives have been present over the past three decades but have become dominant again under the regime of Aleksandar Vučić. This negative image hampers their outreach within wider society.

GONGOs have become more prevalent, founded to simulate public debate, support the government's policy proposals and extract public funds designated for civil society organizations. GONGOs are also often used to conduct smear campaigns against government-critical NGOs, activists or opposition parties.

Serbia has a strong tradition of large, peaceful anti-government protests dating to the 1990s and the struggle against Slobodan Milošević. Such protests have become more common in recent years in response to the increasingly authoritarian government of Aleksandar Vučić. These waves of protest have grown in size each time, with the two largest protest movements being the Serbia Against Violence protests in 2023, after two mass shootings, and the anti-corruption protests in 2024/25, following the collapse of the railway station canopy in Novi Sad. There is also a tradition of student-led political protests, which demonstrates significant potential for societal mobilization.

Conflict intensity

6



Political polarization in Serbia is high, with the government led by the Serbian Progressive Party (SNS) since 2012 and an ideologically diverse opposition. The government accuses the opposition of attempting to sow chaos and destroy the country, while the opposition views President Vučić as a dictator and government officials as criminals who should be prosecuted.

This polarization is driven mostly by the government's autocratic behavior and aggressive rhetoric against critics, amplified by large propagandistic media machinery controlled by the government. Critics are often slandered and branded as traitors and enemies of the state.

There were two largely unsuccessful phases of EU-mediated interparty dialogue from 2019 to 2022. Polarization increased after mass protests in 2023, ending any dialogue initiatives. Society is polarized along the same lines, and voters rarely shift between the government and the opposition.

However, the main ideological division does not align with the main political divide, as society is split between progressive liberals and nationalist conservatives. This polarization often centers on views of Milošević's rule and the 1990s wars. The government-opposition divide cuts across this, even though the SNS-led government is rooted in conservatism and most of the opposition is rooted in progressivism.

Mass protests have become commonplace in recent years. In 2023, large Serbia Against Violence protests erupted following two mass shootings in May. In 2024, there were protests against the Rio Tinto lithium mine. In winter 2024/25, students protested following the collapse of the railway station canopy in Novi Sad. These led to an unprecedented mobilization of many societal groups, such as university and high school students, teachers, farmers and lawyers, and demonstrated the society's huge capacity to mobilize for societal – albeit not strictly political – causes.

Violent acts mostly occur when the government orchestrates them to discredit the protests. When students were attacked during the 2024/25 protests, the attacks prompted a strong societal reaction against the violence. No political figures or journalists have been killed in Serbia for more than 20 years (excluding Kosovo), and the last death of a demonstrator occurred in 2008.

II. Governance Performance

14 | Steering Capability

Question Score

Prioritization

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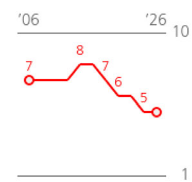

The National Development Plan has yet to be adopted by the national parliament, despite the deadline for this action expiring on January 1, 2020, according to the Law on Planning System (2018). The drafting of this strategic document, to be adopted for a period of 10 years, was initiated by the Serbian government in 2023. There was some progress on development plans for local self-government and the Autonomous Province of Vojvodina. The development plan for Vojvodina was adopted in 2023 for a seven-year period until 2030.

Serbia's strategic priorities depend on the political interests of the president and his party. The government continues to rely on ad hoc political strategic documents that do not explain why certain goals are chosen. In January 2024, the Serbian president presented the Serbia 2027 – Jump into the Future plan, which sets six priorities: raising the standard of living, modernization, infrastructure development, industrialization, agriculture, and the environment and the EXPO 2027 project. The plan envisions investments of about €17.8 billion, representing about a quarter of Serbia's GDP. The government adopted a special law for EXPO 2027, excluding this project from the Law on Public Procurement, prompting criticism due to significant potential for corruption.

The Serbian government, which took office in May 2024, mostly relied on the Serbia 2027 – Jump into the Future plan, unveiled a few months before its inauguration, for its own priorities. Priority areas for the government were: 1) sustainable, stable and green development; 2) modernization of public services; and 3) economic progress while preserving tradition. The government committed to raising living standards, developing culture, investing in education and health, supporting families and children and creating a healthy environment. European integration continued, at least nominally, to be a strategic goal of the government.

Implementation

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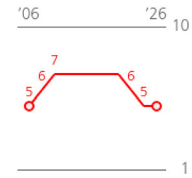


The Serbian government consistently fails to meet on time the strategic goals outlined in various strategies and action plans. There are also delays in adopting these plans, especially those related to EU integration, with deadlines often missed soon after adoption. Adoption of the National Program for the Adoption of EU acquis (NPAA) remains low.

The Serbian parliament is often inactive because of frequent snap elections and political instability, limiting its ability to adopt necessary legislation. In 2024, the parliament was in session for only 27 days, mostly confirming legislation proposed by the government, with many laws passed under urgent procedures.

The economic transition from a state-run economy to a market economy has been underway for more than 20 years, but the state remains an important economic actor. The energy transition has been very slow; the use of solar and wind energy remains low, and Serbia's energy system continues to rely on coal and hydroelectric power plants.

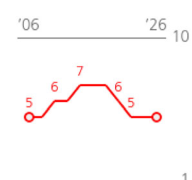
EU integration remains a strategic goal of the government, but progress has stalled in recent years. Serbia did not open any negotiation chapters or clusters from 2022 to 2024 and remains at 22 open chapters out of 35. This stalemate stems from Serbia's refusal to join EU sanctions on Russia after Russia's invasion of Ukraine in February 2022 and from problems with the rule of law. Reforms are slow, significantly lagging behind targets set in action plans. Despite this, the government pledged to fulfill all requirements for EU membership by the end of 2026.

Despite lackluster results, EU integration remains a primary motivation for reforms. This was the case with the constitutional reform, initiated in 2021 largely to meet EU accession requirements, leading to the opening of a new negotiation cluster in December 2021.

Among the main drivers of EU integration-related reforms are civil society organizations, especially the umbrella organization National Convention for the European Union (NCEU), which brings together CSOs working on EU integration. Serbian CSOs frequently push the government to implement necessary reforms and criticize improper implementation.

Policy learning

5



The government of Serbia rarely allows other actors to take part in policy processes. Civil society organizations are often formally included in policymaking – largely because of commitments stemming from EU integration – but they have limited impact in practice. They are not only ignored and viewed with suspicion but also often targeted by government smear campaigns. The government fails to acknowledge the contributions of its own institutions, such as the Anti-Corruption Council or the Fiscal Council. The parliament is more of a voting machine than an institution focused on debate that can contribute to better policy solutions.

Over the past decade, the Serbian government has brought in foreign advisers employed by the U.N. or foreign governments to assist with planning, government efficiency and attracting foreign investment. A notable example is the Serbian government's 2015 implementation of "delivery units." This highly nontransparent government structure is reportedly still active.

Policymaking is largely in the hands of President Vučić and his close associates, regardless of their positions in the government. The president's initiatives are acted on by the government and the parliamentary majority, giving the president policymaking powers that are completely outside his constitutional prerogatives. Lobbying is legally regulated but mostly remains out of sight.

Regulatory impact assessment is prescribed by the 2018 Law on the Planning System but is not adequately enforced because of a lack of capacity and neglect. Policy evaluation is not adequately developed, and there are no formal systems to monitor the fulfillment of governments' goals. Some strategies acknowledge that previous strategies did not produce adequate results but do not establish mechanisms to ensure that the goals in the new strategy are adequately monitored and assessed.

15 | Resource Efficiency

Efficient use of assets

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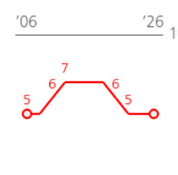

The Serbian public sector remains inefficient, employing almost 10% of the total population and over 25% of all employees. Despite more than a decade of public administration reform, there have been no tangible improvements in its efficacy or capacity to implement EU accession-related reforms. Public sector salaries are still higher than those in the private sector, although the gap has narrowed in recent years. In addition, salaries for similar civil service jobs vary widely across sectors.

Public sector jobs, which offer greater job security and, for low-skilled workers, higher wages than the private sector, are still seen as prizes that political parties distribute to their clientelist networks, especially in less-developed municipalities. Conversely, wage caps prompt highly skilled professionals to leave government service for private sector employment.

The ruling Serbian Progressive Party (SNS) is believed to have about 700,000 members – more than 10% of Serbia's population – largely due to its strong clientelist network. Some public sector employees effectively work for the ruling party. Public sector workers are often forced to attend ruling party rallies, and they and their families are pressured to vote for it to avoid losing their jobs.

The government continues to assert political control over public administration, mainly through an illegal practice of appointing public officials on an acting basis for indefinite periods, making it easy for the government to replace them at the first sign of disobedience. According to the European Commission's 2024 report on Serbia, 54% of senior positions were held by acting officials in March 2024. This system prevents public servants from having any autonomy in their work and reinforces clientelism, rather than meritocracy, as a basis for advancement in the public sector.

Centralization remains an issue, as local self-governments lack the resources to exercise their competencies without assistance from the central government. This leads to their de facto subordination to the central government and encourages political alignment with the ruling party at the central level. The budget of the Autonomous Province of Vojvodina remains below the constitutionally prescribed threshold of 7% of the national budget, and the law on its financing has yet to be adopted.

Public debt has declined somewhat in recent years. It was 48.8% of GDP in 2023, down from 53.5% in 2022 and significantly lower than the pre-pandemic peak of 69.9% in 2015 (IMF). Budget deficits also decreased in recent years, demonstrating movement toward macroeconomic stabilization after the COVID-19 pandemic and the 2022 crisis, when the country was simultaneously hit by an energy crisis and the fallout from the Russian invasion of Ukraine.

Budget execution generally aligns with planned budgets, but the government often ignores the Fiscal Council's warnings about wasteful spending. Investments related to the EXPO 2027 project – including the National Stadium – featured prominently in the 2024 and 2025 budgets despite a lack of appropriate analysis or justification.

The State Audit Institution (SAI) oversees public spending but is understaffed and lacks the resources needed to fulfill its mandate. The SAI's proposals to improve public expenditure are often ignored, and the prosecution rejects the majority of criminal charges that the SAI has submitted against public institutions.

Policy coordination

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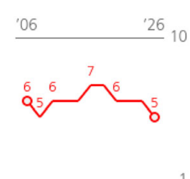

The Law on Planning System (2018) remains the key document for policy coordination. However, its implementation remains an issue due to a lack of administrative capacity and political will. The Law envisioned creating a national development plan and local development plans to be adopted by 2020 and 2021, respectively, but a national plan has not yet been adopted, and the adoption process for local plans is ongoing.

The Public Policy Secretariat, founded in 2014, is responsible for policy coordination, development and evaluation. However, it struggles to fulfill its role as intended. Although the Secretariat is consulted in drafting laws or policy documents, its opinions are not legally binding and are often ignored. The European Commission recognizes this as a problem and requires that Serbia strengthen the mechanisms for systematically integrating the Secretariat's opinions into draft laws and policy documents.

The Serbian government introduced the system of “delivery units,” conceptualized by former British Prime Minister Tony Blair, in 2015 to improve government coordination on key strategic objectives. The work of delivery units remains opaque, but they reportedly still function, with direct links to the office of the president, despite the president lacking constitutional authority over government operations.

In practice, President Aleksandar Vučić and his close associates make decisions regardless of their formal positions, ignoring adopted strategies and policies. Even strategic decisions, such as high-value weapons acquisitions, investments in the EXPO 2027 project, large public handouts in election campaigns, and increases in public sector wages and pensions, are driven by the president’s political interests rather than by long-term policy goals and strategies.

Policymaking is often incoherent, with policy goals and even strategic documents frequently in conflict. For example, the government pursues EU membership and works to implement EU-related reforms, yet simultaneously insists on a strategic partnership with China and the Expo 2027 project, which undermine this strategic goal.

Anti-corruption policy

4

The institutional and legal framework to combat corruption is largely in place, but significant problems remain with both the adopted legal solutions and their implementation in practice. There is no political will to prosecute corruption, and a culture of impunity prevails in government and public administration. The prosecution remains controlled by the government. It is mostly passive regarding cases brought by investigative journalists that involve government officials, and it is active only when it is politically convenient for the government.

The collapse of the concrete canopy at the recently renovated train station in Novi Sad on November 1, 2024, led to massive anti-corruption protests that demanded justice for the tragedy. The protests laid bare both the passivity of the prosecution and its subordination to the government’s political interests.

For years, the Law on Linear Infrastructure Projects created significant exceptions to the application of the Law on Public Procurement, allowing significant corruption. In 2023, when this controversial law was revoked, the Serbian parliament adopted another law on EXPO 2027, which again created significant exceptions by excluding all activities under the EXPO 2027 project from the application of the Law on Public Procurement. In its reform agenda adopted in mid-2024, the government committed to revoking all exceptions but only after completion of the multibillion-euro EXPO 2027 project.

The Anti-corruption Strategy was adopted in 2024, more than five years after the previous strategy expired; adoption of the accompanying action plan remains delayed. Unlike the previous strategy, the new one was adopted by the government rather than by parliament, which limits its application and does not obligate parliament or the president to its provisions.

The Agency for Prevention of Corruption (ACAS) is an independent institution that oversees conflicts of interest among state officials, their declared property and the financing of political parties. However, this oversight is not effective, and ACAS remains generally passive. There is also the Anti-Corruption Council, an advisory body to the government whose work the government usually ignores and whose members it fails to appoint.

The Law on Free Access to Information of Public Importance is mostly in line with European standards regarding citizens' and journalists' access to information, but its implementation remains unsatisfactory. The Law was last amended in 2021 and is expected to be amended again in 2025. The Law on Financing Political Activities needs to be amended to fulfill outstanding ODIHR recommendations.

16 | Consensus-Building

Consensus on goals

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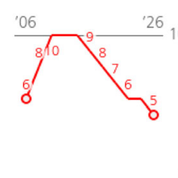


There is consensus among political parties and Serbian society that democracy is the best form of government. However, there is also strong support for rule by a strong leader (52% of citizens support democracy and 54% support a strong leader), and many citizens are ambivalent toward democracy (CRTA, 2023). This largely stems from dissatisfaction with democracy in practice and a lack of experience with consolidated democratic institutions. This discrepancy allows the Serbian government to support democracy while eroding its basic principles.

The government does not treat the opposition as a legitimate political competitor but as a threat to the state. In its rhetoric, the government equates the president and his party with the state itself. The government also accuses many of its critics in civil society or the media of being "foreign mercenaries" and traitors seeking to destroy the country. This behavior goes far beyond rhetoric, as institutions such as the Security Intelligence Agency are used as instruments against government critics and the opposition.

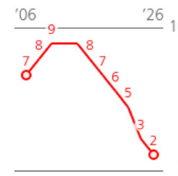
There is also a nominal consensus among most political actors that EU integration is a strategic goal. The government seeks EU integration, but government-controlled media spread anti-EU propaganda, accusing the European Union of trying to bring down the government and destroy Serbia. There are some right-wing political parties – both in government and in the opposition – who oppose Serbia's EU membership, but they are a minority in both camps. Most opposition parties criticize the government for not achieving better results in the EU accession process.

There is a general consensus among political actors on establishing a market economy as a strategic goal. As in most European countries, some political actors favor stronger government involvement in the economy and oppose privatization in key sectors. However, economic issues are rarely at the center of political debate.

Serbia has made some progress toward a market economy in recent years, but significant challenges remain, especially regarding the role of public enterprises, the high level of corruption and weak rule of law. The Serbian government’s Economic Reform Program (ERP), a strategic document for EU integration-related economic reform, is in its 10th development cycle (2024 – 2026).

Anti-democratic actors

2



The main anti-democratic actor in Serbia is the government led by President Vučić, who has amassed all political power, de facto subjugating both the government and the parliamentary majority to his will. President Vučić and his Serbian Progressive Party (SNS) have systematically captured the state and the media and undermined democratic institutions, especially the conditions for free and fair elections.

The government largely controls or allies with anti-democratic actors, such as far-right groups and football hooligans. They are usually active when it is convenient for the government to show that it faces right-wing opposition, and they remain passive when the government could be genuinely hurt by pressure from the right.

The main reformers and democracy advocates are civil society organizations, independent media and opposition political parties, which face severe government pressure.

While the government engages in dialogue with the opposition and civil society organizations on EU integration, the engagement is tokenistic and intended to please the European Union. The dialogue sometimes coincides with brutal smear campaigns against pro-democracy civil society organizations and has led many of them to boycott certain institutions and processes related to policymaking and EU integration.

Because of their relative weakness, pro-democratic actors such as the opposition and civil society cannot overcome anti-democratic actors in government. Both the opposition and civil society seek EU pressure on the government to support democracy in the country.

Cleavage / conflict management

2

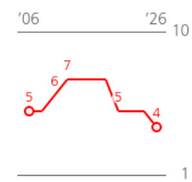
The Serbian government actively contributes to political polarization and deepens societal divisions, benefiting from its control of competing narratives through its media machinery. The most significant division in Serbian society is between conservative nationalists and liberal progressives, which broadly aligns with the split between supporters of Russia and EU integration. Instead of bridging this divide, the government exploits it, using nationalist and anti-Western propaganda against its critics while presenting itself as the main guarantor of Serbia’s European integration and cooperation with Western countries.

As the government feels increasingly threatened and focuses on its core nationalist electorate, it escalates its nationalist propaganda, spreading narratives that cast the political opposition and other government critics in civil society, academia or independent media as traitors and “foreign mercenaries” trying to destroy Serbia. During the 2024/25 student-led anti-corruption protests, the government fabricated and mainstreamed the narrative that the protesters aimed to separate the province of Vojvodina from Serbia. This played on deeply held fears of separatism among conservative and nationalist segments of society.

Paradoxically, the government also helps bridge cleavages by uniting ideologically disparate political and social forces against itself.

Public consultation

4



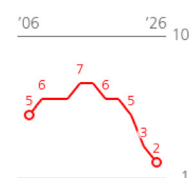
The Serbian government formally includes civil society organizations in the EU accession policymaking process. Civil society organizations participate in public consultations and are often part of government-created bodies, such as those designed to improve the status of civil society, the rights of journalists or electoral conditions. Moreover, the Serbian parliament is required to consult with the National Convention on the EU (NCEU) – an umbrella organization with more than 700 member organizations that works on the EU accession process.

However, civil society organizations often report that their engagement is merely formal and that their recommendations or objections are largely ignored. Time frames for public consultations are often too short. The government often accepts only the European Union's recommendations even though they are identical to those provided by civil society. Thus, civil society's effect on policymaking comes more from providing the European Union with comments and recommendations than from influencing the Serbian government itself.

The government adopted a Strategy for Enabling Environment for the Development of the Civil Society and formed a council for the same purpose in 2023. However, only a year after its formation, many civil society representatives on the Council froze their status because of actions by authorities that threaten the work of civil society.

Reconciliation

2



The current Serbian government represents an ideological continuation of Milošević's regime in the 1990s, with many individuals, including President Vučić, personally involved in both. Since the SNS-SPS coalition came to power in 2012, the Serbian government has moved away from the transitional justice achieved in the previous decade. This has led to the glorification and full rehabilitation of convicted war criminals, the reinterpretation of the wars of the 1990s to present Serbia and Serbs exclusively as victims, and the rehabilitation of Slobodan Milošević.

In the new narrative, everyone who acknowledges Serbian guilt for wars and war crimes may be discredited and demonized by pro-government media. Acknowledgment of the Srebrenica genocide is especially sensitive, as it can easily discredit political actors in the eyes of the public. This discrediting is used regularly by pro-government media in election campaigns.

Hate speech has become prevalent and normalized. It is used regularly by government ministers and pro-government media. Ethnic slurs are also used regularly, including by high-ranking government officials, without consequences or public debate. The Serbian-Albanian "Mirdita, dobar dan" has been threatened by protests from extreme-right groups every year, but for the first time it was banned by Serbian authorities in June 2024 due to such threats.

In 2024, there was a backlog of more than 1,700 war crimes cases, and at the end of 2023, only 19 trial proceedings were ongoing. According to the European Commission, Serbia has yet to show a genuine commitment to investigating war crimes cases.

17 | International Cooperation

Effective use of support

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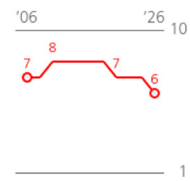

Serbia has not yet adopted a national development plan, even though it was the government's legal obligation to do so by 2020. If adopted, the document would systematically define the inputs required from international partners. The government relies on international assistance in some strategic documents related to EU accession – the main driver of reforms in the country.

The Serbian government lacks clear aims for political and economic development, which affects its use of international assistance. It is driven mostly by short-term interests, including maintaining clientelistic networks and fulfilling donors' formal expectations, as in EU-related reforms.

Serbia receives financial support through the European Union's Instrument for Pre-Accession Assistance (IPA) – currently in its third cycle (IPA III, 2021 – 2027) – which is the main source of systematic support for EU accession-related reforms. Serbia will also receive funds from the European Union's Growth Plan for the Western Balkans (2024 – 2027) to implement reforms in key areas outlined in its reform agenda (2024 – 2027), adopted to enable the withdrawal of €1.6 billion in grants and favorable loans from this fund. There are difficulties withdrawing all available funds from the IPA and the instrument for pre-accession assistance (IPARD) fund designated for agriculture because of inadequate administrative capacity.

Serbia receives about €500 million in development assistance per year (World Bank). Over the last few decades, Serbia has received around $4 billion from the European Union and more than $1 billion from the United States, followed by Germany, Norway, Sweden and Switzerland. Public perceptions of this assistance diverge markedly, as citizens grossly overestimate the support received from Russia and China. The latter is an increasingly important investor and trading partner for Serbia, thanks to the implementation of its Belt and Road Initiative.

Credibility

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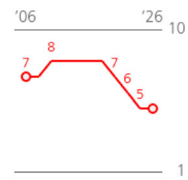

Serbia has signed many international agreements, such as the U.N. Framework Convention on Climate Change (since 2001) and the Paris Agreement (since 2017). It is a member of the Council of Europe, the OSCE, the Partnership for Peace and the Energy Community and participates in the European Political Community. Serbia adheres to the ILO core labor standards and has ratified the main U.N. human rights treaties. It is a signatory to many Council of Europe agreements, such as the European Convention on Human Rights.

Serbia opened EU accession negotiations in January 2014. Since then, Serbia has opened only 22 chapters and provisionally closed just two of the 35 negotiation chapters. The slow pace largely reflects Serbia's poor record in meeting basic criteria for EU membership, such as democracy and the rule of law. The lack of alignment with EU foreign policy also came to the fore after the Russian invasion of Ukraine in February 2022, when Serbia refused to join sanctions against Russia.

The EU remains concerned about Serbia's lack of a clear strategic orientation toward EU membership. Serbia enjoys good relations with both Russia and China; it has signed a free trade agreement with the latter and maintains security and intelligence cooperation with the former. The government's ongoing anti-EU propaganda did not go unnoticed, nor did its differential treatment of foreign aid from the European Union and China, with EU assistance ignored and Chinese aid glorified.

While the Serbian government aspires to EU membership and good relations with Western countries, it simultaneously promotes narratives that its critics are plotting with Western countries to overthrow the government. Narratives about a Western-sponsored "colored revolution" have been spread for years, culminating during the 2024/25 anti-corruption protests as the Serbian president's main narrative about the protests' cause and aim. At the same time, the government presented the protests to its Western partners as supported by Russia.

Regional cooperation

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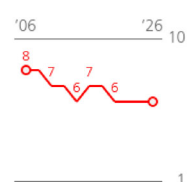

Serbia has disputes with most of its neighbors, usually over borders and minority rights. However, these disputes persist alongside progress in bilateral cooperation and pose latent threats.

Serbia's relations with Bosnia and Herzegovina and with Montenegro are decent but strained because of Belgrade's support for Serb political forces in these countries. Relations with Croatia are often turbulent, influenced by historical interpretations and by the Serbian government's use of anti-Croatian rhetoric when politically challenged at home.

Relations with Kosovo remain strained, with no progress in normalization despite the 2023 Brussels and Ohrid agreements. The situation worsened after the Banjska incident in September 2023, when four people were killed in clashes between Kosovo police and armed Serbian paramilitaries.

Serbia maintains strong relations with Hungary, and Prime Minister Viktor Orbán is a close ally of Serbian President Vučić. It also maintains strong relations with North Macedonia. The partnership between Serbia and Albania is seen as a cornerstone of regional cooperation in the Western Balkans, and under President Vučić and Prime Minister Rama, the two countries have vastly improved their relations in the last decade.

Serbia enjoys strong cooperation with Türkiye – driven by economic interests and the close relations between the two presidents – and maintains good relations with Greece and Bulgaria. Relations with Romania are historically good but sometimes strained by disputes over the Romanian Orthodox Church and the Vlach minority in Serbia, occasional anti-Romanian rhetoric spread by pro-government media against a major Serbian opposition figure of Romanian ethnicity, and the deportation of a Romanian activist in January 2025.

Serbia participates in numerous regional cooperation initiatives. It is part of the Central European Free Trade Area and the Regional Cooperation Council. Serbia is part of the Berlin Process, an EU-supported regional initiative through which it currently participates in creating a Common Regional Market (CRM). Serbia hosts the Transport Community and participates in the Regional Youth Cooperation Office and the Western Balkans Fund, all created within the framework of the Berlin Process. In previous years, Serbia pursued its own regional cooperation initiative, Open Balkan (previously Mini-Schengen), with Albania and North Macedonia; progress in establishing the CRM through the Berlin Process largely rendered it obsolete.

Strategic Outlook

Serbia's democratic transformation has stalled and reversed as President Aleksandar Vučić and his Serbian Progressive Party (SNS) have consolidated power. The country's democratic deficiencies are therefore not simply legacies of the past that can be corrected through reform, but the result of deliberate government policies aimed at controlling and manipulating state institutions.

Although EU integration is widely seen as a key driver of democratization, it has not played that role in practice. Serbia formally aspires to EU membership but has made no progress since 2021. Accession was slowed for years by deficiencies in democracy and the rule of law and effectively stalled after Serbia refused to align with EU sanctions on Russia. That obstacle became less salient after Belgrade began supplying ammunition to Ukraine, which improved relations with Kyiv and eased tensions with Brussels. Nonetheless, persistent concerns over democratic standards and the rule of law continue to block Serbia's accession process.

Despite substantial democratic backsliding, the European Union lacks the political will to pressure Serbia to democratize. European Commission officials praise Serbia's reform processes and respond to political crises with standard statements about the necessity of reform.

Some EU member states appear increasingly willing to deprioritize democracy in favor of economic and strategic interests. France, for example, has emerged as a strong advocate of advancing Serbia's EU integration while concluding major commercial agreements, including the concession of Belgrade's airport, the construction of the capital's subway system and the purchase of Rafale fighter jets for the Serbian military.

If the European Union intends to support Serbia's democratic transformation, it will need to place democracy at the center of its relationship with Belgrade. While European Commission reports consistently document worrying trends in democracy and the rule of law, these findings are rarely followed by concrete action from EU institutions or member-state governments. This gap allows Serbian authorities to shift responsibility for stalled integration onto the European Union and to cite favorable statements by European officials as evidence that democratic standards are being met.

Pressure for democratization is therefore more likely to come from within Serbian society. Democratic erosion has fueled recurring mass protests and strengthened voices opposing state capture, corruption and the concentration of power in the presidency. While these movements have yet to coalesce into a credible political alternative – partly due to declining public trust in representative democracy – they have nonetheless shaken the foundations of the current authoritarian system and represent a genuine opening for political change.

The continued absence of core democratic safeguards – including political pluralism, independent media and free and fair elections – risks deepening political instability, further diminishing prospects for democratic transformation and increasing the potential for violent conflict.

The Serbian economy has improved over the last decade but continues to lag well behind the EU average. Encircled by EU member states and heavily dependent on the bloc as a trading partner, Serbia has a strong interest in securing development assistance and advancing EU accession, even though membership remains a distant prospect under current conditions. A potential opening has emerged, however, as the European Union signals renewed political willingness to integrate Western Balkan countries in the near future. This momentum could be leveraged to revive both the accession process and the democratic reforms it requires.

At the same time, widening differences between the European Union and the United States may offer Belgrade room to pursue renewed foreign-policy balancing strategies, similar to its past engagement with China and Russia. There are indications that the Serbian government is seeking closer ties with the Trump administration, including business dealings involving family members, in the hope of securing a new political ally in Washington.