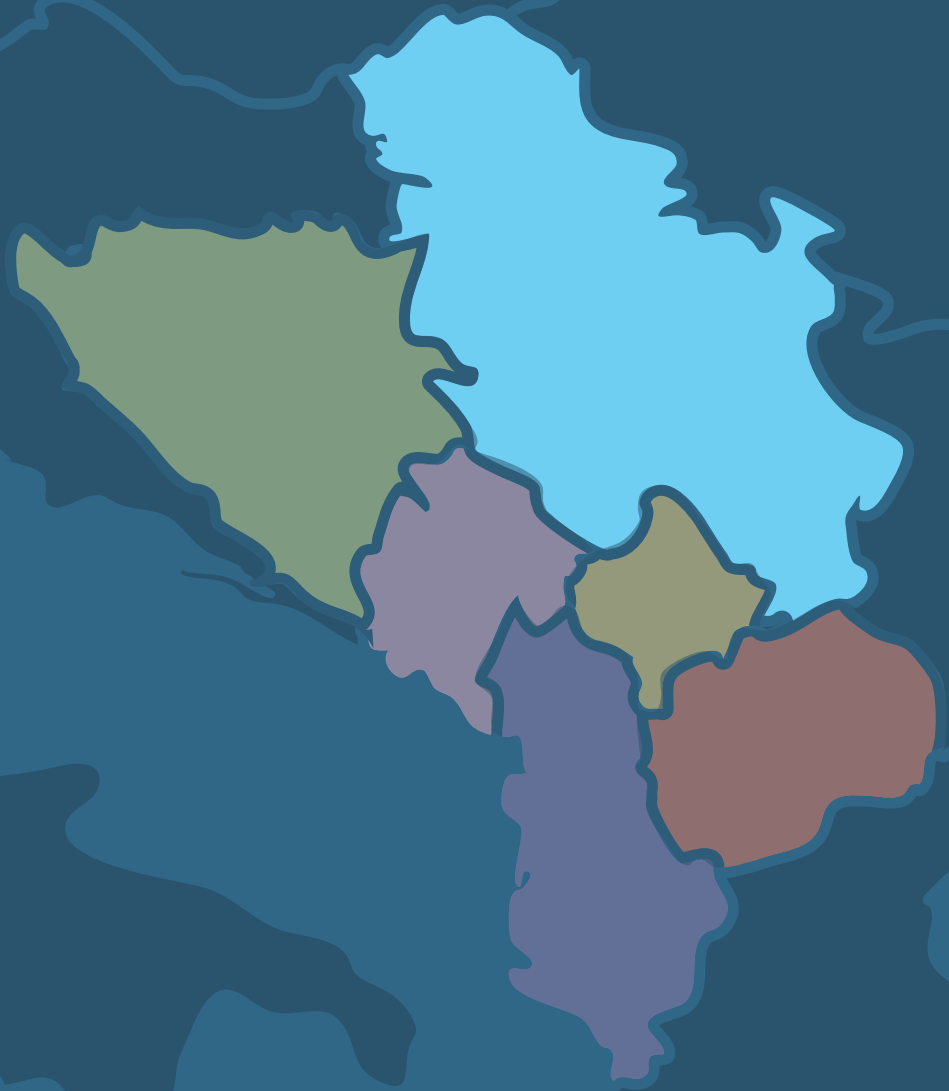
converge2eu



Annual Convergence Report 2025
– Serbia –

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Supported by OPEN SOCIETY FOUNDATIONS WESTERN BALKANS

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IMPRESSUM

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Offenlegung nach § 25 Mediengesetz: Medieninhaber (Verleger): Verein "Wiener Institut für Internationale Wirtschaftsvergleiche", A 1060 Wien, Rahlgasse 3. Vereinszweck: Analyse der wirtschaftlichen Entwicklung der zentral- und osteuropäischen Länder sowie anderer Transformationswirtschaften sowohl mittels empirischer als auch theoretischer Studien und ihre Veröffentlichung; Erbringung von Beratungsleistungen für Regierungs- und Verwaltungsstellen, Firmen und Institutionen.

ALL AREAS OVERALL

Economic

41.7% of EU average

+2.1 pp last year

35 years to EU

Social

77.6% of EU average

+1.8 pp last year

51 years to EU

Health

86.9% of EU average

-1.6 pp last year

100+ years to EU

Education

82.3% of EU average

-0.6 pp last year

Diverging from EU

Governance

70.1% of EU average

+0.9 pp last year

100+ years to EU

Environment

35.1% of EU average

-0.7 pp last year

Diverging from EU

Digitalisation

94.5% of EU average

+1.5 pp last year

3 years to EU

Infrastructure

36.5% of EU average

-0.1 pp last year

100+ years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- In 2024, Serbia's **well-being relative to the EU average** varied significantly across the eight pillars, **ranging from 35% to 94%,** reflecting notable internal disparities.

- **Four pillars** recorded **improvement** in 2024, and four decline.

- The **economic** pillar showed the largest annual improvement **(+2.1 pp)**. Yet overall economic convergence remains limited, with Serbia at **41.7% of the EU average**.

- **Health** experienced the largest setback **(-1.6 pp)**, yet it remains one of the better areas in Serbia, standing at **87% of the EU average**.

- **Digitalisation** was the strongest-performing area, reaching **94.5% of the EU average**, supported by strong performance in value added in ICT and employment in the ICT sector.

- The **environment** remained the weakest pillar (at **35% of the EU average**) and continued to deteriorate, while infrastructure was similarly low, at 36.5%.

- **Digitalisation** is expected to reach the EU average **within 3 years**, while **education** and **environment** are currently **diverging** from EU standards.

ECONOMIC

GDP per capita

51.3% of EU average

+2.4 pp last year

29 years to EU

Average wage

38.0% of EU average

+3.0 pp last year

26 years to EU

Minimum wage

45.0% of EU average

+3.5 pp last year

25 years to EU

Average pension

17.7% of EU average

+0.2 pp last year

Diverging from EU

Productivity

56.5% of EU average

+1.5 pp last year

25 years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Economic convergence** in Serbia **has been progressing**, with **all five indicators** recording an improvement in 2024. However, **the gap** with the EU **remains substantial**, ranging from 43% to 82%.

- **GDP per capita** reached **51.3% of the EU average**, reflecting a modest but steady improvement supported by a **2.4 pp increase** over the previous year. At the pace from the past five years, Serbia **could close the gap in roughly 29 years**.

- **Wages have been improving faster than GDP**, yet they remain considerably below EU standards. The **average wage rose to 38% of the EU average**, while the **minimum wage reached 45%**, both posting some of the strongest annual gains among economic indicators **(+3.0 pp and +3.5 pp, respectively)**.

- If the trends from the past five years persist, Serbia could **reach EU wage** levels **within the next 25-26 years**.

- Wage levels are much lower than GDP per capita, suggesting that **workers capture a relatively small share of the value added** in the economy, reflecting **high company profits**.

- **The pension system continues to lag significantly.** The average pension stands at only **17.7% of the EU average**, making it the weakest economic dimension. With a minimal annual improvement of **just 0.2 pp** and a **diverging five-year trend**, Serbia is not on a trajectory to catch up with EU pension levels.

- **Labour productivity** reached **56.5% of the EU average** in 2024**.** Although productivity **improved by 1.5 pp** over the past year, its level remains indicative of an economy still dominated by **low-tech and low-value-added activities**. Serbia would reach the EU average in **approximately 25 years.**

SOCIAL

Unemployment

67.4% of EU average

+4.6 pp last year

32 years to EU

Employment

93.6% of EU average

+1.7 pp last year

6 years to EU

Poverty

59.0% of EU average

+0.0 pp last year

77 years to EU

Inequality

84.4% of EU average

+0.2 pp last year

Diverging from EU

Gender gap

83.5% of EU average

+2.8 pp last year

100+years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- The **social pillar** also **performed relatively well** in 2024, with **four of the five indicators** noting an improvement, and the overall indicator standing at **78% of the EU average.**

- **Labour-market convergence has been relatively strong** because Serbia's employment rate reached **93.6% of the EU average** in 2024, improving by **1.7 pp** over the year. At the pace from the previous five years, Serbia could reach the EU employment level in about **6 years**.

- **The unemployment indicator stands at 67.4% of the EU average**, with a notable annual **improvement of 4.6 pp**. However, full convergence would still require around **32 years**, reflecting persistent structural mismatches and limited job creation in higher-quality sectors.

- **Poverty reduction has stalled**, indicating the limited impact of growth on the most vulnerable groups and the modest redistributive effects of social policies. Serbia remains at **59% of the EU average**, with **no improvement in 2023**, and is projected to need **77 years** to reach EU levels.

- **Inequality is moderately high and diverging:** At **84.4% of the EU average**, inequality improved slightly in 2024 **(+0.2 pp)**. The longer-term trend has been negative, though, and if that continues, the country will **never converge** to the EU level. This suggests that income gains are unevenly distributed and that existing fiscal policy and tax-benefit mechanisms have limited corrective effects.

- **The gender gap remains significant**, and Serbia stands at **83.5% of the EU average**, with a solid annual improvement **(+2.8 pp)**. Yet at the pace from the past five years, convergence would still require **more than a century.**

HEALTH

Health spending

91.2% of EU average

+1.9 pp last year

4 years to EU

Life expectancy

93.6% of EU average

+0.3 pp last year

Diverging from EU

Infant mortality

70.2% of EU average

-12.3 pp last year

100+ years to EU

Hospital beds

118% of EU average

+5.0 pp last year

Converged

Physicians

79.3% of EU average

+3.9 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- The **health pillar** is among the better ones in the country, standing at **87% of the EU average**. **Four of the five** indicators improved last year, but infant mortality worsened substantially, pulling the **overall pillar down**.

- **Health spending is relatively close to EU levels**, reaching 91.2% of the EU average in 2022 with a notable annual improvement **(+1.9 pp)**. If current trends continue, Serbia could reach EU spending levels **within four years**.

- **Life expectancy remains high relative to the EU (93.6%)** and had a small increase in 2023 **(+0.3 pp)**. Despite this, trends over the past five years have been mostly negative, causing the indicators to be **diverging** from EU levels.

- **Infant mortality shows significant concern**. Standing at only **70.2% of the EU average**, with a **sharp decline in 2023 (-12.3 pp)**. At the pace from the past five years, convergence would require **more than a century.**

- **Hospital bed availability exceeds EU levels** (118%) and improved further, indicating solid physical capacity within the health system.

- **The number of physicians remains relatively solid** (79.3% of the EU average), improving by **3.9 pp last year**. Nevertheless, **long-term trends show divergence**, driven by outward migration as well as the absence of strategic workforce planning for the number of doctors and required specialisations.

EDUCATION

Education spending

66.7% of EU average

+0.8 pp last year

Diverging from EU

PISA scores

93.1% of EU average

+2.1 pp last year

13 years to EU

Tertiary enrolment

91.7of EU average

+2.4 pp last year

Diverging from EU

Tertiary attainment

76.7% of EU average

+0.9 pp last year

Diverging from EU

Tertiary activity

95.2% of EU average

+0.9 pp last year

8 years to EU

NEET rate

70.5% of EU average

-3.7 pp last year

28 years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Education** remains **relatively solid overall,** standing at **82% of the EU average**. **Five of the six indicators improved** last year, but the longer-term trends are less positive.

- **Education spending remains low**, reaching only **66.7% of the EU average**, with limited improvement in 2022 **(+0.8 pp)**. Long-term trends show **divergence**, indicating persistent underinvestment that constrains the quality of education.

- **PISA performance is relatively strong (93.1% of the EU level)** and improved by **2.1 pp** over the previous assessment, and with current trends, Serbia would need about **13 years** to reach EU levels. Despite this, the opportunities for education and the quality of education are heavily influenced by socioeconomic background.

- **Tertiary enrolment is high (91.7%) but diverging from EU standards. Tertiary attainment** remains moderate **(76.7%)** and diverging, suggesting that students often enter tertiary education but fail to complete it.

- **Tertiary activity is strong (95.2% of the EU average)**, with gradual convergence expected within **eight years**, indicating that graduates who do finish higher education integrate into the labour market relatively well.

- **The NEET rate is at 70.5% of the EU average,** but deteriorated significantly last year **(-3.7 pp)**. At the pace from the past five years, convergence would require **28 years**.

GOVERNANCE

Voice&Accountability

67.6% of EU average

+0.7 pp last year

Diverging from EU

Political stability

78.6% of EU average

+4.3 pp last year

Diverging from EU

Govt. effectiveness

72.7% of EU average

-1.1 pp last year

Diverging from EU

Regulatory quality

73.7% of EU average

-0.1 pp last year

56 years to EU

Rule of law

68.4% of EU average

+0.7 pp last year

65 years to EU

Corruption control

59.8% of EU average

+0.6 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Governance** remains a **mixed bag**, standing overall at **70% of the EU average**, with **four of the six** indicators **improving last year**, but – at the same time – **four** indicators **diverging from EU standards** over a longer period of time.

- **Voice & Accountability remains low**, at **67.6%** of the EU average, with a modest annual improvement **(+0.7 pp)**, but a long-term trend of divergence from EU standards.

- **Control of corruption is the weakest governance indicator**, at **59.8%** of the EU average, showing a slight annual increase **(+0.6 pp)**, but still **diverging** from EU performance over the longer term.

- **Political stability is relatively higher**, reaching **78.6%** of the EU average and recording the strongest annual increase within the pillar **(+4.3 pp)**, though long-term trends still indicate **divergence**.

- **Government effectiveness stands at 72.7% of the EU average**, with a **decrease of 1.1 pp** in the past year and continued **divergence** from EU levels.

- **Rule of law remains weak, at 68.4% of the EU average**, with a small annual improvement **(+0.7 pp)**, and convergence horizon of roughly **65 years**, based on the trends from the past five years.

- **Regulatory quality remains moderate, at 73.7% of the EU average**, with minimal annual change **(-0.1 pp)**. At the pace from the past five years, convergence towards the EU would require **more than five decades**.

ENVIRONMENT

Pollution deaths

32.1% of EU average

+5.2 pp last year

98 years to EU

Renewable energy

67.1% of EU average

-3.5 pp last year

Diverging from EU

Energy intensity

29.4% of EU average

+2.0 pp last year

100+ years to EU

Carbon intensity

20.8% of EU average

-0.6 pp last year

Diverging from EU

Waste recovery

26.3% of EU average

-3.0 pp last year

39 years to EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Environment** is the **weakest area** in Serbia, with the overall average standing at **35% of the EU level** and **three of the five indicators worsening** further in 2024.

- **Pollution-related deaths remain three times higher than the EU average**, with some improvement in 2023 **(+5.2 pp)**, but very weak progress over the past five years, resulting in estimated **98 years** to converge to the EU average.

- The **renewable energy share** is **moving further away** from EU levels, currently standing at **67.1% of the EU average**, with an additional decline of **3.5 pp** in 2024.

- **Energy and carbon intensity remain Serbia's weakest environmental dimensions.** Despite minor annual improvements (to **29.4% and 20.8% of the EU average**), long-term trends show **no meaningful progress** towards greater efficiency or decarbonisation.

- **Waste recovery stands at 26.3% of the EU average**, but **deteriorated by 3.0 pp** last year. The longer-term trend over the past five years has been positive, though, indicating some **39 years** till reaching the EU standard.

DIGITALISATION

HH with internet

94.3% of EU average

+2.6 pp last year

6 years to EU

e-government

81.8% of EU average

+7.4 pp last year

3 years to EU

Firms with websites

111.9% of EU average

+0.1 pp last year

Converged

ICT exports

91.0% of EU average

-1.2 pp last year

5 years to EU

ICT value added

180.6% of EU average

+23.6 pp last year

Converged

ICT employment

111.9% of EU average

-0.9 pp last year

Converged

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Digitalisation** is the **strongest performing area** in Serbia, standing at **95% of the EU average overall**, with **three** of the six indicators **already better** than the EU average, and the **other three** expected to converge **in several years**.

- **Household internet access is high, reaching 94.3% of the EU average**, with a solid annual improvement of **2.6 pp** last year. At the pace from the past five years, Serbia could fully converge with EU levels **within 6 years**.

- **E-government services stand at 81.8% of the EU average**, with a strong increase of **+7.4 pp** last year, making this one of the fastest-improving digital indicators. Serbia could reach the EU level in approximately **three years**, reflecting the rapid expansion of online public services.

- **Firms with websites exceed the EU average (111.9%)**, showing stable performance and continued convergence. This indicates that basic digital presence in the business sector is well established.

- **ICT exports are at 91% of the EU average**, with a minor **decline of 1.2 pp** last year. Convergence with EU performance is expected **within 5 years** if trends from previous five years resume.

- **ICT value added is exceptionally strong**, reaching **180.6% of the EU average**, with remarkable annual growth **(+23.6 pp)**.

- **ICT employment also exceeds EU levels (111.9%)**, though it recorded a slight decline **(-0.9 pp)** last year.

INFRASTRUCTURE

Motorways

52.2% of EU average

+5.9 pp last year

22 years to EU

Roads

31.5% of EU average

-0.6 pp last year

Diverging from EU

Railway tracks

62.9% of EU average

+1.4 pp last year

Diverging from EU

Airports

11.5% of EU average

-0.0 pp last year

100+ years to EU

Electricity

24.3% of EU average

-0.5 pp last year

Diverging from EU

Number of years to EU is calculated by comparing the current level with the pace of progress over the past five years.

- **Infrastructure** is **among the weaker areas** in Serbia, with an overall average of **37% of the EU level** and most of the indicators worsening last year.

- **Motorway infrastructure stands at 52.2% of the EU average**, with a strong annual improvement **(+5.9 pp)**. At the pace from the past five years, Serbia could reach EU levels in about **22 years**, reflecting continued investment in motorway expansion.

- **Overall road infrastructure, however, remains very limited**, at **31.5% of the EU average**, and further deteriorated last year **(-0.6 pp)**. The long-term trends show **divergence**, indicating persistent underdevelopment of the broader road network outside the motorway system.

- **Railway track density is at 62.9% of the EU average**, with a modest annual increase **(+1.4 pp)**. Yet, the indicator still **diverges** when taking longer-term trends into account, suggesting slow progress in rail modernisation and limited expansion of the network.

- **Airport capacity is extremely low**, at just **11.5% of the EU average**, with **no improvement** in the past year, and estimated **100+ years** to EU levels. This reflects the strong centralisation of air transport around Belgrade as the primary national hub, resulting in limited regional airport development.

- **Electricity infrastructure stands at 24.3% of the EU average** and slightly deteriorated last year **(-0.5 pp)**, continuing a **diverging** trend.

WHAT EXPLAINS THESE TRENDS?

ECONOMIC PILLAR

- Overall, Serbia is advancing towards EU economic standards, but **convergence remains uneven and constrained by structural limitations**.
- Foreign direct investment (FDI) inflows have supported growth, but their **sectoral structure is problematic**, as investments predominantly enter low-productivity, back-office or assembly-type sectors, limiting technology transfer and value creation.
- The predominance of **low-value-added** and **labour-intensive sectors** limits productivity growth and slows convergence in wages and GDP despite steady macroeconomic expansion.
- **Large-scale public investments** since 2017, particularly in transport, have supported economic activity by boosting the construction sector, with big issues about long-term returns, efficiency and transparency.
- **Wages** have been **growing steadily** due to **minimum wage increases** and **public-sector wage hikes**, but they **remain well below GDP per capita** (relative to EU levels), reflecting the **high profit share** of the national income.
- Despite the improvement, **wages remain below productivity** (relative to the EU), implying **further space for growth.**
- **Population ageing and fiscal constraints** weaken pension adequacy, contributing to the persistent divergence of pension incomes from EU levels.

SOCIAL PILLAR

- **Labour-market indicators** are **converging relatively well towards EU standards**, supported by steady economic growth and FDI-driven job creation. However, because much of FDI flows into **low-productivity sectors**, many new jobs are of limited quality and have modest spill-over effects on broader social outcomes.
- **Poverty** shows almost no improvement, as **fiscal and tax policies do not sufficiently target vulnerable groups**. Growth driven by FDI remains unevenly distributed across sectors and regions, limiting its impact on those most at risk of social exclusion.
- **Inequality** remains relatively high and is diverging from EU levels. Without full implementation and systematic updating of **the Social Cards system**,

higher social spending and more progressive taxation models, it is **not possible to** meaningfully reduce poverty and inequality.

- The **gender gap** persists despite annual improvements. It is the largest in Belgrade and **widening in regions with higher levels of economic development**.[10]

HEALTH PILLAR

- Patterns in health spending are driven by fiscal prioritisation of the health sector during the COVID-19 crisis and periodic salary increases for medical staff, but **limited efficiency reforms** mean that higher spending does not consistently translate into improved outcomes or system performance.
- Life expectancy diverges from EU levels because **preventive policies and measures** remain underdeveloped and underfunded.
- **Excess hospital-bed capacity** is a legacy of an outdated model, as investment has focused on physical infrastructure rather than modernisation, digitalisation or strengthening outpatient and primary care.
- Physician shortages are driven both by **emigration** and **the absence of strategic workforce planning**, as medical specialisations and training quotas are not aligned with demographic trends, regional needs or future system demands, limiting the health system's ability to improve outcomes.
- Infant mortality remains a critical concern, as Serbia continues to lag significantly behind the EU average, indicating persistent **weaknesses in prenatal care**, although interpretation is partly constrained by **methodological issues** in statistical recording.

EDUCATION PILLAR

- **Serbia achieves relatively good outputs given low investment.** Relatively solid PISA and labour-market outcomes exist despite the deterioration of education quality.
- High tertiary enrolment coupled with low completion rates reflects **systemic shortcomings within higher-education institutions and their curricula**, which are often outdated and insufficiently aligned with labour-market needs. Additionally, many students lack incentives to complete programmes in fields with limited economic or professional prospects.

[10] Calculations based on data from the Statistical Office of the Republic of Serbia: https://data.stat.gov.rs/Home/Result/2403040509?languageCode=sr-Cyrl

- Also, persistent NEET (not in education, employment or training) challenges stem from **weak coordination between education and employment policies** as well as the limited availability of quality vocational and transition pathways.

GOVERNANCE PILLAR

- **Slowed EU accession dynamics have weakened a key external driver of governance reforms**, reducing incentives for progress in the rule of law, democratic standards and institutional accountability.
- **Poor control of corruption and persistently low Voice & Accountability remain core governance challenges**, reflecting structural weaknesses in transparency, checks and balances, and freedom of expression.
- **At the heart of weak corruption control lies the governance of public procurement**, particularly in large infrastructure projects, which are frequently implemented through bilateral agreements without competitive tendering and with limited public disclosure. More broadly, public-sector procurement of goods and services remains under insufficient oversight, increasing exposure to corruption risks.
- **Regulatory and administrative reforms are advancing slowly** due to limited coordination, insufficient administrative capacity, and weak enforcement mechanisms, constraining the implementation of governance improvements.

ENVIRONMENT PILLAR

- The collapse of Serbia's energy system in 2021 revealed **deep structural vulnerabilities**, yet no substantial reforms have followed to strengthen energy stability or transition towards cleaner and more sustainable production.
- Renewable energy deployment remains limited, and continued **dependence on lignite prevents meaningful reductions in emissions**, contributing to persistent environmental pressures and poor public-health outcomes.
- **High energy and carbon intensity** reflect outdated production technologies and insufficient investment in efficiency and decarbonisation measures.
- **Waste recovery continues to deteriorate**, indicating that recycling and circular-economy policies have not produced measurable improvements

over the past five years. This trend has been further aggravated by **several waste-site incidents in recent years.**

DIGITALISATION PILLAR

- The **ICT** sector functions as **a key driver of Serbia's economic performance**, which is reflected in strong ICT value added, high export capacity and a persistent surplus in trade in ICT services.
- **Demand for highly skilled digital labour remains strong**, as indicated by ICT employment levels that are above the EU average.
- Digitalisation has been a **strategic priority of Serbia's government since 2014**, resulting in sustained investment in digital infrastructure, public administration reform and the expansion of e-government services.
- Institutional capacity for digital transformation is **relatively well developed**, particularly within the Office for IT.

INFRASTRUCTURE PILLAR

- **Motorway development is advancing quickly**, as large public investments in transport infrastructure – as one of Serbia's main growth engines – naturally drive faster convergence in this segment.
- **But other types of roads remain neglected**, and the country is not on a path to reach EU levels in this area any time soon.
- **Similarly, railway infrastructure remains lagging**, with slow long-term progress, especially slowed after the Novi Sad tragedy.
- **Air transport capacity remains low due to strong centralisation**, with infrastructure concentrated around Belgrade and minimal development of regional airports.
- **A key constraint to progress is the low transparency of major infrastructure projects**, many of which are conducted through interstate agreements with limited public oversight, affecting the quality of works, efficiency and long-term system development.

SCENARIOS

To better understand how different EU integration pathways might influence Serbia's convergence, this analysis considers four scenarios as defined in the converge2eu model:

- **Full EU Membership** – immediate accession with all rights and obligations;
- **Access to EU Budget** – receiving EU budget transfers (e.g. structural and cohesion funds) as if a member, but without formal membership;
- **Access to EU Single Market** – full inclusion in the EU single market (four freedoms) without other membership benefits or transfers;
- **Institutional Reforms** – implementing deep EU-related reforms domestically (e.g. regarding rule of law, governance) without membership or new external resources.

These scenarios are informed by the post-accession trajectories of comparators **(e.g. Bulgaria, Croatia and Romania)**, whose experiences provide empirical benchmarks. The modelling uses a structural equations model (SEM) approach, examining key transmission channels (e.g. EU budget inflows, increased EU exports and institutional improvements) as well as their effect on growth and other societal outcomes.

The analysis is conducted in a panel setting covering the period from the late 1990s to 2023. It includes the three newest EU member states as benchmarks, alongside the Western Balkan economies. One indicator from each of the eight convergence pillars is included:

- **Economy:** GDP per capita at purchasing power standard (PPS)
- **Social:** income share of the bottom 20%
- **Health:** life expectancy
- **Education:** tertiary enrolment
- **Governance:** control of corruption
- **Environment:** energy intensity of the economy
- **Digitalisation:** ICT exports
- **Infrastructure:** road density

GDP per capita

Status quo:	29 years to EU
Full EU accession:	18 years to EU
Access to EU budget:	21 years to EU
EU single market:	25 years to EU
Institutional reforms:	27 years to EU

Poverty

Status quo:	77 years to EU
Full EU accession:	38 years to EU
Access to EU budget:	38 years to EU
EU single market:	77 years to EU
Institutional reforms:	77 years to EU

Life expectancy

Status quo:	Divergence
Full EU accession:	100+ years to EU
Access to EU budget:	100+ years to EU
EU single market:	100+ years to EU
Institutional reforms:	Divergence

Tertiary enrolment

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

Corruption control

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

Energy intensity

Status quo:	100+ years to EU
Full EU accession:	43 years to EU
Access to EU budget:	75 years to EU
EU single market:	100+ years to EU
Institutional reforms:	100+ years to EU

ICT exports

Status quo:	4 years to EU
Full EU accession:	2 years to EU
Access to EU budget:	2 years to EU
EU single market:	2 years to EU
Institutional reforms:	4 years to EU

Roads

Status quo:	Divergence
Full EU accession:	Divergence
Access to EU budget:	Divergence
EU single market:	Divergence
Institutional reforms:	Divergence

SCENARIO 1: STATUS QUO

In a status quo scenario, Serbia continues along its current trajectory without major structural reforms or renewed progress in EU accession. Economic convergence remains slow, and GDP per capita would require around 29 years to reach the EU average. Social outcomes improve only marginally, with poverty projected to converge in 77 years, indicating that economic growth does not sufficiently translate into social inclusion.

Key human-development indicators show no convergence. Life expectancy continues to diverge, with tertiary enrolment also diverging, suggesting limited progress in education system performance and relevance. **Governance outcomes remain stagnant**, with control of corruption continuing to diverge. Environmental efficiency shows some of the weakest dynamics. **Energy intensity would require over 100 years to reach EU** levels under current policies. Digitalisation remains the strongest area, with **ICT exports** converging within four years to the EU. However, broader infrastructure development lags, as road quality continues to diverge.

Overall, under the status quo, Serbia makes selective gains – mainly in digitalisation, the economy and the social sphere – while governance, environment, health, education and infrastructure increasingly fall behind, resulting in slow, uneven and insufficient convergence with the EU.

SCENARIO 2: FULL EU ACCESSION

In a full EU accession scenario, Serbia accelerates its convergence with the EU across several key areas. Economic performance improves more rapidly, and GDP per capita would reach the EU average in about 18 years, compared with 29 years under the status quo. Social outcomes also strengthen, and poverty would converge to EU levels in roughly 38 instead of 77 years. In human development, life expectancy would no longer diverge but start to converge, although only over a very long horizon of more than 100 years, while tertiary enrolment would still remain in divergence.

Governance shows only limited change in this scenario, as corruption control continues to fall short of EU standards. **Environmental efficiency improves more visibly**, and the time needed for energy intensity to converge would fall to around 75 years, compared to over a century in the status quo.

Digitalisation remains the strongest area, with ICT exports reaching the EU level in about two instead of four years. However, broader **infrastructure** still lags behind, as road quality continues to diverge even in a full accession setting.

Overall, under a full EU accession scenario, Serbia records faster and more balanced convergence than in the status quo (particularly in GDP, poverty, energy efficiency and ICT), while governance, education and parts of infrastructure remain structural weak spots.

SCENARIO 3: ACCESS TO EU BUDGET

In a scenario where Serbia gains access to selected EU budget instruments without full membership, convergence accelerates in several areas but remains uneven compared with a full accession path. **Economic performance improves noticeably**, and GDP per capita would reach the EU average in about 23 years, compared with 29 years in the status quo. **Poverty reduction also intensifies vis-à-vis the status quo**, shortening the convergence horizon from 77 to 55 years, though gaps with the EU remain substantial.

Human-development outcomes show mixed effects. Life expectancy begins to move closer to EU standards, but convergence still requires more than 100 years, indicating that partial access to EU funding alone does not generate rapid gains in public health. **Education shows limited structural change**, and tertiary enrolment continues to diverge. **Governance improves only marginally under this scenario**, as control of corruption continues to diverge from EU levels.

Environmental performance, however, benefits more clearly. The convergence time for energy intensity falls to around 75 years, compared with more than a century under status quo policies. **Digitalisation remains among the fastest-converging pillars**, with ICT exports reaching the EU average in three years, or one year faster than in the status quo. Infrastructure shows limited acceleration, and road quality continues to diverge, similar to the status quo, reflecting slow progress outside major corridors.

Overall, in a scenario of partial access to the EU budget, Serbia experiences moderate acceleration in economic, social, environmental and digital indicators, but governance, education and infrastructure remain largely

unchanged. Convergence improves, but not to the extent seen under full EU accession.

SCENARIO 4: EU SINGLE MARKET

In a scenario where Serbia gains access to the EU single market, **convergence accelerates modestly but remains partial and uneven.** Economic gains are noticeable, and GDP per capita would reach the EU average in 25 years, compared with 29 years under the status quo. By contrast, **social outcomes show no improvement**, as poverty would still require around 77 years to converge, identical to the baseline trajectory.

Human-development indicators continue to show very limited progress. Life expectancy remains on a path of divergence, with a projected convergence period of more than 100 years, while tertiary enrolment also remains in divergence regardless of the scenario. Governance does not materially change, as control of corruption continues to diverge from EU standards even with single market access.

Environmental outcomes show no acceleration, as energy intensity still requires more than 100 years to converge, matching the status quo. **Digitalisation remains one of Serbia's strongest areas**, with ICT exports converging to the EU average in about two years, slightly faster than in the baseline scenario. **Infrastructure shows no structural improvement**, since road quality continues to diverge across all scenarios, including this one.

Overall, access to the EU single market yields moderate acceleration only in GDP per capita and ICT exports, while poverty, governance, education, environment and road infrastructure follow nearly identical trajectories as in the status quo scenario.

SCENARIO 5: INSTITUTIONAL REFORMS

In a scenario where Serbia implements broad institutional reforms without full EU membership or access to EU budget instruments, **convergence accelerates modestly but remains limited across most pillars**. Economic outcomes improve slightly, and GDP per capita would reach the EU average in 27 years, compared with 29 years under the status quo. Social indicators, however, do not change.

Human-development performance shows no meaningful acceleration. Life expectancy remains on a trajectory of divergence, and tertiary enrolment continues to diverge regardless of reforms. Governance indicators also remain unchanged in this scenario.

Environmental outcomes see no measurable improvement, but **ICT exports would converge to the EU level in about four years**, which is the **same timeline** as under current trends**. Infrastructure shows no signs of acceleration.**

Overall, institutional reforms improve economic convergence only marginally, while most social, governance, environmental and infrastructure indicators follow almost identical paths as in the status quo, indicating limited impact on long-term convergence trajectories.

POLICY DISCUSSION

1. General Policy Discussion

To fully understand the policy context in Serbia, it is important to recall the country's development trajectory following the dissolution of the former Yugoslavia and the wars of the 1990s. Between 2000 and the global financial crisis in 2008/2009, Serbia underwent a process of economic transition. This period was marked by high growth rates, but also by setbacks in social rights and labour-market performance.

Such outcomes were not unexpected, as Serbia adopted a neoliberal model of capitalism and transition encouraged by international partners and institutions as a prerequisite for reintegration into global flows of goods, capital and finance. The global economic crisis abruptly interrupted this trajectory, leading to a deterioration of both economic and social indicators. This, in turn, contributed to the political change in 2012, after which a new model of economic growth began to take shape.

The period between 2009 and 2015 was effectively 'lost' for Serbia in terms of economic development, as the aftermath of the global financial crisis and domestic structural weaknesses resulted in prolonged stagnation. Noticeable GDP growth resumed only after 2015, driven primarily by a growth model centred on FDI, which became the dominant source of capital inflows and export expansion.

From 2017 onward, public investment (particularly in large-scale infrastructure projects) was added as a second engine of growth, further shaping Serbia's development trajectory. While this model generated higher growth rates, it also reinforced the economy's dependence on externally financed investment and on sectors with varying levels of productivity and long-term sustainability.

A key structural weakness of Serbia's development path has been the limited advancement of small and medium-sized enterprises (SMEs), particularly in the areas of digitalisation, technology adoption and integration into the supply chains of larger systems. This gap has reduced the economy's capacity to

generate broad-based productivity gains and to support a more diversified and innovation-oriented growth model.

At the same time, Serbia has not articulated clear strategic directions that would allow economic growth to translate into sustained economic development. This is evident in several missed policy opportunities, including the lack of a coherent response to emigration, the absence of a long-term framework for energy security and the insufficient modernisation of the education system. Together, these factors have constrained the country's ability to shift from episodic growth to a more resilient and development-driven trajectory.

When it comes to Serbia's convergence trajectory, it is characterised by progress in the economy, labour market and digital sector, contrasted with persistent challenges in governance, environment, health, education and broad infrastructure. The result is a development path marked by selective strengths but substantial structural constraints that continue to limit the speed and depth of convergence with the EU.

The weaknesses and the strengths of Serbia's development model become even more apparent when viewed through the lens of the five scenarios examined in this analysis. These scenarios show that, regardless of which pathway Serbia follows, several areas consistently fail to converge towards EU standards, highlighting deep structural constraints.

Across the five scenarios, Serbia's convergence path differs substantially, with only a limited set of indicators responding meaningfully to changes in policy direction. In the status quo scenario, progress remains slow and uneven, while the full EU accession scenario generates the broadest and fastest improvements, particularly in GDP per capita, poverty, energy intensity and ICT exports.

Scenarios involving partial integration, access to the EU budget, and access to the EU single market produce moderate gains focused on GDP and digitalisation, but leave most social, governance, education and environmental indicators largely unchanged. Institutional reforms alone yield only marginal acceleration, with key structural indicators remaining on the same long-term

trajectories as in the baseline. This contrast underscores the importance of comprehensive reforms and credible external anchors – most notably full EU accession – in shaping Serbia's long-term development prospects.

2. Policy Discussion by Areas

ECONOMIC: Serbia's economic convergence shows steady progress, but the structure of growth continues to limit its overall pace. GDP per capita is rising, yet the remaining gap with the EU reflects an economy still dependent on lower-value-added activities and FDI as its main drivers. Wages are converging at a pace similar to GDP, but their low level relative to GDP and productivity highlights enduring labour-market weaknesses, limited diffusion of productivity gains to workers, and high profit margins in the economy. The pension system remains the weakest component, with no indication of future convergence, reflecting demographic pressures and insufficient labour-market contributions.

Low investment in human capital constrains long-term productivity growth and the shift towards more competitive economic activities. The **key policy challenge** is to transition from a model based primarily on external capital and low labour costs to one centred on productivity, skills and innovation. This can be done most effectively by providing more support to domestic companies lagging behind foreign companies in the economy as well as with well-targeted industrial and innovation policies that will identify promising sectors and support them through tailored measures. Without such a shift, Serbia's economic convergence is likely to remain gradual, uneven and insufficient to deliver sustained improvements in living standards.

SOCIAL: Serbia's social convergence presents a mixed picture. Labour-market outcomes are among the strongest elements of this pillar, with employment rapidly approaching EU levels. However, unemployment remains worse than EU levels and would require decades to converge, reflecting persistent structural mismatches and limited job creation in higher-quality sectors.

Poverty reduction has stalled, showing that economic growth has had weak effects on the most vulnerable groups and that social-transfer systems lack the capacity to meaningfully alter distributional outcomes. Income and gender

inequalities show virtually no progress at all. The **key policy challenge** will depend on having a more coherent set of policies that combines inclusive labour-market development with stronger redistributive instruments and targeted support for disadvantaged groups, underpinned by evidence-based measures derived from the data available through the social registry system. Greater social spending, more progressive taxation models and greater investment in care facilities are just some of the measures required here.

HEALTH: Serbia's spending levels are approaching the EU average, yet key outcomes – most notably, life expectancy and infant mortality – continue to diverge, indicating that higher expenditures have not translated into proportional improvements in population health. The system retains significant unused physical capacity, as seen in the high availability of hospital beds.

A central challenge is the persistent shortage of medical personnel. Despite recent improvements, the number of physicians remains well below the EU average, and long-term trends are worsening due to outward migration and the absence of strategic workforce planning. Overall, progress in the health pillar will depend on policies that prioritise workforce retention, expansion of specialised training, and better alignment of resources with demographic needs.

In parallel, greater emphasis should be placed on **preventive care and maternal-and-child health measures**, including prenatal and neonatal care, both to improve health outcomes (including infant mortality) and to reduce pressure on the health system by preventing the onset of disease. Serbia could draw **concrete lessons from North Macedonia**, where targeted policies have led to substantial improvements in child mortality. At the same time, stronger efforts by the Ministry of Health are needed to encourage the **return of emigrated health professionals**, as existing initiatives remain largely symbolic.

EDUCATION: Policy discussion about this pillar is complicated by the instability that has marked the sector over the past year. Following the 2024 tragedy in Novi Sad, students, parts of the teaching profession, and segments of the academic community became central actors in a broad social movement, leaving the education system without the stability needed for structural

reform. Before long-term improvements can take hold, the primary challenge is to restore institutional continuity and rebuild trust within the sector.

Persistent underinvestment remains the defining constraint on educational quality, with spending at only two thirds of the EU average and diverging over time. Although PISA outcomes are comparatively strong, they conceal deep inequalities driven by socioeconomic background. The deterioration of the NEET indicator further signals disengagement among young people and limited opportunities for smooth school-to-work transitions. Much weaker tertiary attainment than tertiary enrolment signals quality issues in the high-education system. Overall, Serbia's education convergence will depend on stabilising the system, increasing investment, modernising curricula and ensuring that pathways through education lead to meaningful labour-market outcomes.

GOVERNANCE: Governance remains one of Serbia's most persistent structural obstacles to convergence, as all key indicators continue to diverge from EU standards despite occasional short-term improvements. Voice & accountability, rule of law, and regulatory quality remain low or stagnant, with convergence horizons measured in multiple decades.

Control of corruption is the weakest dimension, improving only marginally while still structurally diverging from EU performance. The most significant concern is the low transparency of large infrastructure projects, which are frequently implemented through direct agreements between the government and contractors, bypassing competitive procurement and increasing corruption risks. This structural weakness must become **a priority area for government policy**, as improving transparency and ensuring competitive procurement are essential for strengthening governance and restoring public trust.

ENVIRONMENT: Serbia's environmental convergence remains structurally weak, with all major indicators diverging from EU trends despite isolated annual improvements. Pollution-related mortality has decreased, yet the country remains far from EU outcomes, reflecting overreliance on coal and the heavy use of cars. Renewable energy continues to decline relative to the EU average, reflecting the absence of a consistent energy-transition strategy and a low level of public investment in this area. Energy and carbon intensity remain the weakest dimensions, with long-term patterns indicating no

meaningful progress towards efficiency or decarbonisation. Waste recovery has further deteriorated, confirming systemic limitations in recycling and circular-economy development.

Given these structural challenges, **public policy should focus** on strengthening investment in renewable energy, improving energy efficiency and expanding public transportation systems in larger cities, as these measures offer immediate environmental and public-health benefits. At the same time, Serbia could gradually explore the development of a legislative, technical and safety framework to assess the potential long-term role of nuclear energy for civilian purposes as part of a diversified and sustainable energy strategy.

DIGITALISATION: Serbia's digitalisation performance is the strongest across all convergence pillars, with rapid improvements in household connectivity, e-government services and ICT-sector indicators. High levels of internet access, strong uptake of digital public services, and an ICT sector that significantly outperforms the EU average in value added demonstrate substantial progress and competitive potential. Although ICT exports and employment remain robust, recent stagnation suggests the need for renewed investment and strategic direction.

Public policy should prioritise strengthening IT capacities within the public sector, including systematic investment in specialised digital and technical staff. Additional emphasis is required on the development and application of artificial intelligence to enhance productivity and public-sector efficiency. A key challenge and opportunity lies in supporting the domestic ICT industry to transition from an outsourcing-dominated model towards the creation and international commercialisation of proprietary digital products and solutions.

INFRASTRUCTURE: Serbia's infrastructure convergence remains uneven, with strong progress in motorway development but persistent weaknesses across other key dimensions. While continued investment has accelerated motorway expansion, the broader road network continues to deteriorate, reflecting long-term underdevelopment outside major corridors. Railway infrastructure shows only marginal improvement and remains on a divergent path, signalling slow modernisation and limited network revitalisation.

The central policy priority should be the systematic improvement of regional connectivity. Strengthening cross-border transport and energy links would not only support economic integration and trade but also enhance labour mobility, attract investment and improve overall living standards.

3. Conclusions and Policy Recommendations

The analysis of the eight observed pillars clearly shows that Serbia's development trajectory is converging towards the EU average, but not in a uniform manner, even under scenarios that assume closer integration with the EU. Persistent gaps remain across several structural areas, highlighting the limits of incremental progress and partial reforms. These findings constitute a **call for the Serbia's government to intensify and deepen its reform agenda,** particularly in areas that constrain long-term convergence. At the same time, they underscore the importance of sustained **support from the EU, regional and international organisations, and civil society** to assist Serbia in its efforts to implement the complex and long-term reforms needed for durable economic and social convergence.

a) Government of the Republic of Serbia

The key recommendation for policy makers in Serbia is to upgrade the existing economic growth model. The current model relies heavily on FDI inflows that no longer predominantly originate from EU countries as well as on public investments that have a narrow focus and whose implementation transparency remains questionable. When it comes to opportunities for improving the economic growth model, **increasing domestic private investment**, which remains low compared to peer countries in the EU, would enable higher GDP growth rates. As **concrete economic policy measures**, it would be necessary to design support programmes and to better **target financial resources for SMEs** in Serbia.

Industrial policy measures selecting promising industries and activities, and supporting them with tailored measures in the best possible way, should accompany existing horizontal measures. Existing horizontal measures of **general support of companies** should continue but be directed towards

technology transfer from EU countries, the acquisition of more sophisticated machinery and equipment, and integration into higher levels of European value chains within strategically selected industries.

The convergence of Serbia's GDP towards the EU level is not the only but, indeed, **the key task for economic policy makers.** The rationale behind this recommendation is that GDP growth creates the fiscal space necessary for policy measures that would accelerate the convergence of minimum wages and, in particular, pensions, which in Serbia currently stand at only 18% of the EU average. Medium-term fiscal policy measures, as outlined in the Fiscal Strategy, should include **the continued increase of the minimum wage and the non-taxable portion of income** as well as the regular indexation of pensions in Serbia in accordance with the so-called 'Swiss formula' (i.e. indexing based 50% on inflation and 50% on wage growth).

In the area of social policy, **the main recommendation is the further development of social card registries** and the implementation of economic policy measures based on these registries as well as **greater social spending, more progressive taxation models and greater investment in care facilities**. A significant Serbia-vs-EU divide persists in Serbia concerning poverty, inequality and the gender pay gap. The existing fiscal policy targeting socially vulnerable groups is not grounded in data on the socioeconomic position of individuals but instead reflects inherited policies that primarily oscillate between maintaining social stability and meeting fiscal constraints. This non-selective pattern of policy making was evident during the COVID-19 pandemic and has continued in its wake. Examples include non-targeted cash transfers to the population, discretionary decisions on increasing pensions and public-sector wages, and fiscal incentives for young people purchasing their first property – all of which were introduced without analysis or an inspection of their social card registry profiles. **The recommendation is that social card registries become the analytical foundation for adopting socioeconomic policy measures**, with a focus on (i) the most marginalised groups and (ii) implementation of more progressive taxation models.

The health sector is an area in which it is necessary, **first and foremost, to reassess the efficiency of budget spending and the structure of those expenditures.** In relative terms, public spending on health care in Serbia lags

only marginally behind the EU average. However, life expectancy in Serbia diverges significantly from the EU average, while projections for indicators such as infant mortality suggest that it would take more than a century to reach EU-level averages. Additionally, the number of hospital beds per capita in Serbia is above the EU average, which is not, in itself, an indicator of high-quality healthcare services. **The key recommendation for economic policy makers is to enhance efficiency in healthcare service provision** and to slow down the outflow of medical personnel from the healthcare system**. Strengthening preventive care and maternal-and-child health measures** represents a second key policy recommendation for the government, given their critical role in improving health outcomes and reducing long-term pressures on the health system.

Providing policy recommendations in the area of education is **highly sensitive and difficult in the current socio-political context in which Serbia finds itself.** After being left unaddressed for years, numerous problems in the education sector came to a climax following the tragedies that occurred in Serbia in 2023 and 2024, ultimately evolving into a broader social movement in 2025. Despite these challenges, if specific economic policy guidelines were nevertheless to be proposed, they would relate to **focusing on young people in a NEET position and improving the programmes of the National Employment Service** aimed at supporting youth entrepreneurship and developing market-relevant skills among young people**. Improving the quality of universities** should also be a policy priority, as higher educational standards are essential for increasing tertiary attainment and strengthening long-term human capital development.

The state of the environment is the area in which Serbia **lags the most behind EU member states.** This considerable gap also represents the greatest opportunity to narrow the SRB-vs-EU divide and, through this process, to achieve sustainable growth and development while strengthening Serbia's energy security and sustainability in partnership with EU countries. **Public policy should prioritise investment in renewable energy** and energy efficiency while also gradually exploring the development of a legislative, technical and safety framework to assess the potential long-term role of nuclear energy within a diversified and sustainable energy strategy.

Institutional framework (governance) and digitalisation represent two opposing fronts when comparing the SRB-vs-EU divide. While Serbia is above or very close to the EU average in all observed digitalisation indicators and continues to converge, the opposite is true regarding institutional quality, the fight against corruption, the rule of law, and regulatory reform. **The key recommendation is to continue the process of accelerated digitalisation, particularly within public administration, and to increase investment in research and development in the field of artificial intelligence.** Improving the institutional framework and the rule of law lies at the core of the EU accession process and should represent a central convergence objective for Serbia, which should strive to align not only with the EU but also with the values it upholds.

Over the past decade, **significant progress has been made in infrastructure development** in Serbia, although issues of non-transparency in project implementation and in the allocation of budget funds remain present. Despite these advancements, Serbia still faces a pronounced infrastructure SRB-vs-EU divide, which is diverging from the EU average. Alongside the recommendation to enhance transparency in selecting contractors for major infrastructure projects, greater policy attention should be given to the development of **local and regional road networks and railway infrastructure** in order to improve connectivity and support more balanced regional development.

b) EU Institutions and EU Member States

Serbia's accession to the EU, whether through full membership or one of the gradual accession models, **would substantially contribute to the country's development.** Based on the analysis conducted here, this contribution would arise primarily through access to the export market, transfers from the EU budget, and more affordable sources of commercial financing. A particularly important factor for strengthening domestic private investment would be the more secure and predictable legal framework for businesses that comes with closer alignment and integration with the EU.

Through an improved economic growth model in Serbia, the SRB-vs-EU GDP per capita gap (with Serbia currently at 51% of the EU average) would narrow

more significantly, enabling the Serbian economy to converge towards the EU. In light of this, the **EU should consider implementing an enhanced gradual accession model** in a situation marked by a stalled EU accession process. This model should clearly define the period during which Western Balkan countries could participate in EU funds and selected segments of the single market without full membership, thereby supporting convergence while preserving the integrity of the enlargement process.

EU institutions can play a decisive role in accelerating Serbia's convergence towards EU standards **by strengthening both reform incentives and implementation capacity**. First, **maintaining a credible and predictable EU accession process remains essential**, as accession conditionality has historically been one of the strongest external drivers of institutional and governance reforms in Serbia. Clear benchmarks, consistent evaluation and visible links between reform progress and tangible benefits would help restore the reform momentum.

In parallel, EU institutions **could consider further reforming decision-making procedures within the enlargement process by moving towards qualified majority voting**. The ability to halt accession progress on grounds not directly linked to compliance with the acquis risks undermining the credibility and predictability of the enlargement framework. Exploring mechanisms that would reduce the scope for unilateral blockages, while preserving objective conditionality and safeguarding legitimate national interests, could strengthen trust in the accession process and reinforce its role as an effective driver of reforms and long-term convergence for Western Balkan candidates.

The European Commission has to consider establishing a dedicated **cooperation programme** with Serbia – and, more broadly, with the Western Balkan countries – focused not primarily on financial assistance but **on structured bilateral transfer of knowledge, experience and technology**. Such a programme would support institutional learning, accelerate policy implementation and enhance local capacities. The Green Agenda serves as a concrete example of how targeted cooperation can deliver tangible environmental, economic and governance benefits.

c) Regional and International Organisations

The role of the EU must be central**, but regional and international financial institutions (IFIs) are also key partners** of Serbia's government. International institutions such as the World Bank (WB) and the European Bank for Reconstruction and Development (EBRD) can also play a significant role. **Through favourable credit lines and strengthened oversight of the transparency of fund allocation and implementation**, they could help to increase private investment which is one of the main constraints in Serbia's growth model. A persistent obstacle to cooperation with regional and international financial institutions lies in the capacity of the state administration (specifically the Ministry of Economy) to design and implement support programmes for SMEs, which are the main drivers of domestic private investment growth. This challenge primarily stems from a shortage of human resources.

The transformation of Serbia's energy sector, its largest polluter, **also depends on regional and international cooperation.** The transformation could be achieved **through regional cooperation**, which would also contribute to improving relations within the Western Balkans through strategic projects. A concrete example is the planned gas interconnection of North Macedonia and Bulgaria (an EU member state), which would generate mutual benefits by strengthening regional energy security, reducing Serbia's external energy dependence, and keeping a larger share of transit-related revenues within the Western Balkans.

Improving infrastructure can serve as a foundation for regional cooperation between Serbia and its neighbouring countries. **The proposal** for regional and international financial institutions, and Serbia's policy makers, **is to prioritise transport connectivity with the region**, specifically through the construction of the Belgrade-Skopje high-speed railway line, the revitalisation of the Belgrade-Bar railway line and the construction of the Belgrade-Sarajevo highway. **The European Commission would have a significant role in this process, both by insisting on transparent procedures and by providing funding** for these projects through the Growth Plan for the Western Balkans. This approach would strengthen not only interconnectivity among countries in

the region but also the overall linkage of the region with the current EU member states.

d) Civil Society Organisations and Think Tanks

Civil society organisations should play an important role in **increasing public access to information and monitoring the work of the Serbia's government** and other state institutions. Through systematic oversight and public scrutiny, civil society contributes to greater transparency, accountability and institutional integrity, particularly in policy areas characterised by limited checks and balances.

Within this context, **think tanks have a distinct responsibility to strengthen evidence-based policy making**. By producing analytical, data-driven research and policy evaluations, they can support informed public debate and provide decision makers with concrete, feasible policy options grounded in empirical evidence.

Enhanced cooperation among think tanks, both within Serbia and across the Western Balkans, would further increase the quality and relevance of policy proposals. **Joint analytical work and coordinated policy initiatives** can help address shared regional challenges and support the development of coherent regional policy responses, thereby increasing the overall impact of civil society engagement in reform processes.

METHODOLOGICAL NOTE

What do the different numbers reported here mean?

- **% of EU average:** shows the current level of a specific indicator compared with the EU average.
- **Year-on-year rate of change:** shows how the gap to the EU changed compared with the previous year in percentage points (pp).
- **Rate of change over the past five years:** shows the average annual pace of change over the last five years, capturing whether the indicator has been improving or worsening recently.
- **Years to EU:** shows how long it would take for a country to reach the EU average for the given indicator while assuming that the recent pace of change continues.

How do we calculate the numbers for individual indicators?

% of EU Average: calculated as the native value of a certain indicator in a certain country, compared with the corresponding EU average.
Example: If the average monthly wage in Serbia is EUR 1,150 and the average monthly wage in the EU is EUR 3,000, then Serbia's wage level is 38% of the EU average (1,150/3,000). ***For indicators where lower values mean better outcomes (e.g. unemployment, child mortality), the calculation is reversed*** so that a higher percentage always indicates better performance.
Example: If the unemployment rate is 11% in Kosovo and 6% in the EU, Kosovo's relative level is 55% of the EU average (6/11).

Rate of change over the past five years: calculated as the simple average of the year-on-year changes in the indicator measured as a percentage of the EU average over the last five years.
Example: If public health spending in North Macedonia, measured as a share of the EU average, changed by -0.4, +7.2, -2.7, -2.1 and +0.2 pp, the five-year rate of change is +0.4 pp.
Years to EU: calculated by comparing the remaining gap to the EU average with the speed of progress over the last five years. It shows how many years it would take to close the gap if recent trends continue.

Example: If Montenegro's GDP per capita is 55% of the EU average (a gap of 45 pp) and it has been catching up by 0.9 pp per year, it would take about 50 years to reach the EU level.

How do we calculate the numbers for the pillar/area averages?

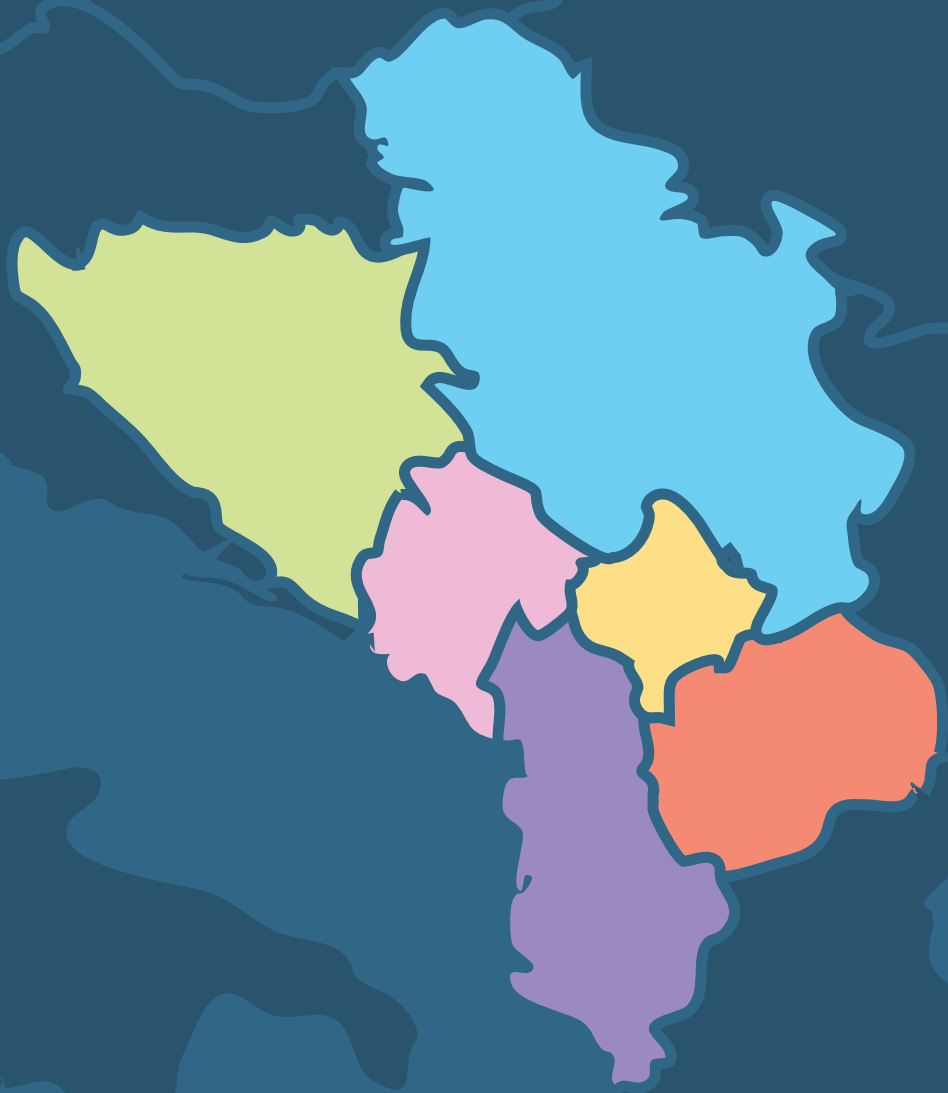
% of EU Average: calculated as the simple average of all indicators in the pillar, each expressed as a percentage of the EU average.
Example: If Albania's five environment indicators are 50%, 55%, 60%, 65% and 70% of the EU average, the overall Environment pillar stands at 60% of the EU average.

Rate of change over the past five years: calculated as the average of the year-on-year changes in the overall pillar's value measured as a percentage of the EU average over the last five years.
Example: If Bosnia and Herzegovina's Education pillar changed by +0.5, +5.6, +0.2, +0.8 and +1.0 pp, the five-year rate of change is +1.6 pp.

Years to EU: calculated by comparing the remaining gap to the EU average for the overall pillar with the pace of progress over the last five years.
Example: If Serbia's Digitalisation pillar stands at 98% of the EU average and has been improving by 1.0 pp per year, it would take two years to reach the EU level.

What does it mean when an indicator is 'converged' or 'diverging'?

Converged: an indicator is considered converged if its value (measured as a percentage of the EU average) is at or above 100%. This means the country has reached or exceeded the EU average in that area.
Example: If government spending on health in Montenegro is 105% of the EU average (6.9% of GDP vs 6.5%), Montenegro is considered converged.
Diverging: an indicator is considered diverging if its average change over the past five years (measured as a percentage of the EU average) is negative. This means the country has been moving further away from the EU average.
Example: If road density in North Macedonia (expressed as percentage of the EU average) has been declining by 0.4 pp per year, the country is diverging. A categorisation of 'Not Possible' may be used when a convergence calculation cannot take place due to missing data.



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