
From the Editor



Representatives of the current government have presented the strategy “Serbia 2030–2035”. The strategy is still not publicly available in written form, so its content is being inferred based on public appearances of the President and members of the Government. The strategy was announced at a time of highly unfavorable international circumstances and deep political divisions in Serbia, which makes its implementation and outcomes more uncertain than usual.

The deterioration of international conditions is manifested through deglobalization, military conflicts in Ukraine and the Middle East, the lagging of the EU behind China and the US, and the worsening of Serbia’s relations with the EU. The process of deglobalization negatively affects international trade and reduces the international mobility of capital. For Serbia, it is particularly unfavorable that in recent years the value of foreign direct investment at the global level has declined from 4–5% to 1–1.5% of world GDP. At the same time, investments are increasingly concentrated in developed countries with friendly relations, while the level of investment in other countries is further declining.

Serbia based a large part of its economic growth over the past decade on foreign investments, which averaged around 6.4% of GDP and accounted for 27–28% of total investment. Foreign direct investments in Serbia were halved last year, and a lower inflow of FDI can be expected in the coming years compared to the multi-year average. In addition to the deterioration of international relations, the decline in FDI inflows will be influenced by rising business costs in Serbia, the political crisis, and the uncertain prospect of EU accession. A reduction in foreign direct investment, if not accompanied by an increase in domestic private investment, will lead to slower economic growth in Serbia in the coming years. The attack by the US and Israel on Iran will almost certainly have a negative impact on the global economy, including Serbia in the current year, but the intensity of the negative impact and its potential extension into the coming years will depend on the du-

ration of the conflict, as well as on whether there will be significant damage to oil and gas infrastructure.

The core of the 2030–2035 strategy consists of public investments amounting to EUR 63 billion in the period 2026–2035, of which EUR 15 billion is allocated to the military. The elements of the strategy presented to the public relate to government investments in healthcare, education, artificial intelligence, energy, transport and utility infrastructure, and agriculture. At the same time, no plans have been announced to address the major weaknesses of the economic system, such as inconsistent enforcement of laws, high corruption, discrimination against entrepreneurs based on political affiliation, low quality of public administration, etc. Weaknesses in the institutional environment will represent the most important constraint on achieving Serbia’s ambitious development goals over the next ten years. Weak institutions act as a brake on activating Serbia’s development potential, which is reflected in low levels of domestic investment, low innovativeness of the domestic economy, and the absence of large domestic firms in technologically advanced sectors, among other things.

Representatives of the government have announced a significant increase in the country’s level of development and the standard of living of citizens over the next five years. According to the strategy, GDP per capita, measured in current euros, is expected to increase by 48% in Serbia by 2030, i.e. by 8.2% annually, while wages in the same period are expected to increase by 42.8%, i.e. by 7.4% on average per year. Expressing GDP and wage growth in current euros is not methodologically appropriate, as it includes not only real economic growth and the purchasing power of citizens, but also the effect of inflation, which under a fixed exchange rate leads to a reduction in the real value of the euro by 3–4% annually. If the effect of the decline in the value of the euro of around 3.5% per year is excluded, the planned average real GDP growth rate amounts to 4.5% annually, i.e. about 25% by 2030, while real wages would grow on average by 3.5% per year, i.e. by 20% by 2030.

The planned real growth rates are possible for a country at a middle level of development, but they will not be easy to achieve in the international (military conflicts, reduced international mobility of capital) and domestic (weak institutional framework, political crisis, rising business costs) circumstances that are likely to prevail in the coming years. Additional strengthening of the real value of the dinar, which is assumed, may worsen the competitiveness of the economy, i.e. reduce export growth and FDI inflows. The only way to avoid this is to change the structure of the economy toward high technologies, which requires large private investments that can be expected if the institutional framework is improved (which is not planned in the strategy) and the international environment improves (which is uncertain).

The strategy plans investments in healthcare amounting to EUR 2.5 billion in the period 2028–2035, which corresponds to about EUR 300 million annually. Planned investments in healthcare account for around 5% of public investments over the next 10 years. An increase in healthcare spending is necessary, as current and capital government expenditures on healthcare in Serbia still amount to 6% of GDP, which is lower than the EU average of 7.2% of GDP, but also lower than the average spending in CEE countries of up to 6.2% of GDP. In terms of healthcare spending relative to GDP, as many as 19 EU countries are above Serbia, while only eight countries have a lower share than Serbia. Based on past experience with healthcare investments in Serbia, doubts remain as to whether the priorities have been selected on the basis of detailed analysis or on the basis of short-term political interests of the authorities?

Investment in education in 2023 amounted to 3.4% of GDP, placing Serbia at the bottom in Europe. In the same year, public expenditure on education in the EU averaged 4.7% of GDP, while in CEE countries it averaged 5% of GDP. Among CEE countries, Romania invested in education at a level similar to Serbia, while all other countries allocated a higher share of GDP. In 2025, in response to protests, Serbia significantly increased wages in education, but it is likely that it still remains among the CEE countries that allocate the lowest share of GDP to education. It is planned that investments in education will amount to EUR 220 million over the next 10 years, which is on average EUR 22 million annually or 0.04 of total public investments in that period. Planned investments in education are extremely low and insufficient for its modernization, which is necessary for achieving a high level of development of the country.

The President of the Republic has announced the direction in which education reforms should proceed in

the coming years. However, there are no substantive measures for improving the quality of education in primary and secondary schools, such as better selection of teachers, improvement of their pedagogical skills, enhancement of school equipment, innovation of curricula, etc. In the case of secondary education, the priority is dual education, but it is not specified how this priority will be achieved given the modest results over the past decade.

The most important reform of higher education, according to the President's announcements, is the introduction of foreign universities in Serbia, which would be partially financed by the state. The introduction of mediocre foreign universities, whose branches in Serbia would have a lower quality of teaching than their parent institutions, while keeping their research activities entirely at the home universities, would not improve the quality of higher education in Serbia, as the already limited public funds would be spread across a larger number of universities. Instead, the quality of higher education should be improved through cooperation between domestic universities and top foreign universities, by sending the best students abroad for doctoral studies with the obligation to return to Serbia upon completion, by involving leading foreign professors in teaching and research in Serbia, by increasing funding for scientific research in Serbia, etc.

It is rather surprising that the President cited Kazakhstan as a model for higher education, a country that lags behind Serbia at all levels of education, and in which the first university was established in the 1930s. Students from Kazakhstan achieve weaker results on PISA tests than students from Serbia, while not a single university from Kazakhstan is ranked among the top 1,000 universities on the Shanghai list—where the University of Belgrade is ranked between 400th and 500th place. When it comes to higher education, appropriate models could be developed in countries of similar size, such as Belgium, Austria and the Czech Republic, which have centuries-long traditions in higher education and universities of higher quality than those in Serbia.

The decision to allocate significant funds over the next 10 years to energy, transport and municipal infrastructure is positive, but no measures are planned to improve project selection, investment efficiency, or to reduce corruption in their implementation. The strategy also does not envisage measures to improve the governance of public enterprises in these sectors.

