

August 26, 2020

**The Acting Chair's Summing Up  
Republic of Serbia—Fourth Review Under the Policy Coordination Instrument  
Executive Board Meeting 20/88  
August 26, 2020**

Executive Directors commended the economic progress made by Serbia under the PCI. At the same time, they noted that the COVID-19 pandemic is having a significant impact on the economy and welcomed the authorities' timely and strong response to the crisis. While the immediate policy priority is to focus on dealing with the crisis, Directors welcomed that the authorities' plan to gradually return to a more sustainable fiscal position and put debt on a downward trajectory again as the economy recovers.

Directors underscored that, in preparing the 2021 budget, fiscal space should be prioritized towards productive capital investments and that increases in public sector wages and pensions should be limited, while ensuring that main revenue streams are protected through continued tax administration reform. Should the economic recovery be delayed by further outbreaks, Directors agreed that possible further measures should be targeted to companies and individuals most in need, including the informally employed. Given the highly uncertain economic outlook, Directors underscored the importance of monitoring risks and preparing contingency measures. They also stressed the importance of transparency and accountability of crisis-related spending.

Directors considered that the accommodative monetary policy stance and the provision of liquidity to the banking system has been appropriate and has contributed to cushioning economic activity from the negative impact of the crisis without jeopardizing price stability. They concurred that further monetary loosening may become necessary if the recovery falters.

Directors emphasized the importance of structural reforms to limit fiscal risks, support the recovery, and enhance economic resilience. They welcomed progress on the reform of state-owned financial institutions, including towards the successful completion of the privatization of the largest state-owned bank. Directors also noted that the pending resolution of several strategic state-owned enterprises, and reforms to the corporate governance of public enterprises and to the tax administration should remain key milestones in the new government's reform agenda.