

- What will be main subject of meeting with Serbian Government?

As usual, the mission will undertake a quarterly assessment of performance under the program, as well as update real economy, external, economic, fiscal, and monetary projections and evaluate financial sector developments.

The key specific policy issue will be draft amendments to the Budget System Law, or the so-called „fiscal responsibility“ legislation. But we will also discuss progress in public expenditure reforms, scope for better tax administration, a new framework for voluntary corporate debt restructuring, and growth-oriented structural reforms, such as privatization and steps to improve the business climate.

- Do you think that Serbian Government should insist on defrosting pension and salaries?

During the previous mission, we agreed to continue to stick to the spending levels set in the context of the 2010 budget discussions, augmented by one-off support to the most vulnerable. This agreement means that public wages and pensions would continue to be frozen in 2010, and that freezes would be lifted in a prudent manner in the course of 2011. We continue to believe that a premature lifting of the freezes of public wages and pensions would not be helpful: stimulating consumption would largely result in higher inflation and imports, while the benefits for production and economic growth would be very limited.

- In what way Serbia can enhance merchandise exports?

In brief, by improving formal sector business environment (especially for foreign direct investment), reviving privatization, boosting infrastructure investment, and fully using the opportunities offered by trade liberalization. Each of these topics merits a separate, more detailed, analysis.

- When Serbian people can expect better standard?

Hopefully, substantial progress would be visible next year. It will not be easy, and will require continued perseverance with reforms. But we project that next year economic growth would be around 3 percent – a level just sufficient for generating positive employment growth. If this growth is increasingly based on a more sustainable, export-based model, it will likely accelerate in the next few years and should ensure a durable and more rapid improvement in living standards...