



Republic of Serbia

Sustainable Finance Framework





1. Introduction

The Republic of Serbia (“Serbia”, “Republic”) is strongly committed to the sustainable development agenda and seeks to achieve the Sustainable Development Goals (SDGs) set by the United Nations (UN) 2030 Agenda. The country is committed to support the global decarbonization efforts and environmental protection. In addition, Serbia also focuses on social inclusion through programs to combat poverty. By signing commitments and ratifying international agreements, such as the Paris Agreement, Serbia emphasizes its engagement in building a sustainable future for the planet and for future generations.

A series of initiatives have been implemented to promote and advance the country’s sustainable development, including environmental, social and governance policies, plans and programs. Policies and commitments on climate change, just transitions to a low-carbon economy, and social and economic advancement are reflected in the governmental strategic plans.

In order to achieve these ambitions, substantial investments need to be mobilized and a functioning and expanding green, social and sustainability capital market plays a central role in this context. This Sustainable Finance Framework will support this ambitious commitment and raise a part of the necessary funding from the international capital markets. By issuing Green, Social and Sustainable Finance Instruments, Serbia also intends to increase awareness of the importance of sustainable financing and to promote it both internationally and locally, within the Serbian financial and capital markets sectors.

2. Serbia’s Strategy for Sustainable Development

On the international level, Serbia is a signatory to, and has ratified, all major international environmental agreements, including the 2030 Agenda for Sustainable Development, the UN Framework Convention on Climate Change, the Paris Agreement, the Kyoto Protocol and the Doha Amendments to Kyoto Protocol.

The Sustainable Development Goals (“SDGs”) of the 2030 Agenda for Sustainable Development (the “Agenda”) formally came into effect on 1 January 2016, following the adoption of a resolution at the UN Sustainable Development Summit in September 2015. The Republic of Serbia has played an active role and demonstrated commitment to the Agenda from its inception, as a member of the Open Working Group on Sustainable Development Goals and the Intergovernmental Committee of Experts on Sustainable Development Financing.

Subsequent to the adoption of the Agenda, the Republic of Serbia began to establish national mechanisms to implement it. By the end of 2015, the Government had established the Inter-Ministerial Working Group for the Implementation of the United Nations 2030 Agenda for Sustainable Development, composed of high-ranking representatives of 27 line ministries and other institutions. In addition to this crucial mechanism, established under the executive branch at national level, in 2017, the Focus Group of the Serbian National Assembly was established to develop oversight mechanisms and oversee the SDG implementation.

In July 2019, the Government of the Republic of Serbia submitted its first Voluntary National Review at the United Nations High-level Political Forum meeting, describing all its achievements in implementing the SDGs, with a special focus on local communities and youth. The first Voluntary National Review by the Republic of Serbia was a cornerstone of the inclusive, tangibly productive and action-oriented process of review which required the ambitious cooperation of the whole of the Serbian Government and society in order to make concerted progress towards the national vision of growing into sustainable economy by creating equal sustainable opportunities accessible to all across Serbia.



Since then, an annual Progress Report on the Implementation of Sustainable Development Goals by 2030 in the Republic of Serbia has been published. The progress on 17 SDGs has been monitored through 83 indicators. Mapping results show that, under its existing strategic framework, Serbia is already committed to the achievement of the Sustainable Development Goals.

2.1 National Policies for Climate Change

As a signatory of the Paris Agreement, Serbia has committed to reducing emissions and contributing to global efforts to limit the increase in global average temperature. Serbia's commitment is reflected in its Nationally Determined Contribution (NDC), which was updated in August 2022 to be a reduction of emissions by 13.2% compared to 2010 levels by 2030.

The approach to the environment and climate change is strategically defined in a number of policies pertaining to the water management, sustainable use of resources, renewable energy resources and energy efficiency, and risk management. Some of the strategic documents include:

- Water Management Strategy of the Republic of Serbia until 2034
- Strategy for Agriculture and Rural Development for the period 2014 – 2024
- National Programme for Environmental Protection
- Spatial Plan for the Republic of Serbia 2010 – 2020¹
- National Sustainable Development Strategy
- National Environmental Approximation Strategy for the Republic of Serbia
- Energy Sector Development Strategy until 2025, with projections until 2030
- National Renewable Energy Action Plan 2013 – 2020
- Energy Strategy of the Energy Community
- National Energy Efficiency Action Plans (2010 – 2012, 2013 – 2015, 2016 – 2018 and 2021)

The Government's Economic Reform Programme 2024-2026, as a key strategic document for coordination of economic policies with the EU, was approved in December 2023, and sets out a number of structural reforms particularly in the areas of energy efficiency, circular economy, transportation, agriculture, industry, services, all linked to the UN SDGs.

In March 2021, the National Assembly of Serbia adopted the Law on Climate Change, which shows that environmental protection and climate change issues are high on the Governments' priority list. The goal of this law is to establish a system to reduce GHG emissions in a cost-effective way, thus contributing to the achievement of necessary GHG emissions to avoid adverse effects of climate change. The law establishes mechanisms for timely, transparent, accurate, consistent, comparable and complete reporting and verification of information on fulfilment of Serbia's international obligations, such as the UN Framework Convention, the Paris Agreement and the Kyoto Protocol. It also harmonizes domestic legislation with European Union regulations and directives.

Since the Law on Climate Change was adopted, the following strategies and initiatives are being implemented:

- 1) Low Carbon Development Strategy of the Republic of Serbia for the period 2023-2030 with projections until 2050 policy documents contain a quantitative assessment of the effects on changing GHG emission levels; The strategy envisages that the Action Plan for its implementation in the period 2024-2030 be adopted within one year; prepared for a period of at least five years; prescribes general goals, measures and activities in the sectors; and

¹ In the process of adopting the new Law on Spatial Plan of the Republic of Serbia from 2021 to 2035



- 2) Programme of Adaptation to Changing Climatic Conditions for period 2023-2030; to identify the impacts of climate change on sectors and systems and determine adaptation measures in accordance with the law governing the Serbian planning system.

The law established the National Council for Climate Change (as an advisory body to the Government) and the National GHG Inventory System. In order to achieve the intended aims of this legislation, public bodies, in addition to the adoption of specific by-laws and ordinances, also adopted appropriate sectoral policies and measures.

In April 2021, the National Assembly of Serbia adopted the Law on the Use of Renewable Energy Sources, which is seen as a catalyst for major investment in the construction of energy utilities using renewable energy sources, with emphasis on solar power plants and wind farms, which will accelerate the decarbonisation of Serbia's energy sector. Within the same package of laws, the Assembly adopted the Law on Energy Efficiency and Rational Use of Energy ("LEERUE"). The purpose of this legislation is to improve energy efficiency, aiming, among other things, to reduce the negative impact of the energy sector on the environment and to support climate change mitigation. LEERUE is the legal basis for the establishment of Directorate that will provide financial support for improving energy efficiency. Within this legislative package, an amendment to the Law on Energy was also passed, which creates a legal basis for the adoption of the National Energy and Climate Plan. The Plan sets out the goals relating to renewable energy sources, energy efficiency and the reduction of GHG emissions along with measures which will support achieving these objectives. The Republic of Serbia is currently developing its energy strategy for 2040 and beyond.

2.2. European Union integrations and regional development for the Western Balkans

Green Agenda for the Western Balkans

Serbia's dedication to a green transition is underpinned by its focus on the integration with the European Union ("EU") and the related requirement to align national legislation with EU law. Given that integration with the EU forms part of Serbia's strategy, all reforms are geared towards that goal, and there is full consensus to implement the aims of the European Green Deal throughout Serbia's EU integration process. The Stabilisation and Association Agreement between the Republic of Serbia and the European Union came into force in 2013, while the accession negotiations were opened in 2014.

On 10 November 2020, the Republic of Serbia, together with the other Western Balkans economies, signed the Sofia Declaration on the Green Agenda for the Western Balkans (the "Declaration"). By signing the Declaration, Serbia acknowledged the need to set the basis for a major transformation to turn sustainability and resilience challenges into opportunities and to transpose elements of the European Green Deal in all interrelated priority sectors. The Republic of Serbia committed to implement the following five pillars:

- 1) Climate, energy, mobility – to work towards the 2050 target of a carbon-neutral continent;
- 2) Circular economy – to commit to the process of transition from a linear to a circular economy, being fully aware of the necessity for a research and innovation system to support such a transition;
- 3) Depollution - Depollution of air, water and soil in the Western Balkans; a joint interest stemming from the primary concern for the health of citizens;
- 4) Sustainable agriculture and food production – to commit to work towards ensuring transformation of the agriculture sector, minimizing its negative environmental and climate impact and safeguarding affordable and healthy food; and



- 5) Biodiversity – defining the post-2020 biodiversity framework and developing a long-term strategy for halting biodiversity loss, protection and restoration of ecosystems and abundant biological diversity.

The agenda should enable Serbia and the EU to create stronger links between climate and environment actions, policy reforms and EU approximation. The European Union and its member states have pledged to support the implementation of the Green Agenda financially, through the Instrument for Pre-Accession (“IPAI”), the Western Balkans Investment Framework, the Western Balkans Guarantee Facility, the European Fund for Sustainable Development Plus, the European Investment Bank, the Structural Reform Support Facility and other sources.

Western Balkans Declaration on ensuring sustainable labour market integration of young people

In July 2021, the Republic of Serbia endorsed the Western Balkans Declaration on ensuring sustainable labour market integration of young people. Serbia announced it will (i) work on the gradual introduction of the Youth Guarantee, (ii) allocate the necessary human and financial resources, and (iii) develop a Youth Guarantee Implementation Plan. The confirmation of this declaration followed the adoption of the comprehensive Economic and Investment Plan for the Western Balkans in October 2020 by the European Union, with the aim of promoting the long-term economic recovery of the region, supporting the green and digital transition, regional integration and convergence with the European Union.

The Economic Reform Programme 2023-2025 defined as one key priority to increase employment, especially among young people, women and vulnerable groups, and social protection against poverty. The Youth Guarantee has been designed as a structural reform to address this important objective. In August 2023, Serbia adopted Youth Guarantee Implementation Plan 2023-2026, responding to youth unemployment through cooperation of various sectors and social partners.

2.3. Serbia's Social Priorities

The fight against poverty and inequality

Like other middle-income countries, one of the challenges facing Serbia is lowering the levels of poverty and inequality among its population. Employment policy specifies the reform steps to be taken in order to successfully develop an efficient labour market in the Republic of Serbia in line with the country's other development goals and requirement of fast technological development. The achieved employment growth should be characterised by the quality, as well as decrease in social inequalities, which hinder economic growth and society's overall progress.

The overall goal of the Employment Strategy of the Republic of Serbia 2021–2026 is to create a stable and sustainable employment growth underpinned by knowledge and decent work, whereas its objectives are 1) Growth of high-quality employment achieved through cross-sectoral measures aimed to enhance labour supply and demand, 2) improved labour market position of the unemployed, and 3) improved institutional framework for employment policy. The Strategy envisages the adoption of two action plans for the periods 2021-2023 and 2021-2026 with a view to achieving its goal/objectives and implementing the planned measures.

The social inclusion policies are defined by the wider concept of the Human Resources and Social Development sector, which includes several national strategies in the area of poverty reduction, social inclusion, social welfare, education, employment, health and social housing, as well as strategies aimed at improving the status of socially excluded groups, such as women, persons with disabilities, Roma men and women, migrants and others.



The Law on Social Welfare was adopted in 2011 to support the reform of implementation of the integral social welfare concept and to improve of protection of the poorest, ensuring minimum subsistence level and more efficient system of benefits. Every individual and family in need of social assistance and support in order to overcome social and life difficulties and creation of conditions for meeting basic living needs have the right to social protection in accordance with the Law on Welfare. The right to social welfare is provided by the provision of social protection services and material support.

The well-being of children and adolescents has taken a vital role in public policymaking. To tackle this problem, various public programs and structural changes have been deployed specifically to improve the wellbeing of these sectors, including the gender perspective, and considering the impact on children. The Bill on Amendments to the Law on Financial Support to Families with Children, in order to improve the conditions for meeting their basic needs, encourage childbirth and provide support to financially disadvantaged families, families with children with disabilities. children with disabilities, as well as children without parental care.

Access to education

To ensure high quality of life and work of future generations, to further promote competitiveness in Europe and the world economy, and to develop society as a whole, the education of its population is of highest priority for the Government of Serbia. It is the mission to build knowledge and intellectual capacities of young people and adults equally, to prepare them for living and working in our future, quickly developing society of the 21st century.

To achieve this, the Serbian Ministry of Education, Science and Technological Development has developed a national Strategy for the Development of Education in Serbia by 2030. It aims to facilitate a culture of lifelong learning, critical thinking, media and information literacy, creativity, and foster inclusion and participation at all levels of the educational process. The strategy encompasses a comprehensive program, from preschool to higher education and lifelong learning.

Underlining its ambitions to educational excellence, the Republic of Serbia is also commits to the declared goals in the field of education from the 2030 UN Agenda for Sustainable Development Goals. By 2030, Serbia wants to build a modern and recognizable educational system that will be among the highest-ranking systems in terms of the quality of educational programs, teaching activities, research and professional work, increasing the reputation of education in society and the state, and harmonizing the education system.

Access to healthcare

To provide sufficient healthcare to its population, the Republic of Serbia operates an elaborate healthcare system with a network of general and specialised healthcare institutions. With its comprehensive national Public Health Strategy, the Government lays out an action plan until 2026 to further expand the quality of overall healthcare and to reduce inequalities in health. It builds on joint actions of government and citizens to promote health and well-being.

The public health system provides and supports a wide range of activities and services implementation, they perform the main tasks of public health. Health care at the primary level is provided by 158 state-owned health centres, with a developed network of health stations and outpatient clinics and institutes.

Public Health Strategy of the Republic of Serbia for the period from 2018 to 2026 with its accompanying Action Plan aim at the improvement of health and health care. The strategy defined the following goals: improving health and reducing inequalities in health, supporting the development of affordable, quality and efficient health care, improving the environment and the working environment, preventing and



combating disease and leading risks to public health. In addition to that strategy, there are also valid programmes for certain diseases and risk reduction of diseases, which are determined by regulations.

Development of regional economies

Serbia's economy is characterised by substantial discrepancies in economic development between different geographic areas with higher unemployment rates and poverty levels are recorded in the smaller towns and rural communities. In order to mitigate the geographical gaps, Serbia needs to unlock its growth and job-creating potential through a more even regional development. With the Law on Regional Development, Serbia has put the focus of the is on enhancing competitiveness and social cohesion of the less developed areas by and developing an environment conducive for business and better social standards through programs that support productivity and competitiveness, and entrepreneurship development.



3. Serbia's Sustainable Finance Framework

The Sustainable Finance Framework (the "Framework") of the Republic of Serbia has been established to present details on the commitments and obligations that the government intends to fulfil as an issuer of Sustainable Finance Instruments. The Framework covers all Sustainable Finance Instruments that can be issued in the form of bonds, loans, private placements, and other debt instruments (together "Sustainable Finance Instruments").

From a financial and legal point of view, these Sustainable Finance Instruments must fulfil the obligation for all sovereign debt issuances in accordance with the Law on Budget System, Law on Budget of the Republic of Serbia and other related laws and by-laws. The net proceeds raised from the issuance of sovereign bonds including Sustainable Finance Instrument will contribute to the financing of the sovereign budget as a whole. An amount equivalent to the net proceeds raised from Sustainable Finance Instruments will be assigned to Eligible Green or Social Expenditures. Sustainable Finance Instruments issued under this Framework rank *pari passu* with other instruments of the Republic of Serbia of similar status and can be issued in all formats and sizes such as a conventional instrument.

The Framework is designed to align with the Green Bond Principles² 2021, the Social Bond Principles³ 2023, and the Sustainability Bond Guidelines⁴ 2021, all published by the International Capital Market Association (ICMA), the Green Loan Principles 2023⁵, and the Social Loan Principles 2023⁶, both published by the Loan Market Association (LMA), and the core components:

- Use of Proceeds
- Process for Expenditure Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The work was carried out by the ministerial offices in consultation with relevant experts and reviewed by an independent external reviewer.

3.1 Use of Proceeds

The equivalent amount to the net proceeds of issued Sustainable Finance Instruments will be used to finance and/or re-finance new and existing expenditures ("**Eligible Green or Social Expenditures**"). Eligible Green or Social Expenditures may include capital expenditures, operational expenditures, tax expenditures, subsidies and transfers. The Eligible Green or Social Expenditures are considered in the budget of the Government of Serbia and are aimed at promoting Serbia's transition to a low-carbon, climate resilient and ecological economy as well as contributing to United Nations Sustainable Development Goals. In order to be eligible, the expenditures must fall in at least one of the categories described below ("**Green or Social Eligible Categories**").

² [Green Bond Principles » ICMA \(icmagroup.org\)](https://www.icmagroup.org/green-bond-principles/)





³ [Social Bond Principles \(SBP\) » ICMA \(icmagroup.org\)](https://www.icmagroup.org/social-bond-principles/)

⁴ [Sustainability Bond Guidelines \(SBG\) » ICMA \(icmagroup.org\)](https://www.icmagroup.org/sustainability-bond-guidelines/)

⁵ [Green Loan Principles 23 February 2023.pdf \(lma.eu.com\)](https://www.lma.eu.com/green-loan-principles-23-february-2023.pdf)





⁶ [Social Loan Principles 23 February 2023.pdf \(lma.eu.com\)](https://www.lma.eu.com/social-loan-principles-23-february-2023.pdf)



Green Eligible Category	Renewable Energy  
Eligible Sub Categories	<p>Expenditures to support the development of renewable energy generation capacity</p> <p>All assets have to respect a 100g CO₂e/kWh threshold</p> <p>Expenditures related to renewable energy storage capacities, grids managing higher renewable energy production and securing energy stability</p>
Description, examples of expenditures, and indicative impact indicators	<p>Description:</p> <p>Accelerating the transition towards an economy that largely relies on renewable energies.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none">• Expenditures and subsidies related to promote the production and distribution of energy from renewable sources including solar / wind / geothermal / biomass⁷ / small-scale hydro (<50MW) <p>Indicative impact reporting:</p> <ul style="list-style-type: none">• Number of projects• Annual GHG emissions avoided• Renewable energy capacity installed• Annual energy produced
UN SDGs	 

⁷ Projects will be limited to using 2nd generation feed-stock with certifications for wood-based feedstock.




Green Eligible Category	Energy Efficiency 
Eligible Sub Categories	<p>Expenditures related to the improvement of energy efficiency of buildings, energy related products, industrial production and processes</p> <p>Expenditures related to increased usage of sustainable heating and cooling and efficient cogeneration, waste heat usage and thermal heat insulation</p>
Description, examples of expenditures, and indicative impact indicators	<p>Description:</p> <p>Reduce primary and final energy consumption in public and private sectors.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> • Investments and subsidies related to increase of energy efficiency of existing residential and public sector buildings • Expenditures related to the installation of LED lightings (e.g., in the context of modernizing building lighting systems and public lighting systems) • Investments to district energy (heating/cooling) powered by renewable energy sources incl. heat pumps, such as solar collectors, wind power, hydropower, geothermal energy, biomass⁸ • Investments in efficient heat production systems, heat recovery and efficient cogeneration • Other support for improvement of energy efficiency financed/promoted by the Directorate for financing and promotion of energy efficiency <p>Indicative impact reporting:</p> <ul style="list-style-type: none"> • Number of projects funded • Number of buildings from the public and private sectors with improved energy efficiency levels to the threshold defined in national legislation • Annual GHG emissions avoided • Annual energy savings
UN SDGs	<div data-bbox="507 1485 663 1637"> 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE  </div> <div data-bbox="715 1485 866 1637"> 11 SUSTAINABLE CITIES AND COMMUNITIES  </div> <div data-bbox="911 1485 1064 1637"> 13 CLIMATE ACTION  </div>

⁸ Projects will be limited to using 2nd generation feed-stock with certifications for wood-based feedstock.



Green Eligible Category	Transport  
Eligible Sub Categories	<p>Expenditures related to passenger and freight railway infrastructure and public transportation and infrastructure</p> <p>Expenditures related to the acquisition of hybrid or zero-emission vehicles and related charging infrastructures</p> <p>Expenditures related to waterway infrastructure</p>
Description, examples of expenditures, and indicative impact indicators	<p>Description:</p> <p>Improve and promote clean and more environmentally friendly transportation systems to support the modal shift towards sustainable modes of transportation including public transportation</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> • Investments for the construction, improvement and maintenance of rail infrastructure and electric rolling stock for passenger and freight transportation • Investment related to construction, maintenance and upgrade of new electric metro, tram and bus lines and electric rolling stocks/vehicles • Investments related to (eco-friendly) road public transportation and higher usage of renewable energy sources in the transport sector • Subsidies to incentivize the acquisition of zero-emission vehicles and related charging infrastructure • Investment to purchase hybrid and/or zero-emission vehicles and related charging infrastructure own by the public authorities • Investments in bicycle and pedestrian traffic infrastructure <p>Indicative impact reporting:</p> <ul style="list-style-type: none"> • GHG emissions avoided • Annual energy savings • Length of infrastructure constructed and/or maintained • Number of people who use new ecological public transport • Number of charging stations for electric vehicles constructed and/or maintained • Number of vehicles subsidized
UN SDGs	  



Green Eligible Category	Sustainable Water and Wastewater Management 
Eligible Sub Categories	<p>Expenditures related to sustainable management of water resources and to secure water supply</p> <p>Expenditures related to treatment of wastewater</p> <p>Expenditures related to flood protection and risk mitigation</p>
Description, examples of expenditures, and indicative impact indicators	<p>Description:</p> <p>Efforts aimed at securing water resources and the preservation and restoration of natural waters</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> • Construction of drinking water treatment plant and infrastructure for clean water supply • Construction of dams and reservoir for water collection • Installation and improvement of wastewater collection and treatment infrastructure • Water supply and wastewater treatment program in medium-sized municipalities in Serbia • Expenditures for the development of flood protection and to strengthen resilience of water infrastructure in case of severe weather and climate change events <p>Indicative impact reporting:</p> <ul style="list-style-type: none"> • Number of projects • Number of interventions on reservoirs and water supply systems • Number of complex water systems whose safety is increased • Construction and restoration of reservoir storage capacity • Amount of clean water provided and number of people with access to improved sanitation facilities • Reduction in water loss in transfer and/or distribution • Amount of wastewater treated, avoided, reused and/or minimised at source • Length of wastewater network installed / maintained • Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of floods and droughts
UN SDGs	<div data-bbox="507 1798 663 1951"> <p>3 GOOD HEALTH AND WELL-BEING</p> </div> <div data-bbox="705 1798 861 1951"> <p>6 CLEAN WATER AND SANITATION</p> </div> <div data-bbox="903 1798 1059 1951"> <p>13 CLIMATE ACTION</p> </div>





Green Eligible Category	Pollution Prevention and Control and Circular Economy		
Eligible Sub Categories	Expenditures related to waste management and resource recovery Expenditures to promote sustainable consumption and production		
Description, examples of expenditures, and indicative impact indicators	<p>Description: Aim to eliminate waste to landfill, to reduce waste generation and to enable recycling and transition to a circular economy</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none">• Expenditures for waste collection, treatment and recycling infrastructure, equipment and projects• Expenditures to prevent or address illegal waste disposal• Rehabilitation and closure of unsanitary landfills• Hazardous waste management• Expenditures to incentivise increased usage of recyclable, recycled, and/or re-used products and materials <p>Indicative impact reporting:</p> <ul style="list-style-type: none">• Number of projects• Amount of waste collected, separated, treated and/or recycled• Number of polluted sites under remediation• Amount of recyclable goods produced		
UN SDGs			



Green Eligible Category	Protection of the Environment and Biodiversity and Sustainable Agriculture 
Eligible Sub Categories	Expenditure related to sustainable land use as well as protection and restoration of biodiversity and ecosystems
Description, examples of expenditures, and indicative impact indicators	<p>Description: Promotion of climate-resilient forests and natural landscapes, preservation of biodiversity and development of sustainable and environmentally-friendly farming practices</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none">• Expenditures to development and implementation of new, more resistant, varieties and species to increase afforestation (indigenous species)• Expenditure to monitor and improve quality of arable land• Expenditures related to sustainable forest management• Expenditures to protect and restore natural landscapes and preserve landscape diversity, including terrestrial, river and swamp ecosystems• Measures to protect species and migratory species• Management and maintenance of national parks• Infrastructure and systems to improve resilient and offer protection against consequences resulting from climate change, e.g. floods, drought, hail, forest fires among others <p>Indicative impact reporting:</p> <ul style="list-style-type: none">• Number of projects• Number of Natura 2000 sites• Area of (improved) sustainable forest management• GHG emissions removed and captured• Area protected / restored / maintained• Area of sustainable agriculture• Increase in certified agriculture measured in number of certification schemes• Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of floods, droughts, or hail
UN SDGs	 







Social Eligible Category	Access to Essential Services - Education 
Eligible Sub Categories	<p>Expenditures providing and enhancing access to education for individual students</p> <p>Expenditures to enhance the quality and capacity of public educational offerings</p>
Description, examples of expenditures, and indicative impact indicators	<p>Description:</p> <p>Enhancing the access and quality to public education and providing dedicated programs relating to information and communications technology (ICT)</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none">• Subsidies for student loans (granted on the basis of household-income and educational performance)• Scholarships for students (granted on the basis of educational performance, but also considering socio-economic factors)• Investments into construction and operation of existing or new institutions of student standard (primary and high schools as well as vocational schools)• Investments into ICT infrastructure in schools, related training for teachers and employees in the public administration• Offerings for informatics and computer science in primary schools• Establishing and improving public e-education services <p>Target population:</p> <ul style="list-style-type: none">• Pupils and students <p>Indicative impact reporting:</p> <ul style="list-style-type: none">• Number of projects• Number of students receiving subsidized student loans and scholarships• Number of students benefitting from enhanced educational capabilities
UN SDGs	



Social Eligible Category	Access to Essential Services - Healthcare 
Eligible Sub Categories	Expenditures related to construction and equipping of public health institutions Subsidizing health insurance for special vulnerable groups
Description, examples of expenditures, and indicative impact indicators	<p>Description: Measures to enhance access to and quality of healthcare infrastructure in Serbia</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none">• Investments into construction, refurbishment, and operation of hospitals and medical school capabilities• Financial assistance for persons with rare diseases to support the purchase of medicines and access rehabilitation measures• Supply of medical equipment (Mammograms, magnetic resonance imaging scans, and ultrasounds) to health institutions <p>Target population:</p> <ul style="list-style-type: none">• All population• Persons with rare diseases <p>Indicative impact reporting:</p> <ul style="list-style-type: none">• Number of projects• Number of patients treated• Number of people with rare diseases receiving from financial assistance
UN SDGs	



Social Eligible Category	Socioeconomic advancement and empowerment 
Eligible Sub Categories	<p>Support for low-income households</p> <p>Programs to support the unemployed with further educational and vocational measures</p> <p>Support for rural communities</p>
Description, examples of expenditures, and indicative impact indicators	<p>Description:</p> <p>Measures supporting low-income and rural populations in enhancing their socioeconomic positioning and facilitating further education and vocational trainings for the unemployed</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none"> Financial assistance for the purchase of a first appartement for families with an average household income below the average monthly wages of employees in Serbia Financial assistance for low-income families with children Social assistance payments to low-income individuals Enhancing rural communities by providing grants for purchasing properties in rural areas to enhance the demographic structure of those areas⁹ <p>Target population:</p> <ul style="list-style-type: none"> Low-income households Unemployed Rural population under the age of 45 <p>Indicative impact reporting:</p> <ul style="list-style-type: none"> Number of households
UN SDGs	<div data-bbox="507 1447 663 1601"> 5 GENDER EQUALITY  </div> <div data-bbox="692 1447 847 1601"> 8 DECENT WORK AND ECONOMIC GROWTH  </div> <div data-bbox="876 1447 1027 1601"> 10 REDUCED INEQUALITIES  </div>

⁹ Restrictions apply, such as that applicants who receive grants cannot alienate real estate within ten years from the date of concluding the contract on the sale of real estate and have to live on the properties themselves (i.e. cannot rent it)



Social Eligible Category	Food security and sustainable food systems 
Eligible Sub Categories	Promotion of agricultural production Healthy and nutritious food service programs
Description, examples of expenditures, and indicative impact indicators	<p>Description: Measures to promote food security and sustainable production via provision of financial and technical support to small and medium farmers.</p> <p>Examples of eligible expenditures:</p> <ul style="list-style-type: none">Financial support and technical support to small and medium farmers for agricultural production, in order to, among others, support the technological development in agriculture and rural development , improvement knowledge creation and transfer, and enhance social structuresProgrammes to ensure access to health and nutritious food services <p>Target population:</p> <ul style="list-style-type: none">General publicSmall and medium farmer <p>Indicative impact reporting:</p> <ul style="list-style-type: none">Number of beneficiaries
UN SDGs	 



Exclusion Criteria

As Eligible Green or Social Expenditure under this Framework, Serbia explicitly excludes the following activities:

- Exploration and production of fossil fuels
- Nuclear energy
- Manufacturing and production of armaments, defence, tobacco and alcoholic products, and activities related to gambling
- Deforestation and degradation of forest

Naturally, any expenditures that violate the Constitution of Serbia, the EU Charter of Fundamental Rights, as well as national laws or regulations are excluded from the national budget.

3.2 Process for Expenditure Evaluation and Selection

The Government of Serbia has established an evaluation and selection process to determine the eligibility of expenditures as part of the Sustainable Finance Framework. An intergovernmental Sustainable Finance Working Group ("SFWG") has been established to oversee the process, the selection of Eligible Green or Social Expenditures, allocation of funds received and the delivery of the allocation and impact reporting to investors and the public. Under the responsibility of the Ministry of Finance, the SFWG will pool all the expertise needed for a thorough and robust evaluation and selection of Eligible Green or Social Expenditures. The SFWG will consist of members from:

- Prime Minister's Office
- Ministry of Finance
- Ministry of Environmental Protection
- Ministry of Construction, Transport and Infrastructure
- Ministry of Mining and Energy
- Ministry of European Integrations
- Ministry of Agriculture, Forestry and Water Management
- Ministry of Health
- Ministry of Education
- Ministry of Science, Technological Development and Innovation
- Ministry of Labour, Employment, Veteran and Social Affairs
- Ministry of Public Investments
- Ministry of Family Welfare and Demography

The process for evaluation and selection of Eligible Green or Social Expenditures is performed on an annual basis, or more often, if necessary, for example in the event of significant change of the underlying expenditures. The process includes ensuring that an amount corresponding to the net proceeds from the issuance of Sustainable Finance Instruments is mapped to the qualified Eligible Green or Social Expenditures based on the criteria determined in this Framework.

The Eligible Green and Social Expenditures include expenditures made within the two budget years preceding the year of issuance, as well as those made in the same year as the issuance and/or future budget expenditures.

A range of government ministries manage and deliver projects and programmes that are included in the Expenditures Pool. Each relevant ministry is requested to provide a list of budget expenditures with the necessary level of information to demonstrate alignment with the eligibility criteria for Eligible Green or Social Expenditures defined in Serbia's Sustainable Finance Framework. Ministries are responsible



for monitoring their expenditures, including identifying, managing and reporting any political, legal, climate, environmental or social risks relating to their expenditures.

The SFWG reviews the potential eligible expenditures, evaluates the compliance with eligibility criteria and approves the allocation to the respective Sustainable Finance Instruments. The Ministry of Finance is responsible to initiate and coordinate the process and will be supported by the Public Debt Administration.

3.3. Management of the Proceeds

The net proceeds from Sustainable Finance Instruments will be part of the overall funding of the Republic of Serbia. As part of its overall responsibility, the Public Debt Administration is responsible for the issuance of Sustainable Finance Instruments and the net proceeds will be managed in the same way as all government securities and will be administered in accordance with general treasury policy.

The allocation of an amount equal to the net proceeds of issued Sustainable Finance Instruments to the Green or Social Expenditures will thereafter be tracked using a virtual register. The Republic of Serbia will follow a bond-by-bond approach.

In principle, for Eligible Green or Social Expenditures that are partly financed by a subsidized loan by a multilateral agency, national or supranational entity an amount net of funding with specific purposes will be considered eligible as Green or Social Expenditures.

The virtual register will be managed by the Public Debt Administration, supervised by the SFWG. Net proceeds from issued Sustainable Finance Instruments shall be allocated to the Green or Social Expenditures as soon as possible, in any case within two budget years following the year of issuance. In case of a potential shortfall of the Eligible Expenditures, for example due to postponement, cancelation, divestment or ineligibility, the respective expenditures will be replaced within twelve months. New Eligible Green or Social Expenditures (including replacements) can only be allocated after approval of the SFWG.

3.4 Reporting

The Republic of Serbia commits to publish a Sustainable Finance Report (the “Report”), providing investors and the public with transparent disclosure on the allocation of net proceeds to Eligible Green or Social Expenditures, as well as on the results and positive environmental or social impact of those expenditures. The Report will be published on an annual basis, until full allocation of proceeds. The first report will be published during the year following the issuance of a Sustainable Finance Instrument.

The Ministry of Finance will be responsible for the publication of the Sustainable Finance Report. The information and data will be provided by the relevant ministries and the Public Debt Administration will be responsible for the coordination of data collection and the preparation of the Report. The Report will be published online at: <http://www.javnidug.gov.rs/>

Allocation Report

The Ministry of Finance, through the Public Debt Administration, will provide information on the proceeds from Sustainable Finance Instruments being allocated to Green or Social Expenditures. This reporting may include:

- An overview of the allocation of the issued Bonds to the respective Eligible Categories



- A description of Eligible Green or Social Expenditures, at least on an aggregated basis
- Share of allocation of proceeds to refinancing existing Eligible Green or Social Expenditures vs financing new and future Eligible Green or Social Expenditures
- A breakdown of the type of Eligible Green or Social Expenditures
- The amount of unallocated proceeds

Confidentiality agreements that could limit the amount of details may be applied, in response to which the information would be presented in generic terms and/or on an aggregate basis.

Impact Report

The impact report will address the positive environmental or social impact of Eligible Green or Social Expenditures. The report will include environmental or social impact indicators outlining the positive impact of Eligible Green or Social Expenditure where the information is provided in existing publicly available reports, and may include:

- Specific result and environmental or social impact indicators, where feasible and available, related to the Eligible Green or Social Expenditures to which proceeds from Sustainable Finance Instruments have been allocated
- The underlying assumptions and methodology used

At least one indicator for each Green or Social Eligibility Category will be reported. The result and environmental or social impact statement may be measured on an aggregated basis rather directly corresponding impacts from funded projects during a specific year.



4. External review

The Republic of Serbia has engaged an external reviewer to evaluate its Sustainable Finance Framework. [ISS ESG] has reviewed the Framework and provided an independent Second Party Opinion (SPO) to confirm its alignment with the ICMA Green Bond Principles (2021), the ICMA Social Bond Principles (2023), the ICMA Sustainability Bond Guidelines (2021), the LMA Green Loan Principles (2023), and the LMA Social Bond Principles (2023). The independent SPO is published online at: <http://www.javnidug.gov.rs/>

Republic of Serbia intends to engage an independent external verifier to provide assurance on the allocation reports in order to ensure sustainable conformity of the issued Sustainable Finance Instruments with this Framework. An assurance will be sought annually until full allocation of net proceeds, and the results will be published alongside the respective reporting.



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