

Serbs Await Western Aid

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With Milosevic finally behind bars at The Hague, international donors now have to cough up much needed funds for Yugoslav reconstruction

The extradition of former Yugoslav president Slobodan Milosevic to The Hague tribunal on the eve of the Brussels donors conference has dispelled all doubts that the Serbian government under the energetic leadership of Prime Minister Zoran Djindjic is set on a course of political and economic reform.

Now it is up to Western governments and other funders to pledge economic support and to contribute to the consolidation of one of the most crucial countries in the Balkans.

The Serbian public is anticipating donations worth \$1.25 billion or more.

Hope of such a windfall were raised with the US government's agreement to participate in the Brussels gathering. US secretary of state Colin Powell said on Friday Milosevic's hand-over made it much easier "to be more forthcoming at the donors' conference in the subsequent days and weeks".

Washington had previously threatened not to participate unless Belgrade demonstrated full cooperation with the war crimes tribunal.

Goran Pitic, Serbian minister for international economic relations, said around \$800 million in aid was earmarked for the economy, some \$250 million for education, health care and pensions and approximately \$200 million to cover the budget deficit.

But more important than the estimated \$1.25 billion in expected aid is the hope that Belgrade can secure support for a rescheduling of the country's foreign debts.

Yugoslav deputy prime minister Miroljub Labus, head of the Yugoslav team in Brussels, pointed out that if the debt is rescheduled according to the so-called Naples conditions, Belgrade would have to pay back around \$40 billion against the current debt of \$12 billion over the next 20 years.

If the Houston criteria are applied, that figure could rise as high as \$78 billion - a not insignificant difference. Hence, Belgrade is eager to gain Washington's full support, as US influence could prove decisive when Western creditors decide on which rescheduling method to apply.

Debt rescheduling and foreign aid are vital if the new authorities in Belgrade are to oversee economic recovery in Yugoslavia. International pressure led to the federal cabinet adopting a decree on June 23 allowing for the extradition of Yugoslav war crimes suspects to The Hague, after a proposed law to do the same effect failed to get sufficient parliamentary backing.

The move was welcomed in the West and helped secure US participation at the Brussels conference. But statements from Washington suggested no actual money would be forthcoming until Milosevic and other indictees were in The Hague.

Then, on June 28, moves by Milosevic to block his extradition through the Yugoslav constitutional court, supported by Yugoslav president Vojislav Kostunica, were side-stepped by the Serbian government, which unilaterally handed the former president over on the grounds that not to do so would harm the country's interests.

Serbian prime minister Zoran Djindjic pointed out the importance of the donors conference, "We would have risked a huge embarrassment ... if donors began cancelling their participation," Djindjic said on Thursday.

Labus said he plans to go straight to Washington once the conference is over. He refuted suggestions that the organisers of the conference, the World Bank, have significantly different plans for the use of funds to those drawn up by Belgrade.

The Serbian government plan envisages spending \$156.6 million to cover the budget deficit, \$112.4 million on the development of the private sector, \$18.3 million on reform of the financial sector, \$18 million on telecommunications, \$258.8 million on energy, \$218.7 on transport, \$71 on agriculture, \$38.5 on the environment, \$38 on utilities, \$170.5 million on pension funds, \$65.3 million on health-care and \$83.5 million on education.

This total of \$1,249.5 million makes up 32 per cent of the total of \$3,904.2 million planned for Yugoslavia in non-returnable funds by 2004.

Observers conclude from the fact that the World Bank accepts this plan, which allocates 64.5 per cent of total aid to the economic revival of Yugoslavia, that Washington has accepted that the country should be helped to stand on its own feet.

According to estimates by a group of independent economists from Belgrade, the G-17, the NATO bombing campaign, in addition to the physical damage caused, resulted in a loss of some \$26 billion in Yugoslavia's GDP.

The \$3.9 billion of planned aid almost equals some assessments of the damage NATO bombs inflicted on the Serbian economy and infrastructure. This is not a coincidence and has allowed Yugoslav officials to present the aid donations as damage reparations.

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