

# Serbia

## Country Progress Report

April 2022

SUPPLEMENT TO THE 2021 GLOBAL PROGRESS REPORT OF  
THE SUSTAINABLE BANKING AND FINANCE NETWORK



Sustainable  
Banking and  
Finance  
Network

## Acknowledgements

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## About SBFN

Established in 2012, SBFN is a voluntary community of financial sector regulators and industry associations from emerging markets committed to collectively advancing sustainable finance in line with international good practice and national priorities. As of October 2021, SBFN members represented 63 institutions, 43 countries, and US\$43 trillion (86 percent) of the total banking assets in emerging markets. Members are committed to i) improving the management of environmental, social, governance, and climate change risks in financial sector activities, and ii) increasing capital flows to activities with positive environmental and social impacts, including climate change mitigation and adaptation. For more information, visit [www.sbfnetwork.org](http://www.sbfnetwork.org)

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Note to the reader: All measurement results featured in this document, such as graphs and progression matrixes, are based on data collected up to July 2021. Additional activities up to the publishing date of this country report have been included in narrative form.

# 1. Overall Country Progress – Serbia

## 1.1 SBFN member institution

[Association of Serbian Banks \(ASB\)](#)

Member Since: 2020

Working Groups:

Measurement

Sustainable Finance Instruments

## 1.2 Other key institutions and national initiatives promoting sustainable finance

[Belgrade Stock Exchange](#)

[Ministry of Finance of Serbia](#)

[National Bank of Serbia](#)

## 1.3 Overall progress

Serbia, a new SBFN member country since the last SBFN Global Progress Report, is currently in the "Commitment" sub-stage of the "Preparation" stage of the SBFN Progression Matrix. The country intends to launch a framework in the coming years. Multi-stakeholder engagement and awareness raising for the banking sector have been undertaken, led by the Association of Serbian Banks (ASB). In September 2021, the Government of Serbia adopted a Green Bond Framework.

## 1.4 COVID response

In the first wave of the COVID-19 pandemic, Serbia initiated a state of emergency and the government issued numerous measures aimed at supporting the economy. In the second wave, these measures were extended. Direct aid was announced in the form of support for employees' salaries, with additional funding for salaries of young people without previous work experience. A program of vouchers for skills-retraining development was introduced. Loans and guarantees for businesses also formed part of the government's economic stimulus measures. The National Bank of Serbia lowered interest rates and applied two moratoria on debt repayments. The country did not recognize any official targeted environmental, social, and governance (ESG) policies, or other sustainable financing response measures to COVID-19.

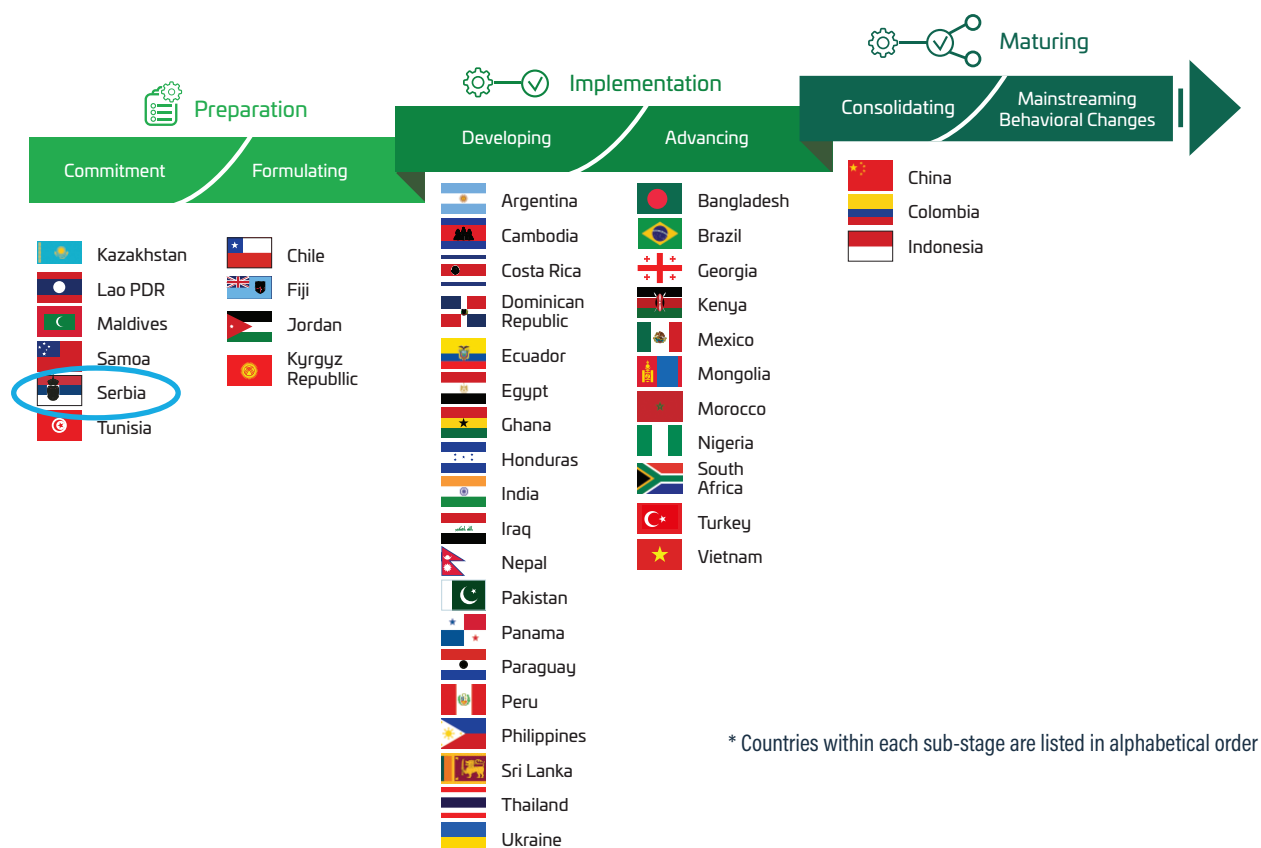
## 1.5 Ambitions for the next phase

ASB is hoping to set up a Task Force on Sustainable Finance, made up of its member banks and other relevant stakeholders, including regulators. ASB will have ongoing discussions with the regulator, which will be responsible for driving policy changes at a national level. ASB hosted an educational event on sustainable finance for its members in 2021, with the support of SBFN. This is part of a larger strategy to raise awareness among members and other relevant stakeholders, and provide training on issues surrounding sustainable finance. ASB will engage with its members to ascertain levels of awareness, interest, and the need for support.

## 1.6 SBFN and IFC role

IFC has provided advisory services to the ASB for its sustainable finance initiatives and capacity building, in partnership with the Government of Serbia. Through SBFN, the ASB has shared its experience with other SBFN members and benefited from the collective SBFN knowledge base.

Figure 1: SBFN Progression Matrix - Overall Country Progress



We joined SBFN aware of the absolute necessity to support our banks and the regulations which will be coming soon. This partnership will help us enter the world of sustainable finance to become as resilient as possible. We have a lot of passion for changing Serbian banking culture and promoting new values. We appreciate the catalyzing role of financial instruments, and the role of IFC and SBFN on this new journey.



**Sladjana Sredojević**

**Specialist for International Cooperation, International Financial Institutions and Education, Head of Bank Training Center, Association of Serbian Banks**



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Association of Serbian Banks b.a.

## 2. Status of Framework Preparation

Introducing a formal, national sustainable finance framework (such as a roadmap, policy, regulatory guidelines, or voluntary industry principles) has been shown to be foundational for designing effective strategies for countries to promote the shift to sustainable finance. Based on SBFN members' experiences, a number of steps are commonly required in preparation for doing so.

These include raising awareness within the sector, initiating dialogue among public and private sector stakeholders, and researching national priorities, requirements, and current practices with regard to sustainable finance.

The readiness of the country's framework preparation has therefore been reviewed according to three criteria:

- Is awareness raising being undertaken in the country, with leadership by either the financial sector regulator and/or the banking association (for example training, knowledge-sharing events, conferences and meetings, research, and publications)?
- Has a sector-wide dialogue been initiated towards the establishment of a national sustainable finance framework, involving relevant stakeholders (for example government and other public bodies, private and public financial institutions, regulators, and civil society organizations)?
- Has a timeline for the development of a policy been defined, including a clear schedule and milestones to launch the framework?

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### 2.1 Awareness-raising practices

ASB has introduced the work of SBFN to its membership, which includes all the banks of Serbia. ASB regularly communicates and raises awareness among banks and the Stock Exchange around issues of sustainability, sustainable finance, ESG, and green financing. This process will be ongoing as ASB educates and promotes the values of sustainability and the importance of financial education for clients, helping its membership understand such topics as sustainability, ESG, and green financing. With the support of IFC, in 2021, ASB held an event to clarify specific aspects of sustainable finance to its membership and invited stakeholders. Additionally, ASB has regular meetings with the European Banking Federation where the issue of sustainable finance is frequently raised. Social media has also been used to help raise awareness about sustainable finance, including with its membership; the support of SBFN in this work has been helpful.

### 2.2 Dialogue towards the establishment of a policy or voluntary principles

Initial discussions have begun within ASB, who plans to hold further and closer discussions with its member banks and other stakeholders in 2021. Key challenges will be the responsiveness, engagement, and uptake of local banks, which are often part of foreign banking groups, as well as ASB's human capacity and technical support. ASB will have ongoing discussions with the regulator to help drive national policy changes.

### 2.3 Timeline for the development of a policy/principles

ASB believes that regulations on a policy introducing sustainable finance requirements will be coming soon, and is preparing to support its membership in the effective implementation of the regulations.



# 3. SBFN Measurement Framework and Methodology

## About SBFN

Established in 2012, the Sustainable Banking and Finance Network (SBFN) is a unique, voluntary community of financial sector regulatory agencies and industry associations from emerging markets committed to advancing sustainable finance in line with international best practice. SBFN is facilitated by IFC as secretariat, and supported by the World Bank Group.

As of October 2021, SBFN comprised 43 member countries representing over US\$43 trillion and 86 percent of total banking assets in emerging markets. Members are committed to collectively driving measurable change.

## Why a measurement framework?

In 2016, members requested a systematic comparison of country approaches to developing national sustainable finance frameworks. The SBFN Measurement Working Group was established to convene member inputs on the design of a common framework to benchmark country progress and accelerate peer-to-peer knowledge exchange. The Framework is designed to inform the biennial SBFN Global Progress Report.

## An evolving framework

The SBFN Measurement Framework reflects the activities, strategies, and tools that members use to promote sustainable finance in their countries. It evolves to match advances in country initiatives. It also incorporates the latest international standards and best practices identified by members as important to their efforts.

## A member-led approach

The Framework was designed with extensive member input under the leadership of the Measurement Working Group and Co-Chairs. Updates to the Framework are guided by the Measurement Working Group and agreed by all SBFN Members.

## Data collection in partnership with members

As of 2021, data collection for the SBFN Global Progress Report relies on member country reporting in line with the updated Measurement Framework. Information is supported by evidence, which is verified by the SBFN secretariat in collaboration with third-party service providers. Evaluation and milestones are objective and transparent. Members approve the final Global and Country Progress Reports.

The Framework can be used as:



a **mapping tool** to capture the dynamic interaction of collective insights, market-based actions, and policy leadership demonstrated by SBFN members as they move their financial markets toward sustainability;



a **benchmarking tool** for SBFN members to learn from and compare peer approaches, track and review progress against global benchmarks, develop common concepts and definitions, and leverage innovations and strengths; and



a **forward planning and capacity building tool** to identify future policy pathways and capacity building needs.

The Measurement Framework is based on three intersecting themes in sustainable finance. For each theme, it assesses regulatory guidance, supervision strategies, disclosure requirements, and voluntary industry approaches.



**ESG Integration** refers to the management of environmental, social, and governance (ESG) risks in the governance, operations, lending, and investment activities of financial institutions.



**Climate Risk Management** refers to new governance, risk management, and disclosure practices that financial institutions can use to mitigate and adapt to climate change.



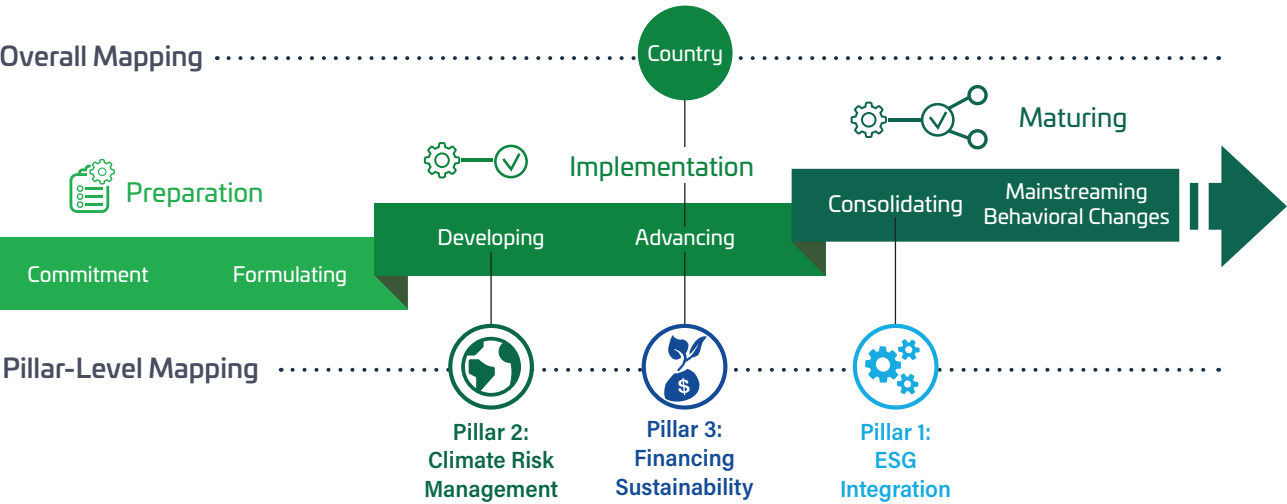
**Financing Sustainability** refers to initiatives by regulators and financial institutions to unlock capital flows for activities that support climate, green economy, and social goals. This includes new products like green bonds and sustainability-linked loans. Initiatives include definitions, guidance, taxonomies, monitoring, and incentives.

# The Measurement Framework consists of three complementary components:

## 1. Progression matrices




Drawing on SBFN members’ common development paths and milestones, the **SBFN Progression Matrix** provides an overview of market-wide progress for all SBFN countries across three typical stages of development. It allows each SBFN member to review its own progress and identify the strengths and weaknesses of its approach.

The stage mapping is based on qualitative milestones and quantitative analysis related to (i) progress in developing and implementing national policies and principles, and (ii) industry uptake and practices. In the 2021 report, in addition to the Overall Progression Matrix, three pillar-level matrices are added to reflect a country’s development process in each of the pillar areas.



## 2. Pillar benchmarking

A dynamic assessment is conducted across several priority pillars of sustainable finance, using qualitative and quantitative datapoints to assess progress and allow comparison across countries. Three pillars, three cross-cutting sub-pillars, 11 cross-cutting indicators, and 75 underlying datapoints are used to objectively assess a country’s sustainable finance framework(s), according to clarity, depth, and alignment to international good practice.

					
					
	<b>Pillar 1: ESG Integration</b>	<b>Pillar 2: Climate Risk Management</b>	<b>Pillar 3: Financing Sustainability</b>		
	<ul style="list-style-type: none"><li>• National framework</li><li>• Alignment with international goals and standards</li><li>• Alignment with national goals and strategies</li></ul>				
<b>Sub-pillar 1: Strategic Alignment</b>					
<b>Sub-pillar 2: Regulatory and Industry Association Actions</b>					
<ul style="list-style-type: none"><li>• Overall approach and strategy</li><li>• Technical guidance</li><li>• Supervisory activities and incentives</li><li>• Tracking and aggregated disclosure</li></ul>					
<b>Sub-pillar 3: Expectations of Financial Institution (FI) Actions</b>					
<ul style="list-style-type: none"><li>• Strategy and governance</li><li>• Organizational structure and capacity</li><li>• Policies and procedures</li><li>• Tracking, reporting, and disclosure</li></ul>					

## 3. Sector data and case studies

In 2021, data collection included an exploratory request for quantitative data points — where available — for the number and percentage of financial institutions that are implementing ESG integration as well as climate risk management and disclosure; and the total value of green, social, and sustainability bond issuance. Detailed case studies were also collected of innovative approaches by regulators and industry. Case studies will be published in a new on-line case study catalogue.



# SBFN Measurement Framework pillars, sub-pillars, indicators, and underlying datapoints

Pillar 1: ESG Integration			
Sub-pillar	Indicator	No.	Underlying datapoint
Strategic Alignment	National framework <sup>1</sup> (e.g. policies, roadmaps, guidance, regulations, voluntary principles, templates, or tools)	1	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration of environmental, social, and governance (ESG) risks and performance?
		2	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance or other non-lending FIs that sets out expectations for integrating the consideration of ESG risks and performance?
	Alignment with international goals and standards	3	Does the Framework make reference to international sustainable development frameworks or goals?
		4	Does the Framework make reference to established international ESG risk management standards and principles for FIs?
	Alignment with national goals and strategies	5	Does the Framework make reference to specific national development objectives, plans, policies, goals, or targets?
		6	Does any cooperation exist between agencies or between the regulator and industry association with respect to policy design and/or implementation related to ESG integration?
		7	Does any inter-agency data sharing currently exist related to ESG integration by FIs?
Regulatory and Industry Association Actions	Overall approach and strategy	8	Does the Framework provide guidance on the role of the regulator or industry association with regard to assessing and managing ESG risk and performance in the financial sector?
		9	Has the regulator or industry association undertaken market assessment to identify systemic ESG risks through analysis of the portfolios of supervised entities/members and published the results?
	Technical guidance	10	Does the Framework provide technical guidance or tools to support implementation of ESG risk and performance management by the financial sector?
	Supervision activities and incentives	11	Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?
		12	Does the regulator or industry association provide any financial or non-financial incentives for FIs to manage ESG performance as part of the Framework?
		13	Does the regulator or industry association apply any disincentives/penalties for non-compliance by FIs in terms of expectations from the regulator and/or industry association related to ESG risk management as part of the Framework?
	Tracking and aggregated disclosure	14	Has the regulator or industry association established a data collection approach and database to track or regularly publish data related to ESG integration by FIs as part of the Framework?
Expectations of FI Actions	Strategy and governance	15	Does the Framework require/ask the FI's board of directors (or highest governing body) to approve an ESRM and/or ESG integration strategy, and to supervise its implementation?
	Organizational structure and capacity	16	Does the Framework require/ask FIs to allocate resources/budget commensurate with portfolio ESG risks and define roles and responsibilities for ESG integration within the organization?
		17	Does the Framework require/ask FIs to develop and maintain the ESG expertise and capacity of staff commensurate with portfolio ESG risks through regular training and learning?
		18	Does the Framework require/ask FIs to create incentives for managers to reduce the ESG risk-level of the portfolio over a specified timeframe?
	Policies and procedures	19	Does the Framework require/ask FIs to develop policies and procedures to identify, classify, measure, monitor, and manage ESG risks and performance throughout the financing cycle at the client level and/or the transaction/project level?
		20	Does the Framework require/ask FIs to undertake a regular review and monitoring of ESG risk exposure at aggregate portfolio level?
		21	Does the Framework require/ask FIs to establish and maintain an external inquiry/complaints/grievance mechanism for interested and affected stakeholders in relation to ESG practices?
	Tracking, reporting, and disclosure	22	Does the Framework require/ask FIs to report ESG risks and performance to the regulator or industry association?
		23	Does the Framework require/ask FIs to report on ESG integration publicly?
		24	Does the Framework require/ask FIs to track credit risk (e.g. loan defaults) and/or financial returns in relation to ESG risk level?
Pillar 2: Climate Risk Management			
Strategic Alignment	National framework	25	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration and management of climate risks and their impact in the national economy?
		26	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance, or other non-lending FIs that sets out expectations for integrating the consideration and management of climate risks and their impact in the national economy?
	Alignment with international goals and standards	27	Does the Framework make reference to international agreements or frameworks to address climate?
		28	Does the Framework recognize or align with established regional or international good practice for climate risk management and disclosure by FIs?
	Alignment with national goals and strategies	29	Has the regulator or industry association aligned the Framework with national goals to address climate change in line with the country's Nationally Determined Contributions (NDCs) to the Paris Agreement?
		30	Does any cooperation exist between agencies, or between government and industry association, with respect to policy design or implementation related to climate risk management?
		31	Does any inter-agency data sharing currently exist related to climate risk management by FIs?

<sup>1</sup> **National framework** refers to the collective set of policies, roadmaps, guidance, regulations, and/or voluntary principles issued by national regulators or industry associations in relation to each pillar of sustainable finance. SBFN recognizes that national frameworks for sustainable finance vary from country to country and are influenced by national priorities and characteristics. They are also often interdependent with other national roadmaps, policies, and regulations. Countries vary in their starting points and the types of documents to kickstart the enabling framework. For instance, initial frameworks could choose to focus on ESG risk management and/or sustainable finance opportunities such as green bonds. They could also focus on banking, capital markets, or institutional investors. The variety of SBFN frameworks provides a rich source of inspiration for peer learning and collaboration.

Regulatory and Industry Association Actions	Overall approach and strategy	32	Has the regulator or industry association undertaken research on historical impacts to the economy and financial sector from climate change, and/or future expected impacts resulting from physical and transition climate risks?	
		33	Does the Framework identify key sources of GHG emissions – such as in particular sectors – as priorities in the proactive management of climate risks by the financial sector?	
		34	Does the Framework incorporate the conservation/restoration of natural carbon sinks (such as oceans, forests, mangroves, grasslands, and soils) as an important part of reducing climate change risks (e.g., through guidelines, scenario analysis, targets, or incentives for FIs)?	
		35	Has the regulator or industry association developed an internal strategy to address climate risk, and/or embedded climate risk management into its governance, organizational structures, and budget as part of the Framework?	
		36	Has the regulator or industry association undertaken any activities to expand and deepen analytical understanding of national and/or cross-border physical and transition climate risks, and to raise awareness as to how these risks may transmit to, and impact, the financial sector?	
Regulatory and Industry Association Actions	Technical guidance	37	Has the regulator or industry association developed risk assessment approaches, methodologies, or tools to understand and assess the financial sector's exposure to climate risk as part of the Framework?	
	Supervisory activities and incentives	38	As part of the Framework, has the regulator clarified supervisory expectations with regard to climate risk management by FIs, including consideration of international good practices?	
		39	Has the regulator started to explicitly embed climate-related risk in supervisory activities and review processes as part of the Framework?	
		40	Is the implementation of the Framework regularly monitored and/or information regularly collected from FIs by the regulator and/or industry association?	
	41	Are there any financial or non-financial incentives to encourage FIs to establish climate risk management systems?		
Tracking and aggregated disclosure	42	Does the regulator or industry association regularly collect and/or report market-level and/or FI-level data on climate-related financial sector risks as part of the Framework?		
	Expectations of FI Actions	Strategy and governance	43	Does the Framework require/ask FIs to establish a strategy for climate risk management with responsibility at the board of director level (or highest governing body)?
		Organizational structure and capacity	44	Does the Framework require/ask FIs to define the roles and responsibilities and related capacities of the FI's senior management and operational staff in identifying, assessing, and managing climate-related financial risks and opportunities?
		Policies and procedures	45	Does the Framework require/ask FIs to expand existing risk management processes to identify, measure, monitor, and manage/mitigate financial risks from climate change?
		Tracking, reporting, and disclosure	46	Does the Framework require/ask FIs to report on their overall approaches to climate risk management in line with international good practices (e.g. TCFD), or establish a timeline by which FIs should begin to align their reporting with such practices?
47			Does the Framework require/ask FIs to identify, measure, and report on exposure to sectors which are vulnerable to transition risk and physical risk?	
48			Does the Framework require/ask FIs to adopt and report on performance targets to reduce portfolio greenhouse gas (GHG) emissions on a regular basis?	
49			Does the Framework require/ask FIs to adopt and report on performance targets to reduce exposure to climate change risks at the portfolio level on a regular basis?	
Pillar 3: Financing Sustainability				
Strategic Alignment	National framework	50	Has the regulator or industry association published a national framework ("Framework") for the banking sector that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?	
		51	Has the relevant regulator or industry association published a Framework for capital markets, investment, insurance, or other non-lending FIs that sets out expectations for integrating the consideration of instruments, goals, and standards for financing sustainability, including requirements for ensuring credibility and managing and measuring resulting impacts in the national economy?	
	Alignment with international goals and standards	52	Has the regulator or industry association developed a strategy, regulations, or set of frameworks for stimulating the allocation of capital to sustainable assets, projects, and related sectors in line with global goals, such as the Sustainable Development Goals (SDGs)?	
		53	Does the Framework recognize and/or align with existing standards, voluntary principles, or market good practices related to sustainable finance instruments?	
	Alignment with national goals and strategies	54	Does the Framework enable the achievement of stated national objectives by guiding capital to sectors, assets, and projects that have environmental and social benefits in line with national sustainable development priorities, strategies, targets, and the size of sustainable investment needs, and taking into account the local barriers to scaling-up sustainable finance?	
		55	Does any cooperation exist between agencies or between the regulator and industry association with respect to policy design or implementation related to sustainable finance flows?	
		56	Does any inter-agency data sharing currently exist related to stimulating and monitoring sustainable finance flows?	
Regulatory and Industry Association Actions	Overall approach and strategy	57	Does the Framework require/ask the regulator or industry association to establish mechanisms to identify and encourage the allocation of capital to sustainable sectors, assets, and projects?	
	Technical guidance	58	Does the Framework provide definitions, examples, and/or a taxonomy (catalogue and guidelines) of sustainable finance assets?	
		59	Does the Framework provide guidelines for extending green, social, or sustainability-focused loans (excluding bonds)?	
		60	Does the Framework provide guidelines for issuance of green, social, or sustainability bonds?	
		61	Does the Framework require/ask for external party verification to ensure the credibility of sustainability instruments?	
	Supervisory activities and incentives	62	Does the regulator or industry association monitor information reported by FIs related to green/social/sustainability investment, lending, and other instruments to prevent greenwashing and social-washing?	
		63	Are there any financial or non-financial incentives for FIs to develop and grow green, social, or sustainability finance instruments?	
	Tracking and aggregated disclosure	64	Does the regulator or industry association collect and/or publish data from FIs or other sources about allocation of capital to green/social/sustainability assets, projects, or sectors?	

Expectations of FI Actions	Strategy and governance	65	Does the Framework require/ask FIs to establish a strategy, governance, or high-level targets, including at the Board of Directors level, for capital allocation to sustainable assets, projects, or sectors?
	Organizational structure and capacity building	66	Does the Framework require/ask FIs to define internal staff roles and responsibilities to encourage finance flows to green, social, and/or sustainability-focused investments?
		67	Does the Framework require/ask FIs to develop and maintain internal staff capacity on green, social, or sustainability products through regular training and learning?
	Policies and procedures	68	Does the Framework require/ask FIs to put in place policies and procedures for defining, issuing, managing proceeds, tracking performance, and reporting on green, social or sustainability-focused products?
		69	Does the Framework require/ask FIs to appoint an independent external reviewer to confirm that the FI's internal framework meets the requirements of the recognized national framework and regulations, or aligns to international standards?
		70	Does the Framework require/ask that FIs create incentives for managers to increase sustainable loans or investments in the portfolio?
	Tracking, reporting, and disclosure	71	Does the Framework require/ask FIs to publish annual updates on the performance and impacts of the sustainability instruments in compliance with relevant national and/or international standards?
		72	Does the Framework require/ask FIs to obtain and disclose independent review of metrics reported annually in relation to the social and environmental outcomes and impacts achieved through the sustainability instruments?
		73	Does the Framework require/ask FIs to report to the regulator(s) or industry association(s) on allocation and/or outcomes of green, social, and/or sustainability loans?
		74	Does the Framework require/ask FIs to report to the regulator(s) or industry association(s) on green, social, and/or sustainability bonds or other positive impact investments?
		75	Does the Framework require/ask FIs to report publicly on their green, social, and sustainability-focused finance activities and positive outcomes or impacts (i.e. not only to the regulator or shareholders)?

Figure 1: Overall Progression Matrix Milestones

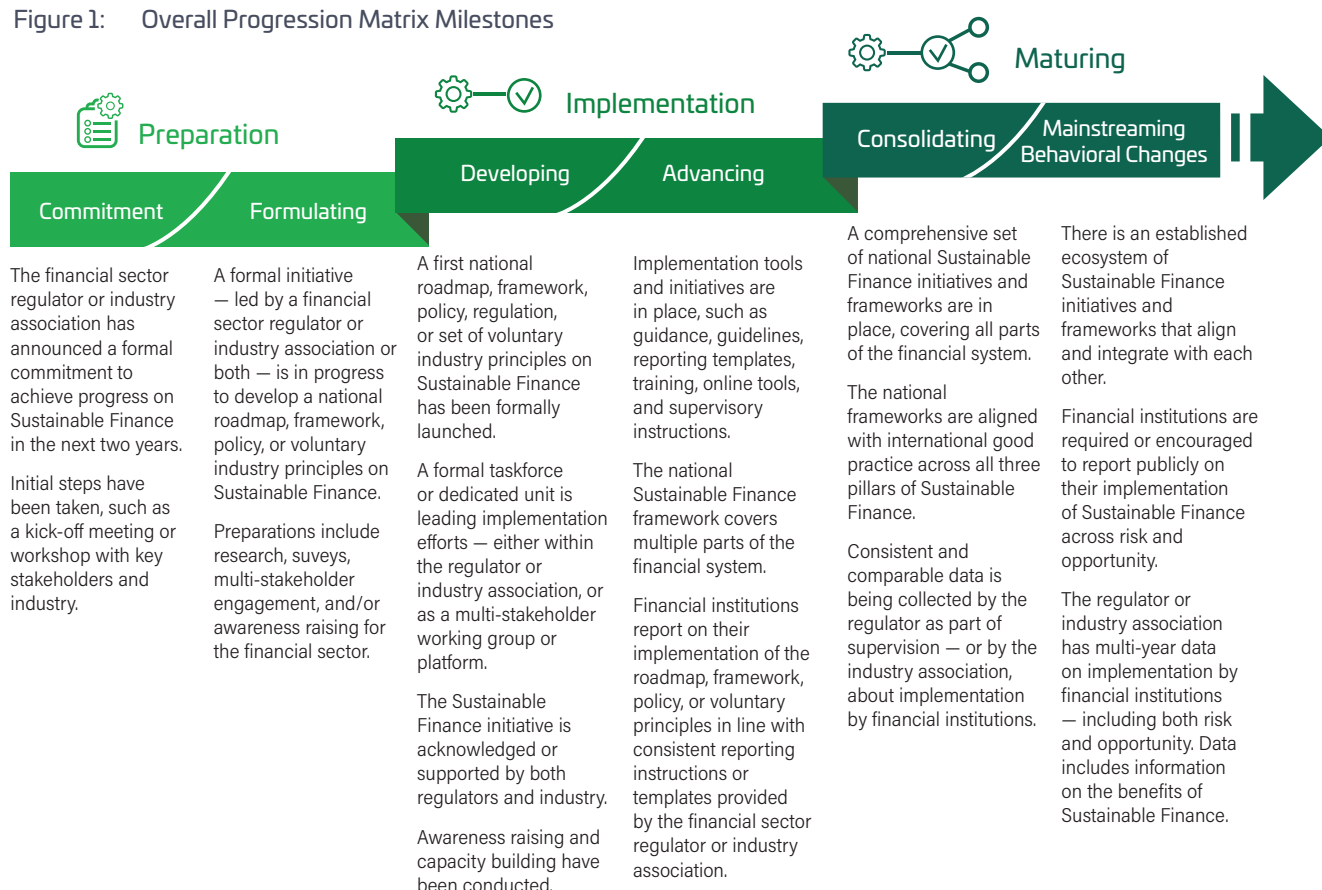


Figure 2: Progression Matrix Milestones – Pillar 1: ESG Integration

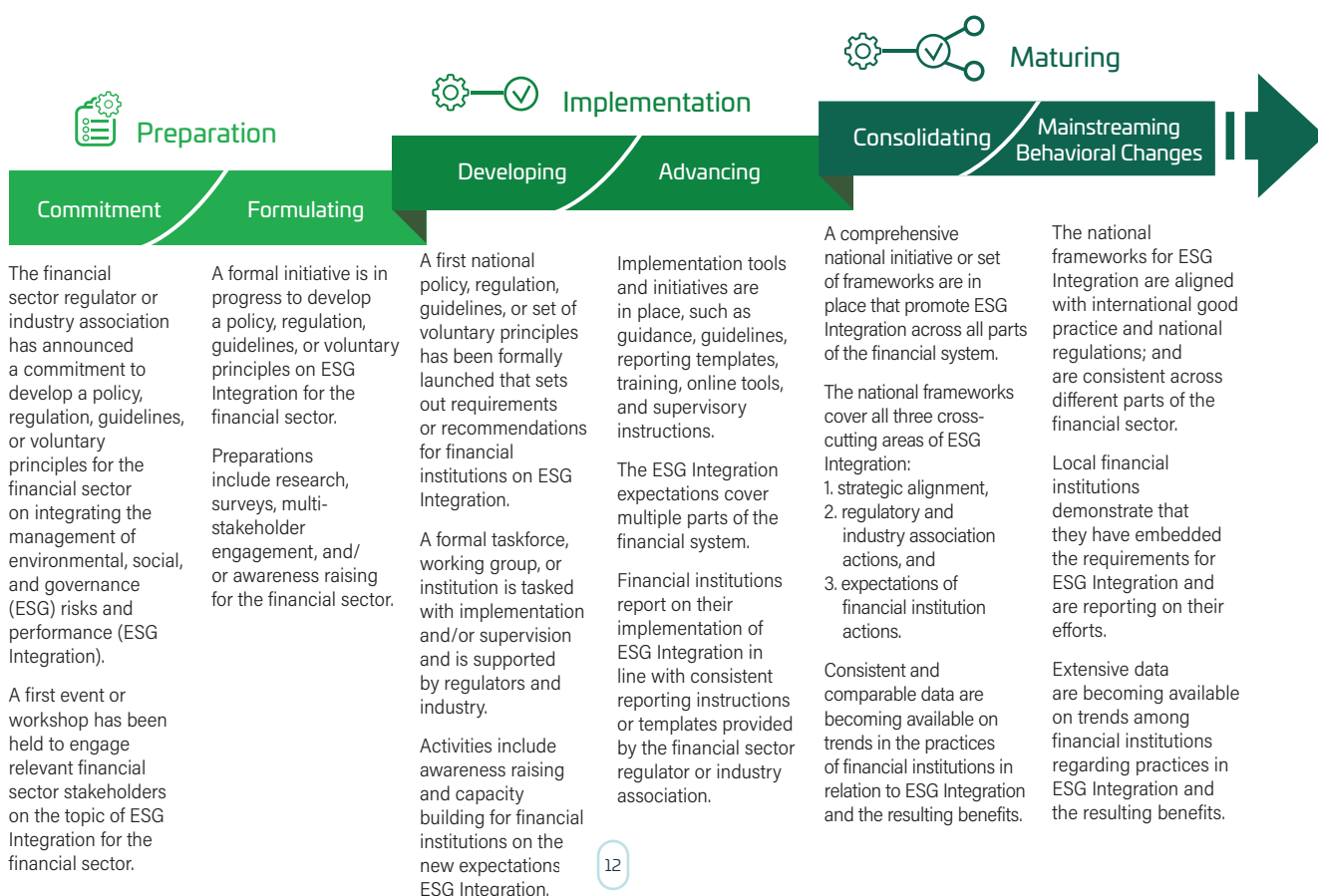


Figure 3: Progression Matrix Milestones – Pillar 2: Climate Risk Management

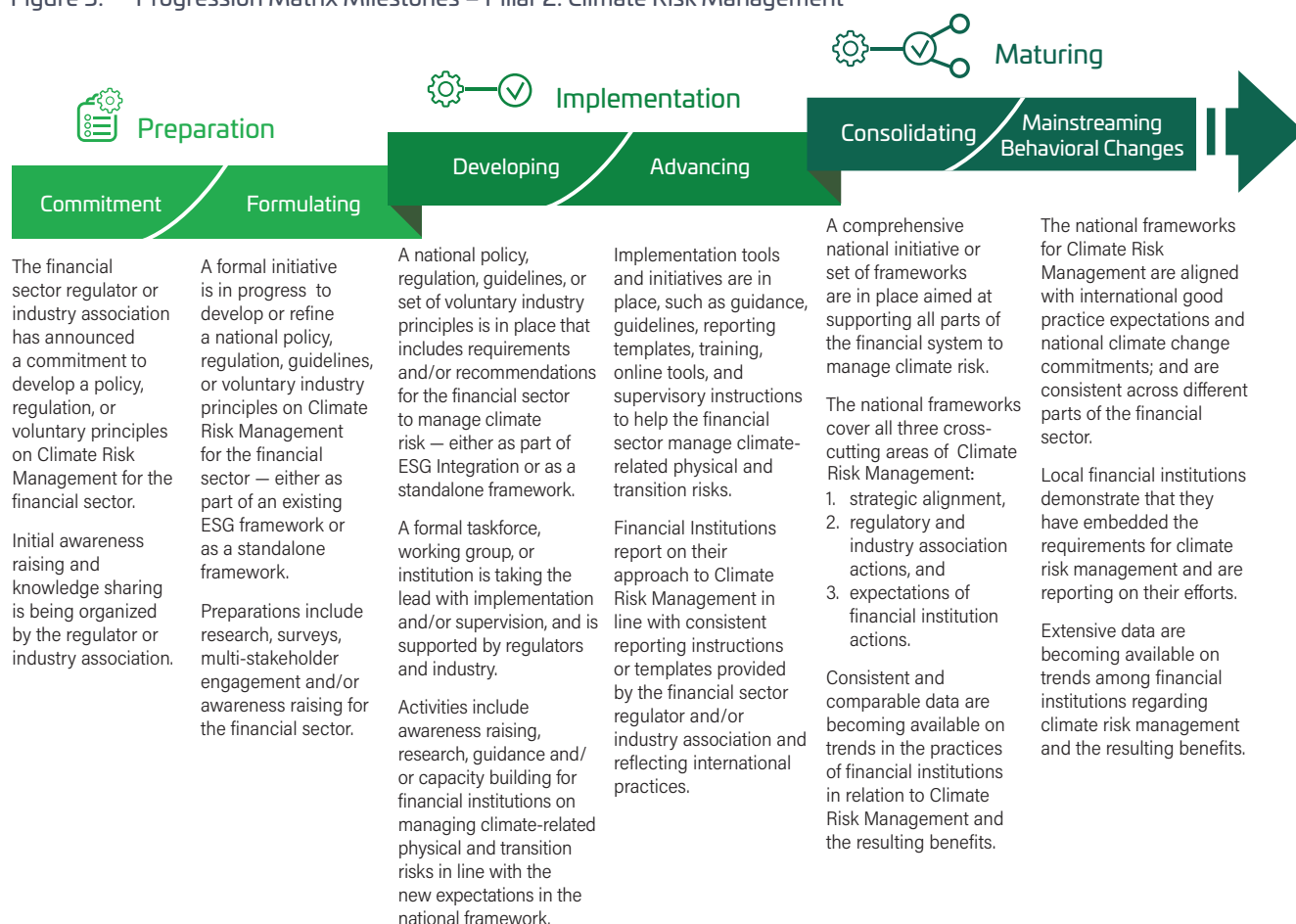
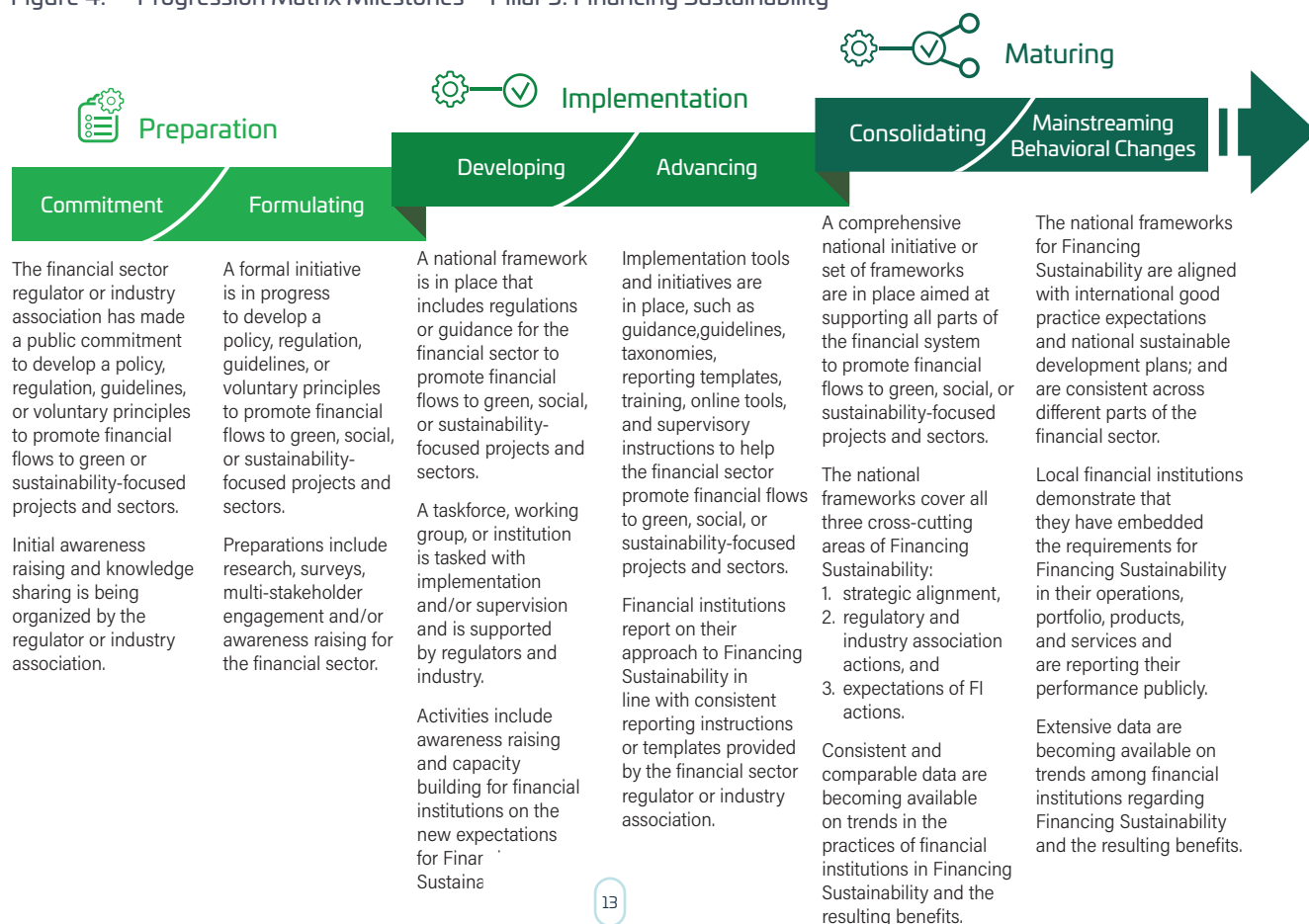


Figure 4: Progression Matrix Milestones – Pillar 3: Financing Sustainability





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