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# Russia Offers Serbia $500M Loan

By The Moscow Times

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BELGRADE — Russia has offered Serbia a $500 million loan, half the amount Belgrade was seeking, and Serbia's finance minister said a deal could be signed next week, Blic daily newspaper reported Thursday.

The loan, to help finance Serbia's budget deficit and restore growth this year after a recession last year, would be for 10 years with a two-year grace period and 3.5 percent annual interest, Finance Minister Mladjan Dinkic was quoted as saying.

In January, Dinkic's Russian counterpart, Anton Siluanov, said Serbia was asking Russia for a $1 billion loan for budget backing and Blic's report gave no reason for a lower amount being offered.

"I will propose to the government to accept the offer from our Russian partners and we could sign the deal on April 9 in Moscow," Blic quoted Dinkic as saying.

This year, Serbia faces a budget gap of about 3.6 percent of national output and needs about

4.8 billion euros ($6.2 billion) to finance debt seen at 65 percent of gross domestic product, higher than a 45 percent limit set by domestic fiscal rules.

The country has already borrowed $800 million from Russia, its traditional Slavic and Orthodox Christian ally, to overhaul railways and also sought other sovereign lenders, including the United Arab Emirates and China.

Dinkic said Serbia planned to borrow for budget backing from Moscow only on condition that the loan is more favorable than a $1.5 billion seven-year eurobond sold two months ago at a yield of 5.15 percent.

To reassure investors, Serbia, which aspires to join the European Union, will open talks with the International Monetary Fund next month on a precautionary loan deal, after the lender suspended a 1 billion euro deal last year over broken spending promises.

Serbia's economy shrank 1.7 percent last year, due to the spillover of the crisis in the euro zone, its main trade partner.

The ruling coalition is targeting growth of 2 percent of GDP this year, pinning its hopes on increased production and exports from its automotive industry and agriculture.

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