

Russia to Lend Serbia \$500M, Pledges Support on Kosovo

By [The Moscow Times](#)

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GORKI, Moscow Region — Russia granted Serbia a \$500 million loan on Wednesday and promised to back Belgrade in its dispute with Kosovo but warned that it must broker a deal with its former province on its own.

Prime Minister Dmitry Medvedev told his Serbian counterpart, Ivica Dacic, in Moscow that Russia would "always support our Serbian friends" but said the push for a deal with majority Albanian Kosovo must come from Belgrade itself.

Serbia on Monday rejected the principles of an accord that emerged from six months of EU-mediated negotiations, saying they fell short of the broad autonomy it seeks for a small ethnic Serb pocket inside Kosovo.

But Kosovo, which seceded from Serbia in 2008, said Tuesday that it held out hope for a deal and for more talks, with Serbian hopes of starting European Union accession talks hanging

in the balance.

The EU says it wants a deal in place before it considers this month whether to recommend the start of membership talks with Belgrade this year, a process that would help propel reform and unlock EU funds for the ailing Serbian economy.

Russia's \$500 million credit to Serbia, a 10-year loan carrying interest of 3.5 percent, was half the amount Belgrade was seeking to help restore growth this year after a recession in 2012 caused by a spillover of the euro-zone crisis.

Finance Minister Anton Siluanov told reporters that Russia would disburse a \$300 million tranche immediately to help plug Serbia's budget deficit.

This year, Belgrade 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.

Siluanov said Serbia would receive the second tranche of \$200 million once it strikes a deal with the International Monetary Fund in talks next month on a precautionary loan after the lender suspended a billion-euro deal last year.

Serbia has already borrowed \$800 million from Russia, the biggest investor in its economy and its traditional Slavic and Orthodox Christian ally, to overhaul railways. It has also sought other sovereign lenders, including the United Arab Emirates and China.

President Vladimir Putin met Dacic on Wednesday, greeting him warmly with a hug and saying Serbian-Russian relations were "especially close."

But Medvedev's comments, punctuating a visit underscoring Moscow's warm relations with Belgrade, showed a rare lapse in patience over Belgrade's handling of talks with Pristina.

Moscow has the impression that Serbs "expect more from Russia than from Serbia itself," he told Dacic at his residence outside Moscow. "This is wrong," Medvedev said. "The process needs to be fostered by Serbia, not us."

Dacic said he wanted Russian support to resume talks under the auspices of the United Nations over Kosovo, a province of 1.7 million people that broke away from Serbia in a 1998-99 war and declared independence with the backing of the West in 2008.

"Serbia can continue to aspire to join the European Union but never forget that Russia and the Russian people are our greatest friends," Dacic said. "We are ready to continue talks [on Kosovo]. Now Serbia asks Russia to help bring these negotiations with the UN framework."

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