

Policy Brief

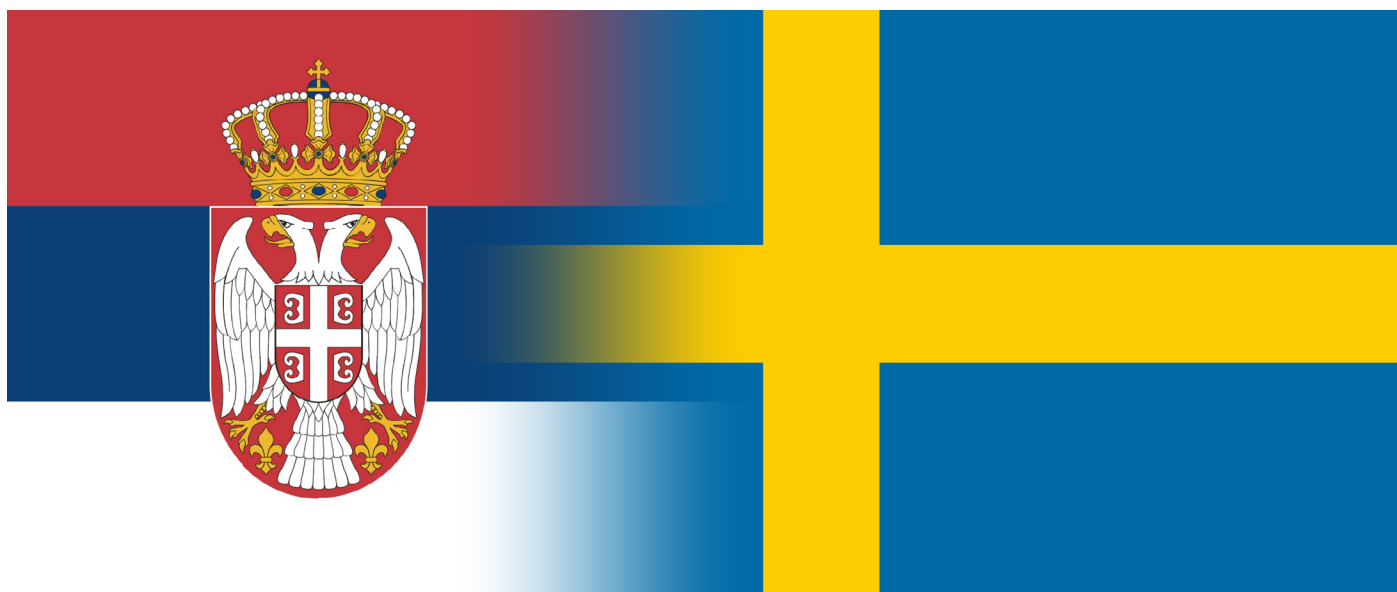
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When Conditionality Meets Backsliding: Lessons from Sweden's Aid Suspension to Serbia One Year Later

Exactly a year ago, on 3 November 2025, Sweden suspended financial support to Serbian state authorities,¹ marking a shift in its approach to reform cooperation in the Western Balkans. The decision, announced by Sweden's Minister for Development Assistance and Foreign Trade, Benjamin Dousa, followed Serbia's continued decline in several international governance indices in 2025.² This prompted Dousa to state that "developments in Serbia have gone in the wrong direction" and that Serbian authorities have failed to deliver the necessary reforms to uphold the rule of law and mitigate corruption.³ Consequently, Sweden immediately reallocated financial resources towards civil society organisations (CSOs) in Serbia. Using Sweden's suspension of aid to Serbian state authorities as a case study, the brief analyses how the decision came about, its implications for Serbia's reform trajectory, and what it reveals about the limitations of conditionality as a reform tool.

The brief was finalised in the aftermath of Serbia's October 2026 parliamentary elections, which brought political change and opened a window of opportunity to renew reform momentum and reset relations with Sweden and the EU. The lessons from the suspension are therefore examined not only in retrospect, but also as input for how bilateral and EU-level support can be calibrated so that this window translates into lasting institutional reform. This paper argues that the effectiveness of conditionality in EU enlargement increasingly depends on the actions of individual member states, whose bilateral approaches to the issue of backsliding can reinforce or undermine incentives vis-à-vis candidate countries. Finally, the brief offers a set of recommendations for the Serbian government, the EU, and the government of Sweden.



1 Government Offices of Sweden, "Government to review Serbian reform support", November 2025.

2 Transparency International, "Corruption Perceptions Index 2025: Serbia", February 2026. World Justice Project, "Rule of Law Index 2025: Serbia", October 2025.

3 European Western Balkans, "Sweden Decides to Suspend Certain Forms of Support for Serbian State", November 2025.

Background: Swedish-Serbian aid relationship in decline

Sweden and Serbia have had a longstanding partnership in bilateral assistance dating back to the late 1990s.⁴ Until the new Swedish aid strategy took effect in 2026, Serbia received €63.8 million in Swedish aid during the period 2021-2025 under the previous framework.⁵ This made Serbia the second-largest recipient of Swedish aid in the Western Balkans, after Bosnia and Herzegovina. However, this relationship has in recent years become increasingly strained amid growing domestic tensions and continued reform stagnation in Serbia. The European Commission published its 2025 Annual Report for Serbia,⁶ only a day prior to Sweden's suspension, concluding that Serbia had not undergone any transformative changes in the fundamentals area. Instead, the report pointed to the deteriorating environment for civil society, with CSOs and journalists facing smear campaigns, strategic lawsuits (SLAPPs), and expulsion from the country. The report also referenced the tragic canopy collapse at the Novi Sad railway station on 1 November 2024, which killed 16 people and triggered nationwide student-led protests over "corruption and perceived lack of accountability". Taken together, these developments pointed to weakening democratic institutions and limited reform progress in Serbia.

Prior to the formal suspension in November 2025, Swedish financial support to Serbian state authorities had been on a declining trajectory for several years, signalling a deliberate reorientation of Swedish aid well before any formal action was taken. Between 2020 and 2022, state authorities received roughly 22-24% of Swedish development assistance, but this began shifting in 2023, when their share dropped to 16%. By 2024, state authorities received only 17% of the assistance,⁷ while 54% was channelled to civil society organisations in Serbia. Even before the formal suspension, this trend was already evident: Serbian state authorities received only 3% of the aid in 2025,⁸ including the ten months prior to the suspension. This was a decrease of 83% compared to 2024. At the same time, support for civil society has followed the inverse trajectory, rising from 37% in 2020 to over 50% from 2021 onwards. In 2025, CSOs were allocated 70% of the financial support, while multilateral organisations accounted for a further 23%. The November 2025 suspension thus formalised an ongoing strategic shift, redirecting funds away from state institutions and toward civil society.

This indicates that the direct financial impact on Serbian state authorities was likely limited when the suspension entered into force. Sweden's annual disbursements to Serbia, averaging €12 million yearly over the last decade,⁹ are modest compared to the €1.6 billion the EU has earmarked for Serbia for 2024-2027,¹⁰ let alone the prospect of EU membership. That neither instrument motivated the previous Serbian government to overcome its reform stagnation suggests the problem lay less with conditionality and the incentives offered, and more with the lack of political will within that government to pursue necessary reforms. Therefore, the significance of Sweden's decision was primarily political; it signalled that reform progress is the baseline for any state-to-state cooperation. The strongly-worded response from the Serbian Ministry of Foreign Affairs at the time to Sweden's decision aligned with this interpretation, with the suspension framed as not being grounded in objectivity, but as "lecturing, conditioning and attempts at internal political influence".¹¹ In other words, what the then Serbian government objected to was less the loss of funds than being publicly conditioned on reforms.

Linking bilateral assistance to EU integration

The suspension of Swedish aid to Serbian authorities coincides with a broader strategic shift in Swedish aid policy, where bilateral assistance is linked more explicitly to EU integration. The Swedish government adopted a new strategy for reform cooperation with Eastern Europe, the Western Balkans, and Türkiye for 2026-2030 in February 2026.¹² The strategy aims to assist candidate countries in advancing reforms that facilitate EU integration, recognising that accession is the primary driver of reforms in several countries in the abovementioned regions. Swedish reform cooperation, therefore, focuses on strengthening democratic institutions, civil society development, and promoting alignment with EU standards. Thus, the suspension of aid to Serbian state authorities should not be understood as an isolated decision, but rather as an operationalisation of the new framework.

4 Sweden Abroad, "Development and Aid: Serbia", n.d.

5 Openaid, "Swedish Development Assistance to Serbia, 2021-2025", n.d.

6 European Commission, "Serbia Report 2025", November 2025.

7 Openaid, "Swedish Development Assistance to Serbia, 2024", n.d.

8 Openaid, "Swedish Development Assistance to Serbia, 2025", n.d.

9 Openaid, "Swedish Development Assistance to Serbia, 2016 - 2025", n.d.

10 Reuters, "EU Reconsidering Funds for Serbia as Justice Laws Eroding Trust", February 2026

11 Ministry of Foreign Affairs of the Republic of Serbia, "Statement of the Ministry of Foreign Affairs", November 2025.

12 Government Offices of Sweden, "New Strategy for Reform Cooperation with Eastern Europe, the Western Balkans and Türkiye", February 2026.

Compared to the previous framework (2021–2027),¹³ the new strategy places greater emphasis on conditionality, prioritising countries that demonstrate a clear commitment to democratic reforms and closer alignment with the EU. At the same time, the funding for the Western Balkans has been significantly reduced. In total, the strategy allocates €731 million to Eastern Europe, the Western Balkans, and Türkiye, with €256 million earmarked for the Western Balkans during the period 2026–2030.¹⁴ Under the previous seven-year framework (2021–2027), the Western Balkans received €451 million, averaging about €64.5 million per year. By contrast, the new strategy (2026–2030) allocates an annual average of approximately €51 million to the region. This reduction in financial support raises questions as to whether the enhanced conditionality is accompanied by sufficient means to effectively support the reform process in the Western Balkans. If not, it risks eroding the very incentives on which conditionality depends and undermining the influence that Sweden and the EU seek to maintain in the region.

The reduction of allocations for the Western Balkans should be understood in the context of a broader shift in Sweden's aid policy and budgetary priorities. Starting in 2026, Sweden reduced its annual international aid budget from €5.2 to €4.9 billion.¹⁵ In addition, the Swedish International Development Cooperation Agency (Sida), which holds the main responsibility for development programmes in the Western Balkans, has had its budget reduced from €2.1 to €1.7 billion.¹⁶ In Sida's case, this represents a reduction of almost 20%, which is expected to directly affect its capacity to maintain a certain level of engagement and reform support in the Western Balkans. According to Benjamin Dousa, these adjustments reflect the need to prioritise pressing domestic challenges in policy areas such as policing, defence, and welfare.¹⁷ Concurrently, the government has repeatedly emphasised that Ukraine will remain the largest recipient of Swedish aid in response to Russia's invasion.¹⁸ In December 2025, Dousa announced that bilateral assistance to five countries (Zimbabwe, Tanzania, Mozambique, Liberia, and Bolivia) would be phased out and redirected towards Ukraine, with the aim of increasing aid to Ukraine to at least €920 million in 2026.¹⁹ The reduced funding for the Western Balkans thus displays a reorientation of Sweden's strategic priorities, favouring domestic issues and support for Ukraine, rather than being a response to developments in the region.

A shift towards civil society

Since the beginning of 2026, Swedish aid to Serbia has been allocated exclusively to civil society and intergovernmental organisations. As of September 2026, 21 partner organisations²⁰ have received Swedish funding amounting to about €7.8 million, with civil society and non-governmental organisations accounting for the largest share (69%), followed by multilateral organisations (14%).²¹ The three largest individual recipients based in Serbia actors whose work centres on transparency, anti-corruption, and democracy promotion. This shift reflected Sweden's intention to support the reform process in Serbia, and by extension, the country's EU accession process, whilst avoiding direct cooperation with state authorities whose performance was deemed insufficient. Consequently, civil society organisations are expected to have a more prominent role in promoting accountability and democratic governance in Serbia.

The Swedish approach mirrors a broader development in the EU's enlargement framework, namely the Revised Enlargement Methodology (REM),²² introduced in 2020. The intention behind the REM was to make the accession process more credible and predictable by introducing greater conditionality. One of the key components in the REM is reversibility, as the methodology explicitly emphasises the need to sanction "any serious or prolonged stagnation or even backsliding in reform implementation." The methodology also groups negotiation chapters into six thematic clusters, and the overall pace of negotiations is determined by the candidate country's progress in the fundamentals cluster, which includes the rule of law and democratic institutions. Thus, Sweden's strategy represents a shift towards a more merit-based model of bilateral aid, mirroring the core principle of the REM. By redirecting financial support to civil society in Serbia, Sweden sends a strong signal that bilateral assistance should be guided by the same principles that underpin the EU's enlargement policy.

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- 13 Government Offices of Sweden, "[Strategy for Sweden's Reform Cooperation with the Western Balkans and Turkey 2021–2027](#)", October 2021.
 - 14 Government Offices of Sweden, "[New Strategy for Reform Cooperation with Eastern Europe, the Western Balkans and Türkiye](#)", February 2026, p.5.
 - 15 Government Offices of Sweden, "[Regeringen justerar biståndsramen från 2026](#)" [The Government Adjusts the Aid Budget from 2026], September 2024.
 - 16 SVT, "[Regeringen Sänker Sidas Anslag med 4 Miljarder Kronor](#)" [The Government Cuts Sida's Budget by 4 Billion Kronor], December 2025.
 - 17 SVT, "[Regeringen Kapar Biståndet](#)" [The Government Cuts Aid], September 2024.
 - 18 Government Offices of Sweden, "[Support to Ukraine, security policy cooperation and gender equality in focus for this year's Statement of Foreign Policy](#)", February 2026.
 - 19 Reuters, "[Sweden to cut development aid to five countries, divert money to Ukraine](#)", December 2025.
 - 20 Excluding Swedish public agencies that act as implementing partners (about 9% of total disbursement).
 - 21 Openaid, "[Swedish Development Assistance to Serbia, 2026](#)", n.d.
 - 22 European Commission, "[Enhancing the Accession Process: A Credible EU Perspective for the Western Balkans](#)", February 2020.

Implications for the EU's enlargement to the Western Balkans

The launch of Sweden's new aid strategy, together with the suspension of support to Serbian state authorities, illustrates how bilateral assistance programmes can reinforce the conditional logic of the EU enlargement process through two mechanisms. First, it makes the EU's conditionality regime more credible by signalling that reform stagnation carries real consequences. By suspending direct financial assistance to Serbian authorities while continuing support through civil society, Sweden shows that backsliding entails tangible political consequences. Conversely, countries that demonstrate the will to move closer to the EU by implementing reforms are likely to receive a "carrot" and benefit from increased development support. Given the limited amount of Swedish aid, however, this functions primarily as a naming-and-shaming mechanism, rather than an economic lever. Second, it demonstrates that enforcing conditionality is not limited to EU institutions, as individual EU member states can reinforce pressure on candidate countries to advance democratic reforms. Through bilateral agreements on aid and reform cooperation strategies, member states can respond directly to candidate countries' reform progress, thereby giving practical weight to the EU's reversibility principle. The political change in Serbia now offers a first test of whether the reward side of this logic is equally credible.

However, developments until the recent elections in Serbia raised doubts as to whether conditionality alone was sufficient to effectively drive the reform process. While there is a convergence between bilateral and EU-level pressure, reducing direct state-to-state cooperation, as seen in the case of Sweden-Serbia, may, in some cases, prove counterproductive. The developments in Serbia following Sweden's suspension of aid suggested that reduced state-to-state cooperation was not accompanied by reform progress but instead coincided with further backsliding under the outgoing government. This risk was compounded by the presence of actors such as Russia²³ and China,²⁴ who offer financial support without democratic conditions, reducing the leverage that conditionality-based donors like Sweden and the EU can exert. This highlights a central challenge in EU enlargement: how to maintain conditionality while preserving the political ties that keep candidate countries anchored to the European project. Ensuring that conditionality is complemented by sustained political engagement therefore remains crucial, and how individual member states manage this balance will determine whether their bilateral approaches reinforce or undermine the incentives that keep candidates on the reform path. This is particularly pertinent in the aftermath of the elections, when renewed political engagement with the new government can be combined with clear, transparent benchmarks.

Recommendations

Looking forward, the future of Swedish-Serbian cooperation will depend on how quickly the political change brought about by the October 2026 elections is translated into verifiable institutional reform, particularly in the fundamentals cluster. The change opens a genuine window of opportunity; the new government inherits institutions shaped by years of political capture, and it must govern as a new political force with limited administrative experience. Supporting the reforms will be of paramount importance. At the same time, the amount of financial aid available to Serbia will also be determined by Swedish budgetary priorities, which have increasingly shifted to domestic challenges and aid to Ukraine, leaving fewer resources for the Western Balkans. Ultimately, conditionality will only remain credible if it both entails tangible consequences and offers meaningful incentives for reform. This underscores the need for Sweden and the EU to maintain an active political dialogue with governments and continued support to civil society, ensuring that the "carrot" remains visible and is delivered early, while the "stick" remains available should reforms stall or reverse. Based on the analysis, the following policy recommendations aim to address the identified challenges:

For the Serbian government:

- Translate the electoral mandate into reforms in the fundamentals cluster, particularly judicial independence, media freedom and regulation, electoral integrity, and the fight against corruption. Accountability for the Novi Sad railway station disaster and for violence against protesters should be pursued through independent and transparent procedures.
- Prevent a new round of politicisation by introducing merit-based, transparent procedures for appointments in the judiciary, regulatory bodies, public media and the civil service.

23 Todorović, Marko, "Long Policy Report on Russia's Ambitions and Leverage", May 2025.

24 Bonomi, Matteo, "Chinese Influence in the Eastern Trio and the Western Balkans: Strategic Fragmentation in the EU's Enlargement Countries", October 2025.

- Adopt and publish a realistic reform roadmap with clear priorities and timelines, including a plan for gradual foreign policy alignment, and make it the basis for dialogue with the EU and bilateral partners.
- Conduct reforms through open consultation with experts and CSOs, and ensure that legislation is reviewed by other relevant bodies before adoption.

For the EU:

- Respond quickly and visibly to the political change, for instance at the EU-Western Balkans Summit planned for 25 November. Maintain the principle that progress, including the opening of clusters 2 and 3, follows verifiable results in the fundamentals cluster.
- Review the status of any Reform and Growth Facility funds withheld or at risk, and tie their release to specific, verifiable benchmarks.
- Operationalise gradual integration mechanisms so that Serbia gains early, tangible benefits as it delivers reform. This keeps the “carrot” visible and gives the new government results it can show citizens.
- Make the next Multiannual Financial Framework’s Global Europe instrument fully conditional on democratic progress, increase overall allocations to the Western Balkans, and front-load technical assistance for judiciary, media, electoral administration and anti-corruption bodies.
- Coordinate with individual member states to ensure that bilateral approaches complement, rather than undermine, EU-level conditionality, and that the same standards are applied to the new government as were applied to its predecessor.

For Sweden:

- Engage with the new government proactively and early, as soon as it is formed. In light of its commitment to restore the rule of law and functioning democratic institutions, the 2025 decision to suspend support to Serbian state institutions should be reviewed promptly.
- Resume support in phases, starting with the institutions most relevant to the fundamentals (judiciary, anti-corruption and audit bodies, electoral administration, media regulators, independent oversight institutions), conditional on clear and measurable benchmarks. Benchmarks should be jointly discussed with the government, based on verifiable data.
- Use Sweden’s voice in the Council to support merit-based progress in accession talks. Sweden was among the member states that did not support opening Cluster 3 in July 2026,²⁵ and should signal readiness to support new steps once benchmarks are verifiably met under the new government. Cluster 2 should also be a matter of prompt consideration.
- Continue prioritising support to CSOs and independent media, and adapt it to the new setting. As state support resumes, civil society funding should not be crowded out, because independent watchdogs remain essential to ensure that reforms are lasting and that no new concentration of power emerges.
- Offer Swedish expertise through peer-to-peer cooperation (for example between Swedish and Serbian courts, audit institutions, the Ombudsman and media regulators), which can deliver results faster than financial transfers.
- Reassess overall financial support to the Western Balkans. Increased conditionality loses its credibility if it is not matched by adequate resources to reward progress.

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