



KEY ASPECTS OF A BALANCED REGIONAL DEVELOPMENT OF THE REPUBLIC OF SERBIA^{1*}

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Abstract: The main goal of the research presented in this paper is to point to the benefits of a balanced regional development, as well as the mechanism of its implementation, based on the analysis of the current situation relating to the regional development of the Republic of Serbia, which is characterised by the greatest regional disparities in Europe, that even show the tendency of further deepening. The importance of a consistent and comprehensive development strategy of the country that would include reindustrialisation and full employment policy as a means of initiating dynamic economic growth and achieving sustainable development of the national economy and its regions is emphasised. This position is justified, primarily, due to the fact that, despite its crucial importance, regional development has never been understood as an integral part of the overall socio-economic development, therefore, this issue, owing to a lack of institutional and systemic approach is constantly being marginalised. In the analysis of the key aspects of a balanced regional development in Serbia, based on the study of different theoretical views and practical experiences regarding this important social and economic development issue, the method of the analytical description was primarily used.

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1. Introduction

In view of the fact that regional disparities are common for every country, since both developed and less developed or underdeveloped regions are reality of each

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country, we can say that in this respect the Republic of Serbia is by no means an exception. However, the regional development of the Republic of Serbia is one of the problems of paramount strategic importance due to the fact that the magnitude of the regional development disparities is the highest one in Europe and is continuously increasing. The main factors of the continuous deepening of regional disproportions and inequalities are intense deindustrialization of the regions and the country as a whole, high unemployment rate (especially pronounced in underdeveloped regions), underdeveloped infrastructure, and underdeveloped and dysfunctional institutional infrastructure. Balanced regional development is a national priority issue. This position is supported by the Article 94 of the Constitution of the Republic of Serbia which stipulates that the achievement of the balanced regional development is a responsibility of the state.

Serbian regional development issues are numerous, complex and manifold, because, one of the serious consequences of the uneven regional development is the occurrence of the unfavourable demographic trends, i.e. depopulation of underdeveloped regions as one of the most complex issues to solve, even in the long term perspective. In addition, the mentioned issues are even further complicated due to the long-term economic stagnation and persistent decline in the rate of economic growth and high unemployment rate, which implies a decline in living standards and abrupt impoverishment of the population. In addition to the aforementioned economic and social factors, the absence of clearly defined and institutionally regulated regional development policy represents a significant limitation to the successful solution of these problems.

Serbian regions are characterised by distinctive natural features and greatly differ in their demographic, historical and cultural aspects. Given the differences in the level of the socio-economic development and different regional development potentials, it is clear why, in order to achieve a satisfactory economic growth and sustainable development level, as well as the level of living standards in the region and in the country as a whole, it is necessary to have a reliable estimate of the level and the opportunities for the socio-economic development of the region. Only then an adequate regional development policy, designed to stimulate the dynamic rate of the economic growth in underdeveloped regions, can be implemented, and this is precisely the subject of the present research.

In accordance with the established subject of the study, the paper aims to point out that a long-term regional development strategy based on the regional industrial policy is needed for the successful regional development of Serbia and mitigation of disproportions between the regions, which is an essential prerequisite for the dynamic economic growth and sustainable development of the country. This is supported by the fact that the previous policy of incentives for faster development of the underdeveloped areas has yielded dissatisfactory results due to its short-term

orientation and selectiveness, including the neglecting of the principle of the unity of the economic branches (industries) and the regional approach (Rosić, 2004).

Based on the subject and established aim of the research, the main hypothesis of the paper is as follows: regional development objectives cannot be achieved by implementing economic policies based on the spontaneous functioning of the market, therefore, it is necessary that such development is managed by the state through implementation of a long-term development strategy.

In addition to the Introduction and the Conclusion, the paper is organised in three sections. Following the introduction, the second section of the paper looks at some of the key theoretical views on regional development policy. The author points to the fact that the balanced regional development that rests on the synergy among the regions, is the assumption of a successful and sustainable growth and development of every country. Third section of the paper discusses the key problems of the regional development of the Republic of Serbia, which is characterised by significant regional disparities. An overview of the feasible concept, which would result in achievement of the objectives of the balanced regional development, is presented in the fourth section of the paper. The Conclusion of the paper points to the key contributions of the research, confirms the main research hypothesis of the paper and suggests topics relevant for the future research in this field.

2. Theoretical views on regional development policy

In order to understand the significance of a balanced regional development of the country and, accordingly, implementation of a comprehensive and consistent regional development policy, it is necessary to provide answers to specific questions in this regard. Why is a balanced regional development essential for each country, not only for the underdeveloped ones such as the Republic of Serbia? Why is a balanced regional development essential not only for the underdeveloped regions, but also for the most developed ones, in each country? The answer is that the balanced regional development represents a prerequisite for successful and sustainable economic development of the country as a whole. The economy of a country is in its very character complex, comprehensive and dynamic system. Sustainability of the functioning and development of the system is provided by a series of structural equilibrium relationships between its components (elements, subsystems, and etc.). This means that for the successful functioning and development of an economic system the inter-regional balance represents an important factor. In fact, if we look at the regions of a country as links in a chain that represents national economy, we can say that the country's economy is as strong as the country's least developed region. Therefore, it is in the interest of the most successful and the most developed regions and the state as their

representative, to promote the development of the undeveloped and less developed regions. It should be noted that the aforementioned balance is only one of the necessary conditions for sustainable functioning of the economy. Namely, neither the diagnosis of the current situation, nor strategic perspectives of such a complex system such as the country's economy, can be defined in an objective and consistent manner if we approach the subject matter based on the analysis of the conditions present in a single level of economy.

Attitudes towards regional policy, as well as the choice in relation to its concept, are determined, mainly, by the theoretical doctrine of the policy. In this regard, the most dominant concepts are the Keynesian and the neoclassical ones.

Keynesian and NeoKeynesian approaches to regional development include active state regulation, which is based on encouraging public and private investment in underdeveloped regions so as to mitigate inter-regional disproportions. Credit mechanisms, fiscal policy, government subsidies, etc., are all used as the instruments of the mentioned regional development policy.

The neoclassical approach to creating regional policy, starting from the premise that there is a free market interaction among the regions, considers the functioning of the free market mechanisms as the possibility of eliminating the existing regional differences. It should be noted that this approach, in its original and unaltered form, does not apply, nor can be applied in practice, due to the many economic and non-economic limitations, as well as the different regional features.

The analysis of the regional development factors is of the critical importance for the successful research of the relevant issues, both in terms of creating and implementing appropriate regional development policies. In this regard, a significant issue is that of the efficiency of the employment of the basic production factors in the regions of the Republic of Serbia - physical capital, human resources and intellectual capital. Furthermore, the issues of intensifying the use of resources available to the region and creating a sustainable model for the efficient use of the region's resources must also be considered. Therefore, the following assumptions should be taken into consideration (Sorokin, 2015):

- efficient management of the socio-economic potential of the region,
- biased local, regional and national interests,
- creation of regional markets and the relevant infrastructure,
- investment policy,
- property management including all its various forms,
- improving the efficiency of the use of local resources,
- more efficient use of resources.

The importance of a balanced regional development of a country can also be considered based on the principle of the synergistic effects of the individual regions on the economy as a system (Решетило, 2009). Economic synergistic is a significant theoretical and methodological concept of modern economic analysis, since it provides grounds for a more comprehensive study of the conditions and methods of creating the new socio-economic structures and sources of economic growth in the process of the cooperative coherent interaction between the different elements, which are synergistically related within the context of a socio-economic system. The subject of the economic synergistic study are highly complex economic systems, as well as the mechanisms and forms of economic self-organisation and the establishment of the new structures and new sources of economic growth in the process of active interaction among all subjects and all structures of the modern economy. Thus, the economic synergistic implies structure, sustainability and regulated system upon which rests its focus on the interaction between different variables at different levels of the system.

An important characteristic of the synergistic approach to the socio-economic systems is the fact that this approach is persistently focused on: analysing the dynamic interaction between the economic agents, finding the internal sources of economic growth, identifying the potential cooperation opportunities and obtaining positive synergistic effects. The principle of the fundamental diversity, which reads: sustainable and dynamic economic growth of any system requires support from the diversity of its elements, or subsystems, as the essential prerequisites for the creation of an effective regional system. If these diversities are harmonised, they become the true foundation of the progress, because the synergistic effect of the interaction between the elements of the regional system increases with their diversity. Namely, the synergy among regional systems depends on the structure of the system elements, the modes of their interaction and the harmony and the intensity of their inter-relations. The synergistic effect produces a new quality of regional systems. Therefore, the general principle of synergy can be read as follows: the efficiency created during the interaction of the different institutions of the system is much greater than the sum of the effects produced by separate functioning of each system element.

In order to define and build a consistent system of regional mechanisms, as well as create and implement an efficient and equitable policy of balanced regional development of a country, it is essential to establish a proper theoretical framework. In the particular case of the Republic of Serbia, the issue of regionalisation and regional development of the country has not been adequately dealt with both from the theoretical and the practical aspect. The models of economic growth and development based on sectoral policies addressed the development issues of underdeveloped regions mainly by relying on the short- and medium-term goals, despite the position confirmed in economics that regional development represents a long-term structural problem (Jakopin and Devetaković ,

2009). At the same time, bearing in mind that the regional development goals cannot be achieved by spontaneous operation of economic and other factors, due to the fact that free market further deepens polarisation in the region, it is the state's responsibility to create and implement a consistent policy of balanced and equitable regional development. The role of the state is indisputable in this matter, because the state is responsible for the situation in the economy and the level of its development, from which follows the liability to create conditions for the balanced development of all regions, including the need for various forms of long-term assistance mechanisms (Arandelović and Gligorijević, 2013; Cyxapeв, 2015). At the same time, the complexity of the regional development issues of each country goes beyond the realm of strictly economic problems, since it includes political, social, demographic, cultural, and other elements. The economic and social reality of the Republic of Serbia and the effects of the transition as a result of consistent application of the neoliberal concept, during which the regional disproportions further deepened, is the confirmation of the aforementioned approach. In fact, the neoliberal economic and financial policies implemented in the Republic of Serbia since 2001 have led to stagnation in terms of the socio-economic development and rapid impoverishment of the country, especially in terms of increasing disproportions in regional development. Thus, the socio-economic reality confirms the position that the neoliberal fiscal and financial policies lead to rapid impoverishment of the country.

Balanced regional development of a country should to be perceived as a complex process which involves considerable investments; in order to be successful, a set of coordinated and synchronised actions implemented over a long-term period are required (Ascani, Crescenzi & Iammarino, 2012). Expectations that a favourable outcome can be achieved in this important economic and social sphere in the short-term period and with a slight effort are quite unrealistic. Serbia is the very example of the approach where the government endeavors to solve accumulated problems of regional development in the short-term, therefore, the inadequate, sporadic and irrational measures are being applied. The fact that the regional development is a structural problem and that, as such, it has a long-term character is being ignored. The economic research confirms the view that the efficiency, equitability and sustainability are the key factors that determine successful regional development of the country (Dawkins, 2003; Capello & Nijkamp, 2011).

In terms of the model of a balanced regional development, it is necessary to define an economic growth and development strategy, which will include:

- identifying the competitive field of activity within a particular region's economy and providing incentives for the development of the relevant specialised activity types,

- delegating the activities to different industries, including the less competitive ones which should be developed in accordance with the specific development objectives (diversified specialization), while the undeveloped industries should be regarded as the region's development opportunities (opportunistic specialization),
- developing those types of activities that represent a step forward for the region in terms of self-sustainability, at the same time avoiding the division of such priority activities on those that are export- or domestic-market oriented,
- implementing regional policy instruments which will in terms of defining the priorities, promising directions and sustainability models (i.e. models of a *reasonable* region's autonomy or export-import openness), create conditions for improving the economic and social development indicators.

Results of the regional policy implementation should support the creation of new products and technologies in the region and contribute to phasing out the obsolete ones, which, undeniably, affects the improvement of the economic structure of the region and increases the level of its competitiveness. Regional policy should, primarily, provide conditions for normal life of people in the region, that is, meet the diverse needs of all layers of society, in accordance with the generally accepted standards and concepts of decent and acceptable standard of living, as well as provide utmost contribution to the economic growth of the national economy and the particular region. This is the integral methodological paradigm of the balanced regional development – the paradigm of the coherent and equitable development of the region.

3. Key problems of the regional development of the Republic of Serbia

Deindustrialisation as a negative and even, in the long-term, fatal consequence of the neoliberal concept of transition in the Republic of Serbia, led to the closure of industrial giants and, accordingly, produced number of negative economic and social consequences. Long-established unfavourable economic flows intensified by the effect of global economic crisis, led to the further decline in economic activity (which had already been a modest one), rise in unemployment (huge loss of jobs, high unemployment of young people and emigration of highly qualified and/or trained young people from the country), causing a serious increase in poverty. One of the consequences of such economic dynamism is the further deepening of the regional disproportions. Due to the implementation of the neo-liberal economic concepts, despite the generally accepted view that free markets lead to even deeper polarisation of the regions, the state and its government(s) failed to provide adequate response and support. The absence of coordinated sectoral and regional

policies, on the one hand, and handing over both regional and economic development to the free market, on the other hand, has led to concentration of economic activity in developed regions and devastation of the majority of less developed regions in the Republic of Serbia. Pronounced regional polarisation that significantly exceeds the socially acceptable frameworks is particularly striking if one observes huge disparities between the North and South of the country, i.e. the City of Belgrade (Belgrade Region) and Vojvodina (the Autonomous Province of Vojvodina and its regions), on the one hand, and the rest of the country's territory, on the other hand.

The level of regional disproportions in the Republic of Serbia is best illustrated by the examples referring to the City of Belgrade (the territory of the City of Belgrade is not a part of any district in the Republic of Serbia; it has a special status which is similar to that of a district), which is the country's most developed region, and the Pčinja District, as one of the most undeveloped regions. According to the Statistical Office of the Republic of Serbia (2016), the average net salary per employee in the City of Belgrade, in 2015, amounted to 55,551 RSD, while in the Pčinja District the average net salary per employee was 33,054 RSD, which is 59.5% of the average net salary in the City of Belgrade. Also, in 2015, there were 25.3% of people seeking first employment on the territory of the City of Belgrade, while in the Pčinja District there were 42.8% of people seeking first employment. Furthermore, on the territory of the City of Belgrade there were 334 employed persons and 64 unemployed persons per 1,000 inhabitants, while in the Pčinja District there were 176 employed and 132 unemployed persons per 1,000 inhabitants. Disproportions are also striking in the field of investments. Investments in the new fixed assets on the territory of the City of Belgrade, in 2015, amounted to 220,864,898 RSD, which is 43.55% of the total investments realised in the Republic of Serbia. In the Pčinja District the amount of investments in new fixed assets is 4,775,922 RSD, which is 2% of the investments realised on the territory of the City of Belgrade.

With the aim of creating and implementing a coherent and comprehensive regional development policy of the country, as well as to mitigate regional imbalances, the Government of the Republic of Serbia adopted the *Republic of Serbia Regional Development Strategy 2007-2012* (hereinafter the Strategy) (Government of the Republic of Serbia, 2007). Pursuant to the aforementioned strategic document and aiming to encourage the equitable regional development on its territory, the government has undertaken the commitment to solve problems of intra- and inter-regional inconsistencies that hinder the development and trigger migration flows and depopulation of the underdeveloped areas of the country (Jakopin, 2013). Furthermore, the Strategy specifies that the assistance to the underdeveloped regions shall be based on the government investments and incentives for capital inflows, so as to compensate the structural disadvantages of such regions.

Bearing in mind the fact that the level of regional development disproportions in the Republic of Serbia is the highest one in the whole of Europe, as well as the fact that this trend continues and is becoming more pronounced on the daily basis, one of the key objectives of a balanced regional development is to mitigate regional disparities and reduce poverty. The goals that were to be achieved by the Strategy implementation were as follows: enhancing regional competitiveness as a foundation of the population welfare growth, reduction of unemployment and poverty, stopping the negative demographic trends, decentralisation and strengthening of local self-governments. The realisation of the above mentioned goals, according to the Strategy, was supposed to result in a reduction of regional disparities to less than 1:3 by 2012. Instead of achieving the quite unrealistic goals, the disparities became even more pronounced, particularly in relation to the striking contrast between the northern regions and Southern Serbia and Stari Ras microregion. In addition, the economic inequalities rose, as well as the level of poverty in the Republic of Serbia.

Even almost ten years after the Strategy had been adopted, the situation did not improve both in terms of mitigating regional disproportions and reducing the degree of regional poverty. One of the reasons for such situation lies in the government's attitude towards this complex and urgent problem of the whole country. Namely, despite the aforementioned strategy, regional development is still not regarded as an integral part of the overall socio-economic development; moreover, due to the fact that there is no systematic approach to the problem, it has become even more marginalised. It is evident that inadequate regional development is not only the result of the shortcomings of the implemented development policy, but also the consequence of the lack of appropriate systemic and institutional regulatory mechanisms (Jakopin, 2007). Hence, despite the fact that the Strategy (2007) and the Law on Regional Development (2009; 2010) were passed, the trend of deepening regional and structural development problems of the country has continued.

As stipulated in the Strategy and the Law on Regional Development, the Development Fund of the Republic of Serbia (hereinafter the Fund), as a financial institution whose primary role is to support the economic agents to achieve long-term objectives in the field of regional policy through providing financial support in the form of loans and credits, represents one of the major carriers of the regional policy implementation. The Law on the Republic of Serbia Development Fund (Official Gazette of RS, No. 36/2009, 88/2010 and 119/2012), Article 2, Paragraph 1, specifies that the first objective of the Fund is to "encourage balanced regional development, including the development of underdeveloped areas".

In addition, according to the Strategy, basic measures that the Fund should implement in order to encourage the development of the underdeveloped areas, are funding and crediting of the infrastructure projects, granting incentives for new

businesses, as well as financially supporting the expansion of the existing production facilities. However, despite the indisputably established institutional liabilities, the Fund's policy did not sufficiently support balanced regional development. The extent to which the mentioned Fund accomplishes its tasks as an agent of the regional development policy implementation, as well as achieves the goals in terms of encouraging economic and balanced regional development, can be assessed based on the awarded long-term loans under the Programme of Stimulating a Balanced Regional Development and funds provided to legal entities and entrepreneurs. Based on the data available on the Fund's website (<http://www.fondzarazvoj.gov.rs/>) for 2013, 2014, 2015 and 2016, we can conclude that the granted funding is characterised by striking regional disproportions, which is in general characteristic for the overall regional development of the country.

Namely, based on the decisions of the Governing Board of the Fund, the only time when the long-term investment loans were granted to legal entities under the Programme of Stimulating a Balanced Regional Development was in 2013. Only decisions adopted at four sessions (held in the period 08.05. - 22.07.2013) of the Fund's Governing Board were published on the Fund's website. In the following period (2014, 2015 and 2016), the Fund did not allocate any credits or loans based on the criteria of encouraging balanced regional development, which is a direct violation of the Law on Regional Development. In addition, according to the decisions of the mentioned Governing Board, in the period 2014-2016, the majority of funds were granted to legal entities and entrepreneurs with registered seat on the territory of the most developed regions. In 2013, one loan was given to the client/legal person with registered seat on the territory of the Toplica District and one more to the client/legal person with registered seat on the territory of the Prijepolje - Zlatibor District. In 2014, one loan was given to the client/legal person with registered seat on the territory of the Toplica District and two in the Jablanica District (however, one of the investors was from Belgrade). In 2015, two loans were given to the client/legal person with registered seat on the territory of the Jablanica District, where the investor from Belgrade received a significantly larger sum, and one loan went to the Pčinja District. In Stari Ras microregion, one loan was approved to the entrepreneur from the town of Nova Varoš. During 2016, the situation among the regions, in terms of loans received from the Fund, did not significantly change. The largest number of loans (both investment loans and loans given to entrepreneurs) went to the most developed regions. The number of loans that went to underdeveloped regions was slightly higher than in the previous years, however, the awarded amounts were significantly lower than those granted to legal entities and entrepreneurs from the most developed regions.

It is interesting to note that the Fund's Plan of Operations for 2016 defines the following main objectives: offering support to legal entities and entrepreneurs in the Republic of Serbia, fostering employment, boosting production, and encouraging the sustainable and overall development. Despite the fact that

promotion of a balanced regional development is still published on the Fund's website as one of its set goals, in the Fund's Plan of Operations for 2016 this goal is omitted. In view of these facts, as well as the decisions of the Governing Board of the Fund, it is not difficult to understand why the inadequate institutional attitude towards this very important development issue is a fundamental cause of the continuous deepening of regional disparities in the Republic of Serbia.

The institutional nature of the regional development issues in the Republic of Serbia is not only reflected in underdevelopment, inconsistency and inefficiency of institutions, but also in the disregard of the institutions. Instead of insisting on the development of the social and economic relations through building consistent, efficient and inclusive institutions, all attention is focused on the establishment and development of the leadership system. For this reason, we have a situation where the regional development in the Republic of Serbia is a political rather than the strategic national issue. The regional development of the Republic of Serbia was most discussed, no matter how declaratively and for political purposes, at a time when the Ministry of Economy and Regional Development was led by the political party the United Regions of Serbia, while the other ministries led by other political parties were largely indifferent to this, socially and economically, very significant problem. The Republic of Serbia Regional Development Strategy and the Law on Regional Development have the same fate as the institutions that do not bind any of the power holders, therefore, it is only logical that the regional disparities increase.

4. Key factors of a balanced regional development

The economic reality confirms the findings of a large body of economic research that the regional development goals cannot be achieved by the spontaneous operation of market forces. It is essential that the regional development is managed by the government, because, in order to find the feasible solution to the present situation in the Republic of Serbia, it is necessary to create adequate conditions for stimulating the quality economic growth and development which are to be based on improving manufacturing industries. Such conditions can be created only by defining a consistent and comprehensive development strategy of the national economy (Leković, 2016), whose main objectives will include: instigating the dynamic economic growth based on the reindustrialisation of the country and implementing the full employment policy. After all, such an economic concept is characteristic of the most developed and the most successful countries, as confirmed by, *inter alia*, the European strategy for smart, sustainable and inclusive growth - Europe 2020. Moreover, China, whose economy has been booming in recent decades, still manages its growth and development based on the traditional concept of five-year planning and long-term plans. However, the creators of the economic policy in the Republic of Serbia insist on short-term stand-by arrangements with the International Monetary Fund, whose long-term

consequences for the economy and society are fatal. In terms of the regional development, the consequences are manifested through persistent and increased asymmetry between the most developed and the least developed regions.

To initiate the economic growth and balanced regional development of Serbia, it is necessary to draft a regional industrial policy as an integral part of the development strategy of the country, (Татаркин & Романова, 2014) which would define the priority sectors and economic agents as the key implementers of activities in this field and secure an effective support of the state. However, in order to define a rational variant of the regional industrial policy, it is necessary to carry out an elaborate and comprehensive analysis of the current state of the economy and its potentials. Also, it is important to analyse the real possibilities for improving the competitiveness of the regional industries' products, as well as to identify possible economic effects of different variants of the industrial policy, which would result in industrial production growth, improvement of the scientific, technological and innovation potentials and creation of much needed new jobs. This is the only way to achieve sustainable economic growth and development of each region, as well as the overall economy. This is a long-term development concept whose goal is to build competitive industry which will become the driver of the dynamic economic growth and sustainable development (Figure 1).

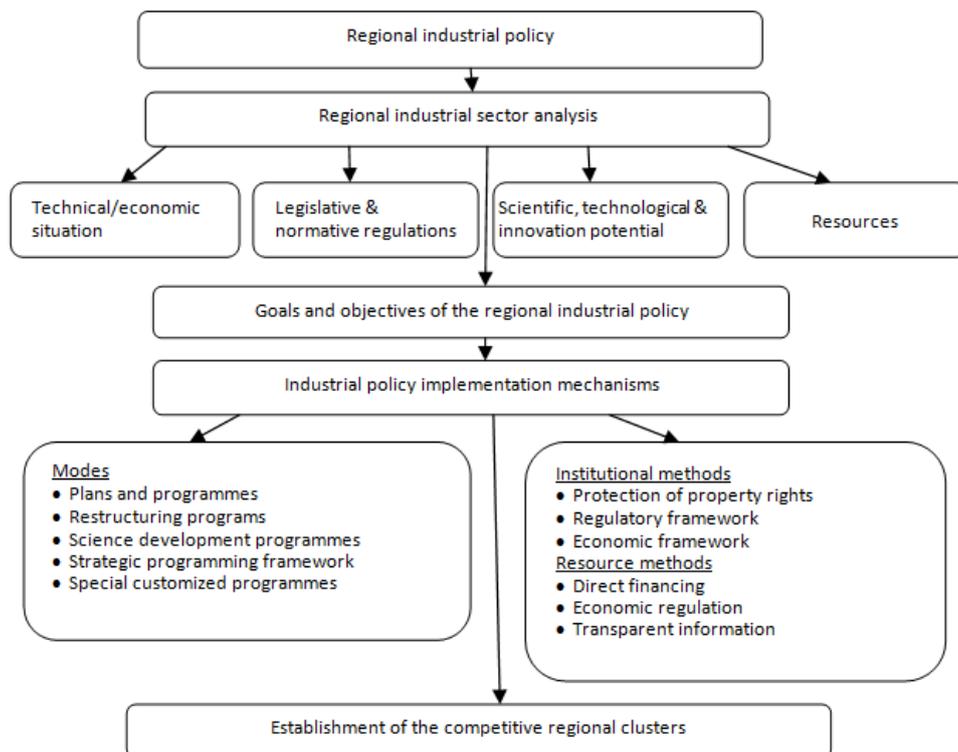
The regional industrial policy concept implies the existence of the consistently defined long-term priorities of the country's industrial development, which will have sufficient capacities to identify and support the advantages of distinctive regional features and quality resources (institutional, scientific and technological, manufacturing, intellectual, environmental, human resources).

Industrial policy is essential, because it represents a key instrument the government uses to manage the economy. The history of the economic development confirms the fact that the industry is the backbone of the economic growth and development. The industry's level of development determines the level of employment. Moreover, it also represents a key factor in terms of the demand for educational, scientific and other high-tech services. Due to the above stated advantages, industrial policy is a key factor of the socio-economic development which reconciles conflicting development goals and objectives.

The state has particular mechanisms and instruments at its disposal, that, when implemented, can solve the problems of regional disproportions, which is a common practice in developed countries. By creating and implementing the economic development policy, the state can encourage the development of the more prosperous and more advanced industrial sectors, thus achieving the dynamic growth of the whole country, and not just particular regions. Many are of the opinion that the investment activity of the country should become a driver of its economic growth, therefore, the priority must be given to institutional measures aimed at encouraging the economic activity (Sorokin, 2015). The success of the

mentioned activity of the state is determined by the degree of objectivity in identifying priority areas to be supported and invested into. In contrast to this view, the neo-liberal concept imposes the use of restrictive monetary policy, with the sole aim to combat the inflation, at the same time requiring strong budgetary constraints and repudiation of the budget deficit. It also insists on an intensive privatisation of the state assets. The effects of such a concept of economic policy in the Republic of Serbia, starting from the 2001, are: deindustrialization of the country and economic stagnation, decline in employment and increase in unemployment rate, increasing poverty, continuous growth of public and external debt and more pronounced regional disproportions, which are all even made worse due to the closure of many plants and uneven allocation of the remaining industry.

Figure 1. Conceptual framework of the regional industrial policy



Source: Author

Fiscal policy is essential for the mitigation of the regional disparities that are one of the most complex and limiting development problems of the Republic of Serbia. It is necessary to implement institutionally regulated system of fiscal decentralisation and transfer powers and responsibilities to the local level in order to improve conditions for attracting investment and reducing unemployment in

cooperation with the local communities, which has thus far not been the case. In doing so, it is necessary to appropriately coordinate the instruments and measures of the fiscal policy with other forms of development policy.

Also, for the successful design and implementation of the regional development programmes, as the main instrument for the implementation of regional policy (Jakopin, 2007), it is essential to improve the concept of public administration, whose scope of activities is more extensive than that of the government, since public administration involves governance over a number of the different institutions and relations. The concept of public administration refers to different aspects: the change of conditions for the society's governing policy, new public and private partnership strategies, as well as analytical instruments for understanding the political reality (Ильин & Поварова, 2014). Therefore, the policy should be more focused on specific problems and mobilisation of economic resources (both the public and the private ones) in order to more adequately address the economic and social issues. In this respect, the legitimacy of the political system is generated through the decision-making process and the results of the decisions made. The citizens see this process as the legitimate exercise of the system's power, i.e. the system is perceived to be working in the interest of the citizens, thus generating distinctive benefits that further result in economic growth, higher employment rates and increasing social and personal well-being. Within the framework of the public governance concept, the development-oriented interactions between the government and the society are being established; in other words, governance is established along the line that separates the government and the society based on the non-traditional mix of the public and the private sector.

For a successful regional policy implementation, it is necessary to define the following strategic economic development goals: steady growth of regional gross domestic product, opening of new jobs, better living standard and increased tax revenues at all levels. The successful achievement of these goals depends, primarily, on the establishment of inclusive political and economic institutions and strengthening their role and importance, as well as implementing a stimulating economic policy aimed at increasing the efficiency of the economy.

The role and the responsibility of the central government, as well as the regional and local self-government units, are vital for the design and implementation of such a concept. At the same time, it is necessary to create a business environment that will be favourable for the entrepreneurial activities, which would increase opportunities for greater participation of small and medium-sized enterprises and more efficient implementation of programmes that would better valorise local resources and advantages.

5. Conclusion

Despite the fact that the regional development issues are among the most critical priorities of the Republic of Serbia, thus far, they have not been properly addressed in terms of defining the country's development goals. These issues are being constantly pushed aside and completely marginalised, although it is strikingly evident that the regional disparities in the Republic of Serbia are the most pronounced ones in the whole of Europe and that they represent serious limitations for successful development of the country. The economic and social reality is being ignored, as well as the fact that there is, actually, certain institutional infrastructure that is able to support regional development in the Republic of Serbia. Unfortunately, little has been done to mitigate regional disparities. The disproportions are becoming even more striking, poverty increases and mass migrations intensify to such an extent that some parts of the country are becoming demographically *empty*. In order to put an end to the unfavourable economic and social situation, it is necessary to abandon the concept of the neo-liberal economic policy which is responsible for the harsh situation in the country's regions and in the whole country.

In this regard, achieving the more equitable and balanced development of the Republic of Serbia on its whole territory undoubtedly represents a key strategic goal of both the government and the regional development policy. In order to achieve this goal, it is necessary to define priority development programmes, which will be based on the proper development and allocation of the industries that would contribute to the successful development of the underdeveloped, especially the devastated hilly and mountain areas. Any integral concept of the country's development must include solutions for the more dynamic development of these areas as a priority goal. It is therefore necessary to define a consistent and comprehensive development strategy of the national economy, whose main goals will be: initiating the dynamic economic growth based on the reindustrialisation of the country and implementation of the full employment policy. This approach is the only reliable option for a country to emerge from years of crisis. The responsible implementation of development strategy at all levels and on the whole territory of the country will result in a more successful implementation of the balanced regional development policy. The positions presented in this study which draw upon and are supported by a number of theoretical research findings and positive experiences of the developed countries, confirm the hypothesis set in this paper, which at the same time makes one of its the key contributions. Important limitation to the present research is the insufficient empirical analysis which is due to the lack of full transparency in the distribution of the financial assistance to the underdeveloped areas; hence, this will be the subject of the future research.

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KLJUČNI ASPEKTI RAVNOMERNOG REGIONALNOG RAZVOJA REPUBLIKE SRBIJE

Apstrakt: Osnovni cilj istraživanja u ovom radu je da se, na osnovu sagledavanja aktuelnog stanja regionalnog razvoja u Republici Srbiji, koje karakterišu regionalne disproporcije najveće u Evropi i imaju tendenciju daljeg produbljavanja, ukaže na prednosti ravnomernog regionalnog razvoja, kao i na mehanizam njegovog ostvarivanja. Naglašava se značaj konzistentne i sveobuhvatne razvojne strategije zemlje, u okviru koje bi se, reindustrijalizacijom zemlje i politikom pune zaposlenosti, stvorili uslovi za pokretanje dinamičnog ekonomskog rasta i ostvarivanje održivog razvoja nacionalne ekonomije, kao i njenih regiona. Ovakav stav je opravdan, tim pre, što, uprkos svojoj aktuelnosti, regionalni razvoj nikada nije posmatran kao integralni deo ukupnog društveno-ekonomskog razvoja, pa je ova problematika, zbog nedostatka institucionalnog i sistemskog pristupa, marginalizovana. U istraživanju ključnih aspekata ravnomernog regionalnog razvoja u Republici Srbiji, a na osnovu sučeljavanja različitih teorijskih stanovišta i praktičnih iskustava o ovom značajnom društvenom i ekonomskom razvojnom problemu, dominantno je korišćen metod analitičke deskripcije.

Ključne reči: ravnomerni regionalni razvoj, regionalne disproporcije, razvojna strategija, regionalna industrijska politika, nacionalna ekonomija.

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