

Pregledni članak

REGIONAL PERFORMANCES OF THE SERBIAN ECONOMY IN THE CONTEXT OF EU COHESION POLICY

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Abstract:

The pronounced regional inequalities in different domains, as a rule, cause numerous problems in the functioning of the national economy and society as a whole. Hence, the consideration of regional issues from the economic point of view appears as an indispensable moment. Several proposals for regionalization have been put forward in Serbia, regarding its strategic commitment to European Union accession. This paper starts from the current regionalization of our country, in accordance with the Nomenclature of Statistical Territorial Units (NUTS) of the EU. The basic characteristics of the development image of our NUTS 2 regions are analyzed. The need to harmonize the institutional framework for regional development of Serbia with EU Cohesion policy is discussed in the final part of the paper.

Key words: regional development, NUTS 2, regional indicators, institutions, Serbia.

JEL CLASSIFICATION: P25, R11, R12

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INTRODUCTION

Regional development today is an important segment of the contemporary development paradigm, especially in the European Union. By integrating economic, social, environmental and political dimensions and development goals, an integrative approach to regional development is realized. Regional inequalities are a phenomenon present in almost all countries, and are particularly pronounced in our country. They have largely determined both the competitiveness and the perspectives of the region's development sustainability. Namely, in EU perspective the quality of institutions, macroeconomic stability, infrastructure, health, education, labor market efficiency, market size, technological competence, sophistication of business processes and innovation appear as the main levers and key drivers of strengthening the competitiveness and economic sustainability of the region.

The problem of regionalization has long been neglected in our country, that is, even when it was the subject of interest, it was founded on the basis of wrong assumptions and goals. This is true in both theoretical and practical terms. Namely, during the first twenty years of the 21st century, Serbia faces emphasized and growing regional disparities in almost all segments of economic and social development. This situation is the result of marginalizing this issue in the country's development policy, as well as of adapting and implementing inappropriate measures to mitigate regional inequalities in the previous period. Sporadic and irrelevant measures have often been the result of pretensions to resolve the piled problems in the domain of regional development in a short period. Given that the regional problem is of a structural and long-term nature, such an approach has proven to be wrong. It is important that economic and overall policy makers take into account the fact that it is a difficult, expensive and slow process. From this point, it is necessary, first of all, to institutionalize regional policy, in its three basic segments: (a) implementation and improvement of the regional approach to development, (b) forming the institutions for regional development and (c) the provision of financial resources for regional development.

1. REGIONALIZATION AND REGIONS IN SERBIA

Tables 1 and 2 represent some of the relevant proposals and the current framework for regionalization of Serbia¹.

Table 1. Some earlier proposals for regionalization of the Republic of Serbia

	NUTS 1	NUTS 2	NUTS 3
<p><u>Proposal 1</u></p> <p>(according to Strategy of regional development of Republic of Serbia 2007-2012)</p>	<p>Republic Serbia</p>	<p>a. Belgrade b. Central Serbia (without Belgrade) c. AP Vojvodina d. AP Kosovo and Metohija</p>	<p>counties (29) + Belgrade</p>
<p><u>Proposal 2</u></p> <p>(according to Strategy of regional development of Republic of Serbia 2007-2012)</p>	<p>Republic Serbia</p>	<p>a. Belgrade b. Eastern Serbia c. Western Serbia d. AP Vojvodina e. AP Kosovo and Metohija</p>	<p>counties (29) + Belgrade</p>

¹ For more details see: Molnar (2016), p. 318-331; Devetaković, Jovanović Gavrilović, Rikalović (2005); Devetaković (2011), p. 183-184; Jakopin i Devetaković (2009), p. 92-95; Strategija regionalnog razvoja Republike Srbije 2007-2012; Zakon o regionalnom razvoju, *Službeni glasnik RS*, br 51 /2009; Uredba o nomenklaturi statističkih teritorijalnih jedinica, *Službeni glasnik RS*, br. 109/2009 i 46/2010.

<p><u>Proposal 3</u></p> <p>(according to prof. Stevan Devetakovic, 2010)</p>	<p>Republic Serbia</p>	<p>a. Belgrade b. Eastern Vojvodina (Banat) c. Western Vojvodina (Backa and Srem) d. Eastern region e. Western region f. Central region g. Southern region h. Eastern Kosovo and Metohija i. Western Kosovo and Metohija</p>	<p>counties (29) + Belgrade</p>
<p><u>Proposal 4</u></p> <p>(E. Jakopin and S. Devetakovic, 2009)</p>	<p>Republic Serbia</p>	<p>a. Belgrade b. AP Vojvodina d. Eastern Serbia e. Western Serbia f. Central Serbia g. South - East Serbia h. AP Kosovo and Metohija</p>	<p>Administrative areas/subregions (13)²:</p> <ul style="list-style-type: none"> - Banat, - Backa, - Srem, - Belgrade, - Kolubara and Macva county, - Podunavlje and Branicevo county, - Moravica, Sumadija and Pomoravlje county, - Zlatibor county, - Raska and Rasina county, - Bor and Zajecar county, - Nisava, Toplica and Piroć county, - Jablanica and Pcinja county and - AP Kosovo and Metohija.

Source: According to Molnar 2016, p. 322.

² In order to develop both regional areas and the national economy as a whole more effectively, it may be appropriate to define administrative areas such as these as the NUTS 3 level.

Table 2. Current regionalization of the Republic of Serbia according to the NUTS methodology

NUTS 1	NUTS 2 (regions)	NUTS 3 (subregions)
Serbia - north	Vojvodina Region	seven counties (administrative districts): North Backa, West Backa, North Banat, Central Banat, South Banat, South Backa and Srem
	Belgrade Region	Belgrade district
Serbia - south	Sumadija and Western Serbia Region	eight counties (administrative districts): Zlatibor, Kolubara, Macva, Moravica, Pomoravlje, Rasina, Raska, Sumadija
	South and East Serbia Region	nine counties (administrative districts): Bor, Branicevo, Zajecar, Jablanica, Nisava, Pirot, Podunavlje, Pcinja, Toplica
	Kosovo and Metohija Region ³	5 counties (administrative districts): Kosovo, Pec, Prizren, Kosovskomitrovacka, Kosovskopomoravska

Source: Adapted from Molnar 2016, p. 329.

The regional polarization of Serbia to the developed area, north of the Sava and the Danube and southern, undeveloped area, did not change or mitigate significantly during the transition period. The advantage of the northern regions of Serbia lies in the relatively higher income per capita and the employment, in the created preconditions for the development, in the built infrastructure, their position at international corridors and in a relatively more developed economic structure. In contrast, areas in southern Serbia are homogeneously underdeveloped over a wide area. However, in the course of the transition, regional inequalities in Serbia, in certain development dimensions, have increased and become much more nuanced. The biggest differences refer to demographic features and economic potential, economic structure and productivity, social exclusion, ecological problems and internal inhomogeneity (participation of municipalities with special problems in relation to the total territory and participation of municipalities in the region with the status of underdeveloped or devastated areas).

³ Due to the specific situation, our country has no jurisdiction in Kosovo and Metohija. Since 1999, the Statistical Office of the Republic of Serbia (SORS) does not have individual data for the AP of Kosovo and Metohija, so they are not contained in this paper.

The Belgrade region has an area of 3,234 km² and an estimated 1.7 million inhabitants in mid-2018. The average age of the population is 42.3 years. According to the Labor Force Survey (2018), the employment rate reaches 50.1% and the unemployment rate is 10.9%, while the inactivity rate is 43.8%. According to the Census (from 2011), the illiteracy rate (population aged 10 and older) is 0.83%, while the rate of computer literacy (population aged 15 and above) is 46.9%. In 2018, about 82.2% of households had an internet connection. Of our total R&D investment in 2018, 67.7% refers to the Belgrade region. About 94.3% of households were connected to public water supply. At the same time, 288 inhabitants came to one doctor. About two-fifths of Serbia's GDP is created in the Belgrade region. Gross domestic product per capita in 2018 reaches around EUR 10,500.

The estimated population in mid-2018 in the Vojvodina region was approximately 1.9 million, with an area of 21,614 km². The average age of the population is 42.7 years. According to the Labor Force Survey for 2018, in the Vojvodina region the employment rate was 47.3% and the unemployment rate was 10.5%, while the inactivity rate was 47.2%. According to the 2011 Census, the illiteracy rate (population aged 10 and older) is 1.59%, while the rate of computer literacy (population aged 15 and above) is 34.9%. In this region, in 2018, about 70.7% of households had internet access. Around 25.2% of our total R&D investment in 2018 refers to the Vojvodina region. Almost 96% of households were connected to public water supply. There were 397 inhabitants per one doctor. The Vojvodina region's share in national GDP in 2018 was just over 1/4. Gross domestic product per capita in 2018 reaches around EUR 5,970.

The area of Sumadija and Western Serbia region is 26,493 km², while the estimated population in mid-2018 was over 1.9 million. The average age of the population in this region is 43.4 years. According to the Labor Force Survey for 2018, in this region the employment rate reaches 48.3% and the unemployment rate is 13.8%, while the inactivity rate is 43.9%. According to the Census (from 2011), the illiteracy rate (population aged 10 and older) is 2.38%, while the rate of computer literacy (population aged 15 and above) is 27.8%. In this region, in 2018, about 70.2% of households had internet access. Only 2.7% of our total R&D investment in 2018 is related to the Sumadija and Western Serbia region. There were 78.3% of households connected to public water supply and 389 inhabitants per one doctor. The share of the Sumadija and Western Serbia region in the GDP of Serbia in 2018 was about 18.6%. Gross domestic product per capita in 2018 reaches around EUR 4,150.

The area of Southern and Eastern Serbia region is 26,248 km², with an estimated population of about 1.5 million in mid-2018. The average age of the population in this region is 43.8 years. According to the Labor Force Survey for 2018, in the region of Southern and Eastern Serbia the employment rate was 44.1%, the unemployment rate was 16.2%, while the inactivity rate was 47.4%. According to the Census (from 2011), the illiteracy rate (population aged 10 and over) was 3.05%, while the rate of computer literacy (population aged 15 and over) was 26.9%. In this region, in 2018, about 68.1% of households had internet access. Of our total R&D investment in 2018, only 4.4% is related to the region of Southern and Eastern Serbia. Some 67.3% of households were connected to public water supply. About 335 residents came to one doctor in the same year. The share of this region in the country's GDP for 2018 was 14.1%. The gross domestic product per capita in 2018 is around EUR 4,050⁴.

The following tables (Table 3 and Table 4) provide a comparative overview of some other important indicators of the development of the regions of Serbia in the period 2014-2018.

Table 3. Comparative overview of selected indicators of regional development in Serbia

Average for the period 2014-2018	SERBIA	Belgrade	Vojvodina	Sumadija and Western Serbia	Southern and Eastern Serbia
GDP (in mil. eur)	37964.64	15251.82	10101.88	7350.45	5260.49
Number of employees	1938474	672249	493306	438477	334442
Realized investments in new fixed assets (in mil. eur)	4389.27	1839.10	1246.62	681.43	622.12
Foreign direct investments (FDI)*, (in mil. eur)	1063.49	341.36	566.29	73.58	82.27
Export (in mil. eur)	13589.88	3391.34	4511.76	3574.64	2109.69
Import (in mil. eur)	18007.48	8119.68	5095.34	2995.97	1767.47
Balance of trade (in mil. eur)	-4417.60	-4728.33	-583.58	578.67	342.22
Labor productivity (in eur)	19560.99	22647.11	20463.58	16756.88	15706.93

⁴ According to: Републички завод за статистику (2019a) and (2019b).

Marginal coefficient of effectiveness (average for the period 2015-2018)	0.31	0.37	0.24	0.29	0.33
Population (number of inhabitants)	7057791	1683245	1881674	1956543	1536329
Surface area, km ² (Serbia without Kosovo and Metohija)	77589	3234	21614	26493	26248
Realized investments in new fixed assets per capita (in eur)	621.90	1092.59	662.51	348.28	404.94
FDI per capita (in eur)	150.68	202.80	300.95	37.60	53.55
Realized investments in new fixed assets rate (% of GDP)	11.56	12.06	12.34	9.27	11.83
FDI rate (% of GDP)	2.80	2.24	5.61	1.00	1.56
GDP per capita (in eur)	5382.16	9058.59	5370.94	3759.19	3428.34
Export per capita (in eur)	1927.61	2013.44	2400.66	1827.77	1376.86
Import per capita (in eur)	2553.91	4821.61	2710.55	1532.44	1152.23
GDP density (000 eur per km ²)	489.30	4716.09	467.38	277.45	200.41
Realized investments in new fixed assets density (000 eur per km ²)	56.57	568.68	57.68	25.72	23.70
FDI density (000 eur per km ²)	13.71	105.55	26.20	2.78	3.13
Employment density (employees per km ²)	25	208	23	17	13
Export density (000 eur per km ²)	175.15	1048.65	208.74	134.93	80.38
Import density (000 eur per km ²)	232.09	2510.72	235.74	113.09	67.34
Balance trade density (000 eur per km ²)	-56.94	-1462.07	-27.00	21.84	13.04
Population density (inhabitants per km ²)	90.96	520.48	87.06	73.85	58.53

*Average for the period 2009-2016.

Source: Authors calculations based on data from: РЗС „Општине и региони у Републици Србији“, од 2015. до 2019. год., РЗС “Статистички годишњак Републике Србије”, од 2015. до 2019. год., Миљковић (2019).

Comparative observation of development indicators shows that there are asymmetries between regions (NUTS 2), which are the key causes of their developmental constraints. One of the basic characteristics is

uneven demographic development, in terms of depopulation and regional concentration. Comparative analysis has confirmed a high correlation between demographics and the economy - namely, economically successful regions, i.e. regions with high rates of economic growth, have positive demographic characteristics compared to other regions.

Table 4. Region's share in key macroeconomic aggregates

	Region's share (in %), average for the period 2014-2018					
	GDP	Number of employees	Realized investments in new fixed assets	FDI*	Export	Import
Belgrade	40.03	33.44	41.91	32.10	24.69	44.94
Vojvodina	26.57	25.61	28.50	53.25	33.13	28.26
Sumadija and Western Serbia	19.40	23.54	15.38	6.92	26.72	16.78
Southern and Eastern Serbia	14.01	17.41	14.21	7.74	15.44	9.85

* average for the period 2009-2016.

Source: Authors calculations based on data from: РЗС „Општине и региони у Републици Србији“, од 2015. до 2019. год., „Регионални бруто домаћи производ: Региони и области Републике Србије“, од 2016. до 2020. год., РЗС “Статистички годишњак Републике Србије”, од 2015. до 2019. год., Миљковић (2019).

According to all characteristics and development capacities (spatial, demographic, economic, financial, educational, health, scientific, cultural, infrastructural and other), the Belgrade region stands out from other regions, and consequently the largest influx of so-called ‘economic’ migrants, is recorded precisely in the city of Belgrade. From the aspect of spatial imbalance of development, the city of Belgrade is an emphasized point of polarization and is the most developed and promising area of Serbia according to all key development indicators, especially the volume and structure of human capital⁵. Regional asymmetries in Serbia are directly conditioned by economic development. The economy of Serbia is unidimensionally concentrated in the areas of larger centers, which have a distinct appeal in relation to the rural area

⁵ More about Belgrade's position in the Serbian economy see in: Molnar (2018), p. 101-102.

for both domestic and foreign owners of capital.

Besides population, location and production are also significant determinants of regional development. Districts, that is, regional areas (viewed as a broader development area) of Serbia differ in terrain, which is crucial for infrastructure equipment (above all roads) and the degree of modernization and development of different economic and non-economic sectors. This means that, depending on the natural predispositions, location characteristics and available infrastructure, a given area will develop those activities, that is, sectors that will achieve the highest economic effects and provide specialization⁶.

Considering the regional dimension of key macroeconomic indicators in Serbia may provide relevant insights into the importance of sustainable regional development for enhancing the efficiency and competitiveness of the national economy.

Throughout the period under review, the Belgrade region has a dominant position over other regions in Serbia: it generated, on average, around 40% of Serbia's GDP, employed on average more than 1/3 of the country's total employees, this region absorbed over 41% of realized investments in new fixed assets, while the level of labor productivity in the Belgrade region was 20 index points above the Serbian average. When it comes to foreign trade of goods, it can be seen that the Belgrade region predominantly determines our country's total deficit (close to 94%). In addition to the Belgrade region, the Vojvodina region also has a deficit in foreign trade of goods. In contrast to these northern regions, the regions of Sumadija and Western Serbia and Southern and Eastern Serbia have a surplus in foreign trade and thus contribute to reducing Serbia's overall trade deficit.

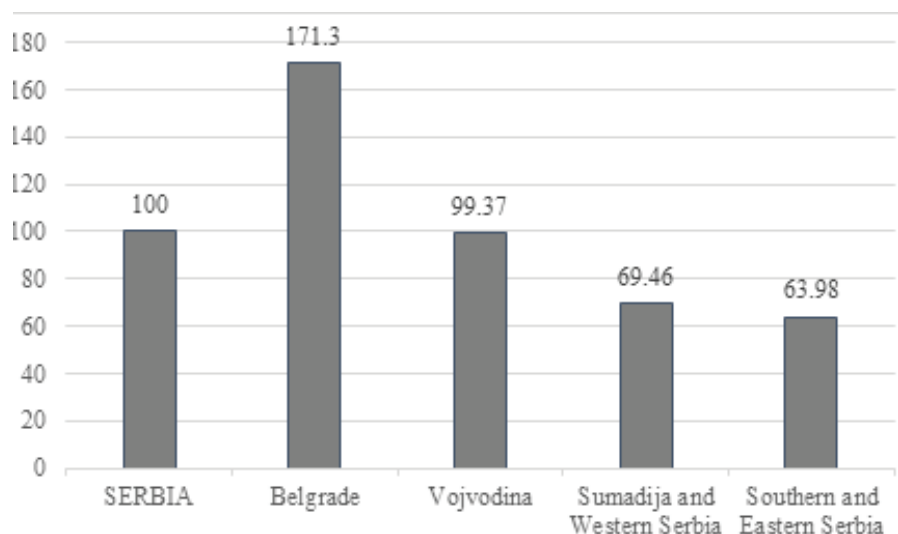
Based on the presented data, it can be concluded that in Serbia there is a polarization of development according to the "north-south" principle, since Serbia - north (Belgrade and Vojvodina) compared to Serbia - south (Sumadija and Western Serbia and Southern and Eastern Serbia) during the observed period achieves almost twice more in share of GDP, employs 1.44 times more workers, absorbs 2.46 times more investment in new fixed assets and has above-average labor productivity. However, the fact that the foreign trade of Serbia - north generates the whole our trade deficit cannot be neglected.⁷

⁶ For more details see: Devetaković, Jovanović Gavrilović, Rikalović (2019), p. 173-176.

⁷ The data below are the result of calculations made by the authors themselves, based on the following sources, which contain data for regional issues: Републички завод

Graph 1 represents the position of each of the four NUTS 2 regions in relation to the Serbian average over the ten-year period (2009-2018). What is clear is that only the Belgrade region achieved a level of development above the national average during the observed period. At the same time, the Vojvodina region has slightly lower level of development than the average of Serbia, while the remaining two regions (Sumadija and Western Serbia and Southern and Eastern Serbia) are significantly behind in their development compared to our northern regions.

Graph 1. Average level of development of Serbian regions in the period 2009-2018 (GDP per capita, Serbia = 100)



Source: author's review based on: Републички завод за статистику, „Прелиминарни резултати обрачуна регионалног бруто домаћег производа“, „Регионални бруто домаћи производ: Региони и области Републике Србије“, appropriate years.

за статистику, „Прелиминарни резултати обрачуна регионалног бруто домаћег производа“, „Општине и региони у Републици Србији“, „Регионални бруто домаћи производ: Региони и области Републике Србије“, appropriate years.

2. EU COHESION POLICY AND INSTITUTIONAL CAPACITIES OF SERBIA

According to *Regions in the European Union (2018)* EU member states are divided into 281 NUTS 2 level regions. According to their economic size (by aggregate GDP), the European regions could be divided into: gigantic (GDP over 300 billion euros), mega-regions (GDP from 200 to 300 billion euros), hyper-regions (GDP from 100 to 200 billion euros), large (GDP from 50 to 100 billion euros), medium (GDP from 10 to 50 billion euros): medium larger (GDP from 25 to 50 billion euros) and medium smaller (GDP from 10 to 25 billion euros), small regions (GDP from 5 to 10 billion euros), mini-regions (GDP of 1.5 to 5 billion euros) and micro-regions (GDP below 1.5 billion euros). It follows that according to this classification in the EU in 2017 there were 2 gigantic, 6 mega-regions, 28 hyper-regions, 61 large regions, 147 medium-sized regions (74 medium-sized larger and 73 medium-sized smaller), 24 small regions, 12 mini-regions and 1 micro-region.

Should the NUTS 2 level regions of Serbia be added to this list, it is interesting to consider their relative position in relation to other regions of EU member states. If ranking them by their economic size, expressed in terms of GDP volume, our regions would take the following positions: Belgrade would be only 228th, Vojvodina region 248th, while the regions of Sumadija and Western Serbia and Southern and Eastern Serbia would be at the very bottom, at positions 263 and 272, respectively. It follows that the Belgrade region would belong to the group of medium-sized smaller regions, while the regions of Vojvodina, Sumadija and Western Serbia and Southern and Eastern Serbia would be in the group of small regions.

According to the level of development, measured by GDP per capita, relative to the average of the EU regions, the NUTS 2 regions can be classified into seven categories: regions with the lowest GDP per capita (below 10 thousand euros), regions with a lower GDP per capita (10-15 thousand euros), regions with low GDP per capita (15-20 thousand euros), regions with medium GDP per capita (20-45 thousand euros): with medium lower (20-30 thousand euros) and with medium higher (30-45 thousand euros), regions with high GDP per capita (45-60 thousand euros), regions with higher GDP per capita (from 60-100 thousand euros) and regions with highest GDP per capita (over 100 thousand euros). In the European Union there is only 1 region with the highest GDP p.c., 7 regions with higher, 20 regions with high, 170 regions with medium (75 with medium lower and 95 with medium higher), 24 regions with low, 32 regions with lower and 27 regions with the lowest GDP per

capita.

According to the above classification, all our NUTS 2 regions would be in the category of those with the lowest GDP per capita, because they are at the very bottom of the ranking of European regions by the level of development (according to 2016 data): Belgrade region would be at 262nd place, the Vojvodina region at 280th, while the regions of Sumadija and Western Serbia and Southern and Eastern Serbia would take the last two positions⁸.

Cohesion policy or EU regional policy is created to promote economic, social and territorial cohesion among EU member states. This common policy is one of the key common policies of the Union, accounting for around a third of its budget, what makes it the most important investment policy of EU.

According to European Commission⁹, econometric studies have shown that at the aggregate level, every euro invested through Cohesion policy will generate an additional 2.74 euro in the period up to 2023. Namely, every region and country will benefit from Cohesion policy, even those who are net payers. The overall effect of Cohesion policy is seen through direct (investment effects) and indirect (increased exchange/trade volume) impacts. In this context, it is estimated that, by 2023, GDP in countries with net donors will grow by 0.4%, and in countries with net recipients by 4.2%. In other words, the projected increase in GDP at the aggregate level is close to 1,000 billion euros, which is a significant return on investment¹⁰.

The functioning of EU regional policy so far demonstrates that Cohesion policy has evolved and is constantly adapting to the demands of reality, but is also in line with advances in theoretical aspirations (regional growth is increasingly thought to be driven primarily by endogenous factors such as education, innovation, agglomeration, etc.). Over time, since cohesion policy, from a top-down approach based on direct incentives to reduce disparities, has become a policy of strengthening local and regional competitiveness, indicating that it relies on a bottom-up concept¹¹.

Cohesion policy is designed with the aim of closing the gap between poor and rich regions in EU. Consistent with this orientation, the main principle underpinning allocation is that resources are directed towards the

⁸ Both classifications (both in economic size and in GDP per capita) were made by the authors based on their own calculations based on Eurostat data: https://ec.europa.eu/eurostat/web/regions/data/database?p_p_id=NavTreeportletprod_WAR_NavTreeportletprod_INSTANCE_BQqmHeCfV1BE&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=column-2&p_p_col_count=1 (last visited: 18/04/2020).

⁹ European Commission (2016), p. 3-4.

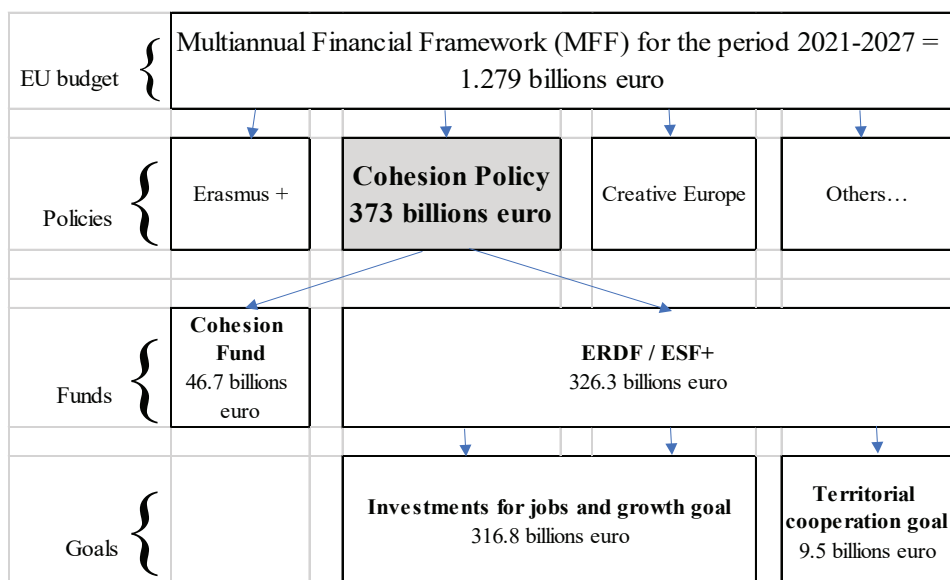
¹⁰ For more details see: Mohl (2016), p. 7-33.

¹¹ See: Rikalović and Molnar (2018), p. 256-258.

poorest territories (countries, regions, counties). However, as in previous budget periods (2006-2013; 2014-2020), also for the next one during period 2021-2027 proposed multiannual financial framework (MFF) does not exclude richer regions from funding. According to the European Commission, this is because many of the greatest challenges (such as globalization and the transition to a low carbon economy) increasingly affect many regions across the EU, including more developed ones.

It is proposed that the EU spends 373 billion euro in the next budget period (2021-2027), on Cohesion policy (CP), designed to narrow the gap between rich and poor European regions (see Figure 1 below). Funding is planned through three funds: the European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+) and the Cohesion Fund (CF). Within CP, the Commission proposes to allocate a total of 326.3 billion euro to the ERDF/ESF+, and the remainder, 46.7 billion euro, to the CF. Within the former, there are two high level goals: Investment for jobs and growth (316.8 billion) and European territorial cooperation (9.5 billion). Figure 1 below gives an overview of the Commission’s proposal for translating the total EU resources for the period into allocations for Cohesion policy¹².

Figure 1: The position of Cohesion policy in the EU budget for the period 2021-2027



Source: European court of auditors, 2019, p. 12.

¹² For more details see: European court of auditors (2019), p. 7-11.

European Regional Development Fund (ERDF) is a fund formed to strengthen economic and social cohesion throughout the EU by correcting regional imbalances through financial support for priority areas: innovation and research, the digital agenda, small and medium-sized enterprises and the low carbon economy.

European Social Fund Plus (ESF+) is an EU fund under the 2021-2027 budgetary period for creating educational and employment opportunities and improving the situation of people at risk of poverty. Unlike its predecessor the European Social Fund, ESF+ encompasses the Youth Employment Initiative and the Fund for European Aid to the Most Deprived.

Cohesion Fund (CF) is an EU fund for reducing economic and social disparities in the EU by funding investments in member states where the gross national income per inhabitant is less than 90% of the EU average.

Different processes are used to allocate funding related to the two goals of ERDF/ESF+. Within the first goal (investment for jobs and growth) an important criterion is the relative wealth of regions (measured by using gross domestic product - GDP, and gross national income - GNI). The following categorization of EU NUTS 2 regions is for 2021-2027 budget period is proposed:

- Less developed regions - average GDP per capita below 75 % of the EU average
- Transition regions - average GDP per capita is in range 75 % - 100 % of the EU average
- More developed regions - average GDP per capita above the EU average (above 100%).

Next table (Table 5) gives an comparative overview of Cohesion policy spending by fund and type of region.

What can be concluded is that in the upcoming budgetary period, special attention will be paid to the less developed regions, since they are to receive $\frac{3}{4}$ of Cohesion policy funds. In this respect, it is important to consider the position of the NUTS 2 regions in Serbia, since the strategic orientation of the country is EU membership. The data in the following table (Table 6) provide information on the relative position of the Serbian regions in terms of GDP per capita relative to the EU-28 average.

Table 5. Allocation by type of region

Fund/Type of region	2014-2020	2021-2027
Cohesion Fund	22%	13%
ERDF/ESF+ Less developed regions	53%	62%
ERDF/ESF+ Transition regions	10%	14%
ERDF/ESF+ More developed regions	15%	11%
Total	100%	100%
Share CF + ERDF/ESF+ Less developed regions	75%	75%

Source: European court of auditors 2019, p. 26.

Table 6. Position of the Serbian regions in relation to the level of EU development (EU average = 100)

	GDP per capita, index level (EU28 = 100), PPP						
	2013	2014	2015	2016	2017	2018	average 2013-2018
SERBIA	37.8	36.9	36.2	38.8	40	42.3	38.67
Belgrade	64.7	60.9	60.2	65.3	61.5	63.2	62.63
Vojvodina	38.5	37.9	35.6	38.8	36.4	35.9	37.18
Sumadija and Western Serbia	25.5	26.1	26.1	27.2	25.4	24.9	25.87
Southern and Eastern Serbia	23.9	23.7	23.7	24.3	23.3	24.2	23.85

Source: Републички завод за статистику, „Прелиминарни резултати обрачуна регионалног бруто домаћег производа“, „Регионални бруто домаћи производ: Региони и области Републике Србије“, appropriate years.

It is noted that all our NUTS 2 regions belong to the group of less developed according to the Cohesion policy criteria. After the expiration of the Regional Development Strategy of Serbia 2007-2012, there has been a lull in terms of the regional aspect of development in our country. The adoption of the National Plan of Regional Development, and in particular the regional policy action plan, is delayed. With the closure of the Ministry of Economy and Regional Development, regional issues are being neglected in our public policies (it goes down to the level of departments in the respective ministries, that is, today to the level of competence of the minister without portfolio). In addition, there is a lack of regional and/or territorial aspect of development in the study programs of economic higher education institutions, as well as an under-representation of this topic in the domestic literature and in the academic community in general. In doing so, regional disparities in Serbia are among the largest in Europe. In this context, the fact that public policy makers do not attach adequate importance to the preparations for the opening of Chapter 22 on regional development is worrying. Therefore, the Republic of Serbia is using European funds insufficiently to ensure a balanced regional development, which is its constitutional obligation. Occasional and inconsistent activities aimed at supporting the development of underdeveloped areas only produce sporadic and insufficiently sustainable results. All this seems to be a significant brake on the successful growth and development of the country as a whole. Therefore, the urgent task is to modernize institutions and adopt a functional regional policy with a quality action plan. In doing so, the focus should be on the intensities of EU Cohesion policy, especially from the point of view of its mechanisms and measures to reduce regional unevenness and inequalities.

Regional policy objectives will largely have to be achieved through the coordination of line (sectoral) ministries. In this regard, it is necessary to implement a regional dimension in the work of ministries. It is necessary to create such regional development measures and policies that will stimulate growth in all regions, especially in less developed ones. For their part, regions should independently seek new sources of growth by mobilizing local resources and funds in a more creative way, with the aim of reaping their specific comparative advantages. Regional policy should stimulate all localities to develop their own growth potential, primarily on the basis of their internal, endogenous potential (territorial capital).

When it comes to regional policy measures, the so called a place-based concept whose main features are based on adjusting interventions to

specific territorial circumstances and their spatial connections, and mobilizing and gathering knowledge and strengths of local actors should be applied in Serbia. The approach suggests a new role for local and regional development policy makers in the sense that they should facilitate and foster connection, networking and cooperation between parties, both micro-economic entities and territories. Significant place in the planning and programming processes at the regional level should belong to inter-municipal cooperation. Namely, for harmonious regional development, it is necessary for local self-governments to gradually adopt standards of EU regional policy in their work, through the aforementioned active participation in the national system of regional policy. In this sense, it can be noticed that infrastructure projects are being implemented more in our country, which will have corresponding effects on the immediate environment as well as on the wider community.

Starting from the previous detailed considerations and analyses of regional reality and politics, from the point of view of sustainable regional development and competitiveness of our economy, it is necessary to take into account the following basic recommendations¹³: to follow the direction from “competitive” to “generic” concept of regional development; foster endogenous regional growth; expedite the opening of Chapter 22; strengthen the “regional perspective” of sectoral institutions/ministries; implement gradual functional and fiscal decentralization in order to strengthen the capacity of local governments¹⁴; to promote inter-municipal cooperation (especially through networks and other forms of associating) and to promote local economic development; redefine the sub-regional level (NUTS 3) and its role in regional policy; introduce Regional manager institutions (for all NUTS 2 and NUTS 3 level regions, as has already been done for the Belgrade region). In this context, one of the most important tasks is to align domestic regional statistics from the perspective of Cohesion policy needs with Eurostat standards and requirements.

CONCLUSION

The current EU development model is based on the concept of sustainable regional development. There are very pronounced regional inequalities and developmental unevenness in our country. They have a significant impact on macroeconomic competitiveness and the sustainability

¹³ Rikalović and Molnar (2018), p. 261-262.

¹⁴ For more details see: Molnar (2014).

of regional development. Therefore, our regional and development policies must be based on the essential levers of sustainable regional development and competitiveness, starting with basic factors (quality of institutions, macroeconomic stability, infrastructure, health), through indispensable efficiency factors (basic and higher education, continuous learning and training, effective labor market) until the strengthening of innovative capacities and processes (market size, technological competence, sophistication of business processes, innovation).

The terms for Serbia's economic integration into the EU, as well as the use of structural and pre-accession funds, imply compliance of the institutional framework with European standards and regulations. In order to successfully integrate into the EU, Serbia's priority activities relate to the establishment of an effective institutional framework composed of different policy instruments, which should ensure stability and continuity in the field of regional development.

However, a number of topical issues still remain (respect for the territorial aspect in setting development goals, typology of regions according to development criteria, interregional and intraregional relations, the problem of overcoming regional disparities in development). Regionalization, in terms of decentralization of governance, is an inevitable condition without which greater territorial cohesion of the Republic of Serbia cannot be expected, nor can accession to the European Union.

By gaining EU candidate status, Serbia has undertaken the responsibility to adopt the *acquis communautaire* (common law), which applies, *inter alia*, to the structural instruments of EU Cohesion policy, as well as to the construction of a decentralized implementation system of EU funds.

REGIONALNE PERFORMANSE PRIVREDE SRBIJE U KONTEKSTU KOHEZIONE POLITIKE EU

Rezime

Izražene regionalne nejednakosti u različitim domenima po pravilu uzrokuju brojne probleme u funkcionisanju nacionalne privrede i društva u celini. Otuda se razmatranje regionalne problematike sa ekonomskog stanovišta javlja kao neizostavni momenat. U Srbiji je bilo izneto nekoliko predloga regionalizacije imajući u vidu njeno strateško opredeljenje za pristupanje EU. U radu se

polazi od aktuelne regionalizacije naše zemlje, usklađene sa Nomenklaturom statističkih teritorijalnih jedinica (NUTS) Evropske unije. Analiziraju se osnovne karakteristike razvojne slike naših regiona NUTS 2 nivoa. U završnom delu rada razmatra se potreba za harmonizovanjem institucionalnog okvira za regionalni razvoj Srbije sa Kohezionom politikom EU.

Ključne reči: regionalni razvoj, NUTS 2, regionalni indikatori, institucije, Srbija.

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