



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
<http://ageconsearch.umn.edu>
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

Branko Katić¹, Drago Cvijanović¹, Radovan Pejanović²

¹Institute of Agricultural Economics, Volgina 15 Street
Belgrade, Serbia

branko_k@mail.iep.bg.ac.rs, drago_c@mail.iep.bg.ac.rs

²Faculty of Agriculture Novi Sad, Trg Dositeja Obradovica 8 Street
Novi Sad, Serbia

The agriculture as a real assumption of regional and rural development in Serbia¹

Abstract: Serbia is a country in transition, the one which, after '90ies of the last century, has passed through number of difficulties, which had manifested in change of social and economic system, change of economic and social structure, and all other consequences followed by those changes. The path toward its membership in the EU is long. Like other socialist countries, after the World War II, it has also used an acceptable concept for that period of economic development's planned direction with focus on the country industrialization, where had been left aside agriculture development, the activity which had before significantly more important role in the country economy. The industrialization processes were followed also by accelerated urbanization. Increasing number of inhabitants is concentrated in the cities, suburbs to which they were spread and in industrial centers. In the rural areas, the number of inhabitants was relatively, later even absolutely, decreasing; population on individual agricultural husbandries became older and older, while existing resources became less used. The consequences are increasingly poorer rural settlements. Along with official policy for equitable development of all regions, obvious regional differences in development were present also in that period.

This was until the beginning of '90ies of the last century, when had appeared radical fall in real sector of the economy, especially in industry where major workers had been employed and had the most significant participation in creation of the country's domestic product. The similar happens with the construction activity, but also with agricultural enterprises and agricultural cooperatives. Many regions in the country were left without enterprises where workers had gained a live hood and the state its incomes. During these events, the regional differences have significantly increased.

¹ Paper is a part of research project III 46006 - Sustainable agriculture and rural development in the function of strategic goals achievement within Danube region, financed by the Ministry of Education and Science of Republic of Serbia, project period 2011-2014.

As it is not impossible quick or almost none renewal of industrial production, especially in those branches which require great investments, and could employ more workers, we consider that the development focus should direct, as much as possible, to improvement of agricultural activity, as in primary production, as well as in processing of those products in food products. Therefore modest, but possible investments, would accelerate development of this sector, which could employ more workers, with significantly higher production for internal and foreign market. It would simultaneously lead to the improvement of rural development and more moderate regional development of Serbia.

In this paper is given a brief review on developmental processes in Serbia after the World War II, on structural changes in economy and population, on the problems of regional and rural development and on real possible role of agriculture sector in improvement of regional, rural and total development of the country in next years.

Keywords: *Industrialization, urbanization, agricultural production, rural development, regional development.*

Basic characteristics of developmental processes

The politicization and ideology are important characteristics of socialist development concept and all social relations. There were mixed economic and social factors to a great extent, while together with the policy of economic development were respected also social goals, especially concerning collective consumption policy. The industrialization processes were ensured an important increase of income, accumulation and employment. It has simultaneously ensured faster growth of life standard, personal and public consumption. Regarding that urban population has lived better, the village - town migrations have no discontinuance. Naturally, it had its negative effect – pressure on the cities. However, for accumulation limit and tendency for its direction in production purposes – industrialization, the urbanization processes have lag behind the industrialization. That is how was created a special population category, so called, second-raters, who were employed in industry or some other activity, i.e. they had a worker status, and at the same time, they have lived at the village and have deal with agricultural production. In that way, they were denying their full contribution, both to industry and agriculture. Nevertheless, their position was more favourable because they increased family income by salary, and they assured food articles by agriculture. This type of production had predominantly natural character. The rural population in Serbia, for example, in 1948 amounted 72.3% and in 2002 – 11% of total population.

“Declining of absolute number of agricultural population meant also an intersection of secular tendency of its accumulation in agriculture. Owing to low starting base, high growth rate had often a limited effect to a mass per

capita income and total number of employees, but their significance had been in decreasing absolute number of agricultural population and thereby overcoming the degenerative tendencies in agriculture, to upset deeply the traditional economy and to bring off undeveloped regions onto the industrialization path. For this perspective is not irrelevant that developed and semi-developed regions develop quickly, allowing the problem of undeveloped to be solved by manpower migration.”². It is clear that, together with the economy development, if it is necessarily territorially adjusted, it ensures also the development of insufficiently developed regions and decrease of regional differences.

It is not our intention to criticize previous approach to development, while it was influenced by economic system and real possibilities. There should consider that, with very meager accumulation and possibilities for investments, the focus was given to industry development, along with full conscious about strong mutual link between industry and agriculture development. In agriculture create food products and raw material for industry, and in industry the means of production and the consumer goods. Especially in initial period, the agriculture is also a tank of manpower for industry, because major of population live in rural areas and deal with agriculture. Both industry and agriculture broaden the market for each of them products. The accumulation which make in these activities, depending on developmental and economic policy, overflows from one to another. At the same time, development of one activity contributes to development of some other.

The concepts and development policies, observed in longer period, differ, whether they are the result of spontaneous courses, imposed by market principle of economy functioning, or as the result of directing, peculiar for plan or mix model of market-plan economy. Near after the World War II, in Serbia (ex Yugoslavia), the most important branch in the real sector of economy was agriculture, and in population structure, its major part was rural population. Previous development concept was based on detailed planning of development, starting from direction of modest investments, electrification and industrialization.

The agriculture in that period was neglected, and new production structure after conducted agrarian reform with new subjects in this field, was establishing slowly, with main characteristic – low productivity. The development of industry, which was mostly located in urban areas, or industrial centers, has absorbed number of manpower from rural areas in the cities and industrial centers. In that way, villages had stayed without young manpower, and farmers had become older and older. Industrialization and urbanization processes have changed relatively fast the economic and social structure of the country, so the cities had become bigger, and rural population had decreased, at first relatively and later absolutely, industry had become basic

² Kosta Mihailović: Regional development of socialist countries, Serbian Academy of Sciences and Arts, Belgrade, 1972, p.45-46.

economy factor and manpower absorbent. The social sector of agriculture has risen gradually and had become more important creator and supplier of market with agricultural and food products, as well as significant factor in surpluses meant for export³.

The private sector in agriculture stayed undeveloped, with problems in production: insufficiently educated young manpower, poor investment possibilities, uncertainty in products placement, prices and all significant elements for its economy. Cooperative relations with social sector, counting also cooperative associations, have mostly been at the expense of an individual farmer. In that way, rural husbandries left behind with small agricultural areas, in average under 3 ha, with increasingly older and insufficiently educated manpower, with small market surpluses and the most often, the production directed to satisfaction of household's own needs.

Without a critic of developmental concept and processes which had realized in period 1945-1990, we consider that, after certain progress in industrial development, should pay more attention to development of agriculture in individual agricultural husbandries, and improvement of rural areas development, especially regarding infrastructural equipment, in order to make life conditions more favourable, and population to stay in these areas. Thereby would decrease a pressure on the cities, decrease assets for (social) tenements construction (up to 10% of NI annually), which have realized mainly in urban areas, decrease social costs⁴. If we had such approach, today we would not have so powerful processes of rural areas (settlements) devastation. Some of them have been already totally abandoned.

Such processes, with some changes in shorter developmental stages, have realized to the beginning of '90ies of the last century. **Then emerge radical changes in economic system and economic structure.** Industrial enterprises have become economically unsustainable, due to market loss, retrogression in development, change of owners, and dismissal of numerous workers. Some of them vanished physically. None of big industrial combines did survive. Some of smaller parts left, neither market successful, nor competitive. New owners the most often did not succeed in empowering them for the market game. Agricultural property in public (social) sector, including big agricultural combines, has experienced the same faith, with even worse consequences, while the land, as their main production factor, should return to previous owners.

³ In that process the agriculture, as underdeveloped, has become gradually more and more modern economic area, as in productive, as well as in organizational sense, with increasing productivity. Decisive contribution was given by industrialization, while technical-technological equipment of agriculture was increasing. Especially during '70ies and '80ies of the last century has been powerful a social sector in Serbian agriculture, with strong agricultural combines.

⁴ Although in the same social-economic system, the Republic of Slovenia has different approach from other republics of former common state, so more significant attention it has given to development of rural areas, therefore the cities in this republic was slowly widen, and rural areas were not abandoned, or this trend was much under, than in other parts of the country. The regional differences in developmental grade on its territory were less than in other republics.

They have also left without market, the products have become increasingly less competitive, there have been lack of working capital and investments. Practically, the real sector of economy in Serbia lost its significance, with difficult economic, social and all other consequences.

The regional dissimilarities in Serbia are extreme, as regarding developmental level, as well as regarding population, production and developmental possibilities. They have increased in transitional period, opposite to actual policy to decrease gradually. Major parts of the country are in extremely tough situation, followed by unemployment and poverty. Huge rural spaces, with great natural wealth in agricultural land, water potential, forest wealth, mineral and other raw material, stay insufficiently used, many villages stay without their inhabitants, current population become older and thin. The poverty in these regions is pretty expressed. On the other hand, in several cities (Belgrade, Novi Sad, Nis, Kragujevac) the population concentrates, which employ difficult and meet numerous problems.

In existing terms, when the investments represent meagre resource, when the economy is increasingly disposed to outside competition (Intermit Agreement on Stabilization and Accession to the EU is in effect, negotiations with the WTO are in final phase, there is also the CEFTA 2006 Agreement – the exchange between the signatory countries was liberalized, as several more agreements on free trade – Russia, Byelorussia, Turkey), when export possibilities are limited, and the competition on the world market very strong, fast renewal of industrial capacities which could employ again numerous manpower and become the carriers of economic and total social development, is not possible. That process will be slow and on big combines in former form cannot be counted on. **Therefore, in the real sector, taking into consideration all natural and other conditions for improvement and more intensive development of primary agricultural structure and, on its base, development of highly-productive processing-food industry, for Serbia is realistic the development possibility, which can contribute, in the fastest way, to total development of the country, and simultaneously to its faster and more even regional and rural development⁵.** Serbian agriculture, the way it is now, is the only activity in the real economy sector in which Serbia realizes surplus in foreign trade exchange and balance of payments of the country, which enormous deficit becomes more and more powerful limitation factor of Serbian development⁶.

5 There is no clear distinction between these two terms, but it is quite certain that they mutually overlap, while accelerated and evenly distributed rural development contributes to more balanced regional development and opposite. Therefore is inevitable that, all measures and developmental programs which undertake, must be mutually adjusted and well coordinated.

6 In 2009 was realized deficit in foreign trade exchange of agricultural-food products in amount of 950 million USD, and opposite to the deficit in total exchange of goods abroad in amount of 7.7 billion USD (SORS: report No. 204 on 14.07.2010.).

The rural areas have development indicators under average, although they occupy major territory and more than half of total population still lives in them. The rural areas of the Republic of Serbia (without KM) range over around 66 thousand km² or 85% of total territory. In these areas are 3,904 settlements or 83% of their total number in the republic. In 2002, in this area had lived 4 million and 162 thousand inhabitants or 55.4% of their total number. In these areas, number of inhabitants decreases significantly faster than the average one (in last census period 1991/2002, decrease of 3.7% according to average of 1%). Population density is significantly under average: 63 inhabitants per km² in regard to 97 for the whole republic. The level of education is lower than the average, so the population without formal education and with elementary education, make about 55% of these areas population in regard to average 46%, while secondary and college educated population make 43% in relation to 52.3%. In primary economy sector in rural areas realizes 32.5% of DP, in relation to average 19,3%, while in tertiary sector realizes around 26% in relation to 41% in the republic. In the primary sector in rural area work around 33% of total employees and the republic average is 23.4%. In these areas, in sector A (agriculture, hunting, forestry and water management) realizes around 30% of DP, in relation to the average one, i.e. 16.3%⁷. In these areas, the poverty is more expressed. There considers that the poverty in Serbia is predominantly rural phenomenon, as in many countries in transition. There is significantly more poor in rural than in urban areas. In 2007 were poor 9.8% rural and 4.3% urban households. In that time, almost two third of poor was living in rural areas <http://www.prsp.sr.gov.yu/kolikoje.jsp>. Undoubtedly, due to the economic crisis which is still ongoing, the number of poor has been increased both in rural and urban areas.

At the same time, the regional dissimilarities in development grade are unacceptably expressed, so the focus of regional development policy is that they gradually decrease. It is constitutional, legal, but also social and human obligation. Along with underdevelopment of Serbia, which has been a consequence of numerous problems and causes from past two decades, the differences in developmental grade between some regions have been legal and had appeared as a consequence of numerous factors, such as historical, natural, economic, social and similar. However, extremely great dissimilarities must overcome, because they carry tough consequences for the whole country. According to available data⁸, the areas with special developmental problems classify in three categories: the municipalities which, for almost four decades, have not come out from the underdevelopment cycle; the area of „transitional poverty“ – industrial centers with sudden decline of production and employment and Serbian communities in AP Kosovo and Metohija.

7 MAFWM – Draft Strategy of Rural Development, 2010-2013, August 2009.

8 Republic Office for Development: Regional development of Serbia, December, 2009 (<http://www.razvoj.gov.rs>).

According to available data⁹, the regional disharmony reflects in migration of population, employment, i.e. unemployment and income per capita. Serbia has been faced with strong depopulation and uneven positioning of population. There is expressed abandonment of rural and underdeveloped part of the republic. East, west and southwest parts are jeopardized in demographic sense (areas with poor economic activity and low developmental grade), while in areas of the city of Belgrade and South-Bačka district concentrates the population (at the higher developmental grade). Intolerably great dissimilarities are expressed also at the district level and the municipalities level (local authorities):

- In period from 1971 to 2008, in Pirot district, the number of inhabitants was decreased for 28.5%, while in the city of Belgrade was increased for 32%. At the municipality level, the dissimilarities are: decrease of 81.6% in Crna Trava municipality and increase of 31% in Preševo municipality,
- Unemployment level was in relation 4:1 at the district level (Jablanica district versus Belgrade) and at the municipality level (Lebane versus Petrovac),
- Salaries per capita at the district level were also in relation 4:1 (the city of Belgrade versus Jablanica district) and, at the municipality level, the relation is much more unfavourable and amounts 12:1 (Novi Sad versus Opovo).

All these indicators refer to deepness of the dissimilarities, their causes, interdependence of many factors, to necessity of comprehensive activities in order to identify all peculiarities in some specific regions and undertaking the best measures for their gradual alleviation.

Institutional solutions and concrete measures directions

The constitution of the RS ("Official Gazette RS" No.98/2006) determines an obligation of taking care of even and sustainable regional development, in accordance with the law. Together with the Strategy of Regional Development of Serbia (brought in 2007) was brought the **Law on Regional Development** ("Official Gazette RS", No. 51/2009 and 30/2010), which was arranged complex problem of regional development and was regulated the support system at the national, regional and local level. The law arranges adoption of some developmental documents, as a method of regionalization according to NUTS classification, as well as the stimulating measures system. The significant role has the National Agency for Regional Development and regional agencies, which create and manage the developmental programs, at the regional and local level.

The support to the regional development realizes through the Fund for Development of the Republic of Serbia¹⁰, the National Investment Plan, various

⁹ Republic Office for Development: Report on Serbian Development in 2009, Belgrade, April 2010 (<http://www.razvoj.gov.rs>).

¹⁰ Approved assets of the fund in 2009 was amounted 296 million EUR, which would contribute to employment of around 21000 unemployed persons.

types of government power, among which is also directing assets in faster rural development¹¹, as well as from the funds (programs) of foreign support. The classification was made on 5 regions by the law, at the level 2 (NUTS 2): Region of Vojvodina, Region of Belgrade, Region of Sumadija and West Serbia, Region of South and East Serbia and Region of Kosovo and Metohija. According to the law, the regions classify, according to development level, in two groups:

- The first group do **developed regions**, which development grade is above the republic average of GDP per capita,
- The second group – **insufficiently developed regions**, which developmental grade is under the republic average of GDP per capita.

According to this criteria, in developed regions belong Vojvodina region and Belgrade region, and in insufficiently developed, the rest three regions¹².

The units of local authority (municipalities, towns and the city of Belgrade), in accordance to development level, classify in four groups:

- First group – the units of local authority which development level is above the republic average,
- Second group – the units of local authority which development level is in range from 80% to 100% of the republic average,
- Third group – the units of local authority which development level is in range from 60% to 80% of the republic average,
- Fourth group – the units of local authority which development level is under 60% of the republic average.

The law also differs:

Insufficiently developed units of local authority, in which consider the units from previously mentioned fourth group (development level under 60% of the republic average), than those in which the decrease of inhabitants, since the census in 1971, is above 50%, and the units of local authority on the territory of AP Kosovo and Metohija; and

Devastated areas in which consider the units of local authority from the fourth group, if their level of development is under 50% of the republic average.

According to the Decree about determination of unique development list of the local authority units:

- In the first group (development grade above the republic average) belong 40 local authorities¹³;

¹¹ In 2010, within the authorized ministry for agriculture, the assets meant for rural development are 2.1 billion RSD, or around 21 million EUR.

¹² According to Decree on determining unique development list and the units of local authority for 2010 (Official Gazette RS No. 51/2010)

¹³ Apatin, Arilje, Bačka Palanka, Bačka Topola, Beograd, Beočin, Bečež, Valjevo, Vrbas, Vrnjačka Banja, Vršac, Gornji Milanovac, Zrenjanin, Indija, Jagodina, Kanjiža, Kikinda, Kosjerić, Kragujevac, Kruševac, Kula, Lajkovac, Niš, Novi Sad, Pančevo, Pećinci, Pirot, Požarevac, Senta, Smederovo, Sombor, Sremska Mitrovica, Sremski Karlovci, Stara Pazova, Subotica, Temerin, Užice, Čajetina, Čačak i Šabac.

- In the second group (development grade of 80% to 100% of the republic average) belong 23 local authorities¹⁴;
- In the third group (development grade from 60% to 80% of the republic average) belong 36¹⁵, and
- In the fourth group (development grade under 60% of the republic average) belong 46 local authorities.¹⁹ Those are extremely insufficiently developed units of local authority. Out of these 46 local authorities, 40 of them belong to devastated areas¹⁶. (See the map at the end of this paper work).

Based on this classification, for year 2010 were brought concrete acts (three decrees), by which regulate stimulus of faster development of the local authorities from the second, third and fourth group, i.e. devastated units of local authority.

Certain assets from the republic budget (and other sources) for 2010 direct, through the Fund for Development of RS, under much more favourable terms than existing on monetary market, **by Decree on conditions for incentive and enterprise and entrepreneurship development in undeveloped municipalities in 2010** („Official Gazette of RS“ No. 11/2010), in order to stimulate more even regional development, through stimulating the business of legal entities and entrepreneurs, stimulating competitiveness and economy liquidity and stimulating employment in 2010. These assets direct in building new objects; capacity enlargement of existing objects (reconstruction and modernization); purchasing equipment and credits for financing the activity extension. At the same time, there emphasize municipalities, from which some subjects can count on this kind of support, and those are the units of local authority, which level of development is under the average level in the Republic of Serbia, classified in the third and fourth group according to development grade (totally 82 local authorities). **The assets, along with regulated requests, use as long-term credits**, with use of currency clause, with term which depends on purpose: credits for construction, reconstruction, modernization and purchase of equipment with payment term to 5 years and credit period to 1 year; credits for permanent working capital with payment term to 2 years and credit to 9 months; credits for entrepreneurs with payment term to four years and credit to 1 year. **The interest rate is 2.5% annually, for investments on the area of third group of undeveloped, i.e. 2% annually for investments on the area of the local communities from the fourth group.**

In Decree on conditions for stimulating production and employment in devastated areas in 2010 („Official Gazette of RS“ No. 11/2010 and 38/2010) are stated the local communities which line up in devastated areas (40 mu-

14 Ada, Aleksandrovac, Bač, Bački Petrovac, Bor, Vranje, Zaječar, Kladovo, Kraljevo, Lapovo, Loznica, Lučani, Novi Bečej, Novi Kneževac, Odžaci, Paraćin, Požega, Ruma, Sokobanja, Titel, Topola, Čuprija i Šid.
15 Aleksinac, Arandelovac, Bajina Bašta, Batočina, Bogatić, Boljevljac, Velika Plana, Veliko Gradište, Vladimirci, Despotovac, dimitrovgrad, Žabalj, Ivanjica, Irig, Kovačica, Kovin, Koceljeva, Leskovac, Ljig, Majdanpek, Mali Idoš, Negotin, Nova Varoš, Novi Pazar, Opovo, Priboj, Prokuplje, Raška, Svilajnac, Sečanj, Smederevska Palanka, Srbobran, Trstenik, Čičevac, Ub i Čoka.

16 Local authorities from previous footnote, with exception of: Alibunar, Bela Crkva, Brus, Knjazevac, Petrovac and Surdulica.

municipalities from mentioned fourth group – see footnotes 19 and 20), which development grade is under 50% of the republic average, in which invest incentives for stimulating and attracting new investments, etc. The incentives direct by approving the credits through the Fund for Development, in form of long term investment credits for building new objects, extension of existing objects capacity (reconstruction and modernization), purchase of equipment and credits for permanent working capital for programs of investments in devastated areas. The advantages have: enterprises which employ more workers, projects-programs which provide more employees or work places to persons registered in The National Office for Employment in municipality where realizes the program-project; the carrier of investment who has own participation in the investment, etc. **This type of credit approves in term of 8 years, with grace period from 2-3 years, along with application of currency clause, but big enterprise can get credit up to 8 million euros, with interest rate of 2% annually.**

The Decree on conditions for investments in work-intensive branches of processing industry in insufficiently developed municipalities in 2010 (Official Gazette of RS No. 11/2010) sets the assets for stimulating the purchase of equipment and credits permanent working assets for projects in work-intensive branches of processing industry in local authority units, which level of development is under the average one in the republic – ahead mentioned second, third and fourth group. Those credits approve with currency clause, on term of 5 years with grace period to 1 year if they invest in building, reconstruction, modernization and purchase of equipment, but if they invest in providing permanent working capital, on term of 2 years and grace period to 9 months. The credits for entrepreneurs approve on term of 4 years and credit of 1 year. The interest rate depends on what group the user belongs to, so at annual level it amounts 3.5% for the local authorities from the second group, 2.5% for the third group investments and 2% for undeveloped area – fourth group.

The Law on agriculture and rural development (Official Gazette of RS, No. 41/2009) is a basic law which regulates directions of agriculture and rural development in the republic, and it determines that agricultural policy and rural development policy conduct by realization of special developmental documents – Strategy of Agriculture and Rural Development, National Program for Agriculture and National Program for Rural Development¹⁷. At the same time, the law regulates also the incentive system classified in three categories: **direct** (premiums, incentives for production, regressions and support to non-commercial agricultural husbandries); **market** (export, funding storage costs and credit support) and **structural** (rural development measures, improvement of protection and quality of land and measures of institutional support). The incentives concretize by annual decrees brought by the government, ai-

¹⁷ According to the available information, these developmental documents are in final preparatory phase, which should be adopted by the government.

ming to gradually adjust to orientation of the Common Agricultural Policy of the EU (CAP)¹⁸. These assets determine in the budget for the current year¹⁹.

The Regulation on determination of area with heavy working conditions in agriculture (Official Gazette of RS, No. 3/2010, 6/2010 and 13/2010) determines those local authorities which, according to specific criteria (if they are on altitude over 500m; if they are on area of national parks with over 15% of its territory; etc.) belong to the areas with heavy working conditions and, as such, have more favourable conditions for using incentives meant for agriculture development and improvement of rural development. Here belong 46 local authorities (municipalities – towns)²⁰. We can see that certain number of local authorities repeat, i.e. overlap with those classified after criteria for regional development improvement, which means they fulfil the conditions for using incentives in several grounds.

Conclusion

Serbia is a country with pronounced regional differences in development. The differences in development meet both in rural and urban areas. There are pronounced differences also regarding development possibilities of some regions, and each of them have its own characteristics that can be used in developmental processes. Each region dispose with more or less possibilities for improvement of agricultural production and therefore, for starting adequate processing capacities. The preparation and realization of concrete developmental goals adjusted to each area could provide their faster economic and social development. In limited possibilities for investments (insufficient in flow of foreign investments, decreasing sources from privatization, low accumulative capability of home economy), it seems very rational that, in future years, direct significantly bigger assets to development of agriculture and processing

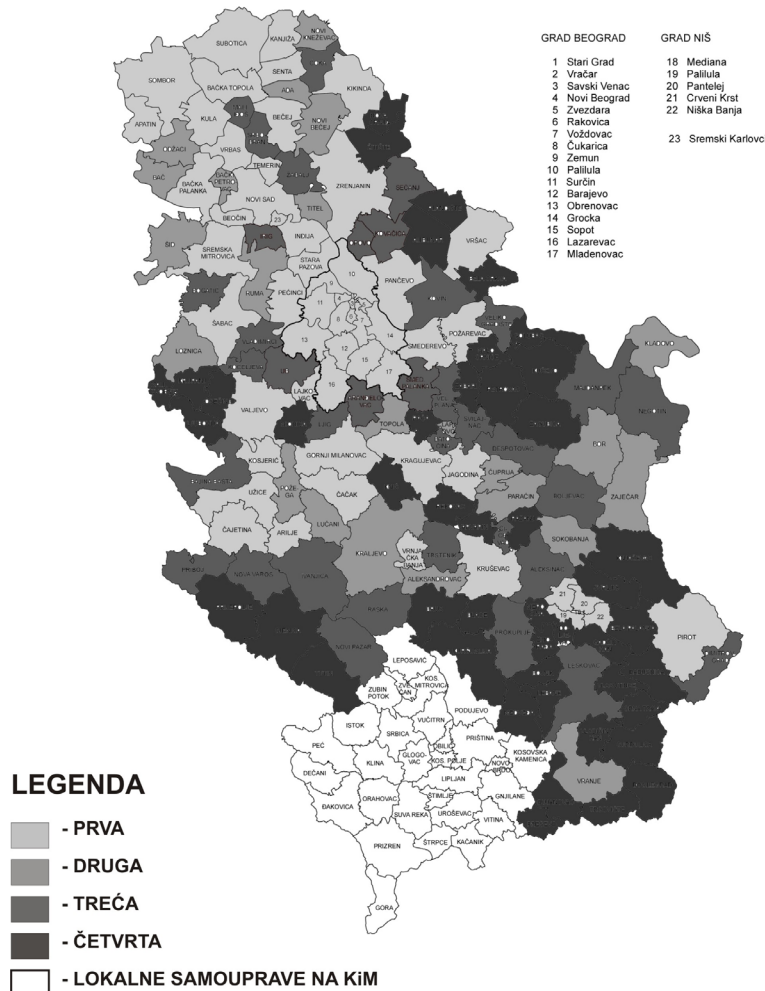
18 Serbia is in harmonization process of incentive scheme to agriculture and rural development with requirements of the EU and the WTO (decrease of payments according to production size, like premiums for milk, decrease of export subsidies), but also uses pre-accession period for keeping some measures, by which it directly influences on productivity growth and decrease of untilled land (e.g. regression of inputs).

19 For example, in 2010 was set aside for incentives 16.3 billion RSD (around 163 million EUR): within direct incentives do input regression in agricultural production (fertilizer, seed, fuel), provides support to genetic improvement in the field of livestock breeding, support to insurance in agriculture, support to milk producers by premiums pay off, support to bee keeping; within the market incentives – still gives support to exporters of agricultural-food products and support to storage of agricultural products in public warehouses; within structural incentive gives support to strengthening of competitiveness through investments in agriculture (production of milk, meat, fruit, vegetables, grains, industrial plants etc.), investments in processing capacities for processing milk and meat; than in support to organic production, preservation of genetic resources of domestic animals and support to investments for activities diversification at the village. Disposition of these assets was made by 28 decrees, brought in the first half of 2010. A part of budget assets direct to improvement of animal health, plant protection, forests improvement and improvement of water supply. Total assets for all mentioned purposes in 2010 are 230 million euros. It is about 0.75% of predicted GDP, or 3% of total budget expenses in 2010. These assets have decreasing tendency (in 2006 – 1.2% of GDP, or 4.70% of total budget expenses).

20 Arilje, Babušnica, Bajina Bašta, Bela Palanka, Beočin, Bosilegrad, Brus, Bujanovac, Čajetina, Crna Trava, Dimitrovgrad, Doljevac, Gadžin Han, Golubac, Irig, Ivanjica, Kladovo, Kosjerić, grad Kraljevo, Kuršumlija, Ljubovija, Majdanpek, Malo Crniće, Medveda, Nova Varoš, grad Novi Pazar, Opovo, Piroć, Preševo, Priboj, Prijepolje, Raška, Ražanj, Sjenica, Sokobanja, Sremski Karlovci, Surdulica, Svrlijig, Trgovište, Tutin, grad Užice, Vladičin Han, Vlasotince, grad Vranje, Žitarada i Žabari.

industry based on primary agricultural production, in order to improve this area by making competitive production structure, which would directly and indirectly contribute to development of other activities in total development of the country.

It seems that this approach with limited resources, in current natural conditions and available human capital, could achieve the most favourable developmental results. At the same time, it would improve also more rural areas, and decrease their much expressed regional dissimilarities in development. There would be necessary to make closer connection and appropriate coordination level in conducting agrarian policy, the policy of rural and regional development. In that way would more rationally use possible incentives, and increase the effects. If Serbia become a candidate for membership in the EU, for these purposes it could count also on certain assets from the EU pre-access funds, as in existing (to 2013), as well as in future budget period.



References

- Cvijanović, D., Vlahović, B., Paraušić, Vesna (2008): Uloga međunarodnog marketinga u kreiranju konkurentosti domaćih proizvođača povrća - stanje, šanse i perspektive, *Savremeni povrtar*, br. 28, Poljoprivredni fakultet, Novi Sad.
- Hamović, Vladana, Cvijanović, D. (2007) Osnovni problemi koji prate plasman srpskog izvoza na tržište Evropske unije, *Journal - Anali Ekonomskog fakulteta u Subotici*, no.18/2007, Faculty of economy Subotica, December 2007, pp.151-156.
- Katić B., Cvijanović D, Claudiu Cicea: Organic production in function of environment protection in Sebja – condition and regulations, *Ekonomika poljoprivrede*, br. 3, 237-338.
- Pejanović, R., Njegovan, Z., Tica, N. (2007) Tranzicija, ruralni razvoj i agrarna politika, Monography, Institute of economy Belgrade, Agricultural faculty Novi Sad.
- Zvanične publikacije Saveznog zavoda za statistiku u periodu od 1954: statistički godišnjaci, popisi stanovništva i poljoprivrednih fondova;
- Zvanične publikacije Republičkog zavoda za statistiku Srbije, naročito od 1990. godine, takođe statistički godišnjaci, i popisi stanovništva;
- Publikacije Republičkog zavoda za razvoj;
- Izvori navedeni u fusnotama teksta.