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ПРЕГЛЕДНИ ЧЛАНЦИ

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ECONOMIC POSITION OF THE MUNICIPALITY OF LESKOVAC IN THE TRANSITION PERIOD

Abstract

The paper deals with estimation of the socially-owned capital transition of the Municipality of Leskovac economy in the period from 2000 to 2006. Measurements of results carried out via national income, economic growth and employment.

Keywords: *Transition, ownership, private and socially-owned capital, national income*

ЕКОНОМСКИ ПОЛОЖАЈ ОПШТИНЕ ЛЕСКОВАЦ У ПЕРИОДУ ТРАНЗИЦИЈЕ

Apstrakt

Резиме: *У раду се даје оцена спроведене транзиције друштвеног капитала привреде општине Лесковац у периоду од 2000. до 2006. године. Мерења резултата спроведена су преко народног дохотка, привредног раста и запослености.*

Кључне речи: *Транзиција, власништво, приватни и друштвени капитал, народни доходак.*

1. Introduction

Transition is considered as transformation from one to another condition of socio-economic relations. In the most general meaning of the word, it implies transition from one system, in which the dominant base of the social community was the socially- (state-) owned property, into a system, with the private property taking this role.¹

¹ Prof. Borivoje B. Prokopović; Moderni ekonomski sistemi (Modern Economic Systems) (3rd edition), Proikom, Beograd, 2005, str. 143 – 166.

The transition period, referred here, formally started with formation of a new Government of Serbia (in 2001). Anyhow, the initial transition year is considered to be 2002, because in the previous year there were only legal bases constituted for social relations transformation. It can also be understood that the transition period lasted from Serbian Constitution passing (in 1990). However, due to the slow carrying out of transformation process, this period (up to 2000) was still characterized by dominant socially-owned and state-owned property, so it would not be included in the analysis. In some particular way, the data about the basic 2000 will show the degree in which that mixed system has already carried out transformation of the existing socio-economic system and readiness for upcoming social changes.²

The paper would not particularly deal with valuation of changes in the socio-economic system in which the Municipality of Leskovac found itself, both in terms of the goals set and goals achieved, respectively. Our investigation will also include short-term results of first transitional changes in the Municipality and possible long-term effects on its entire socio-economic development. As the criterion of transition results measurement, there will be used structural and developmental effects, in relation to the achieved basic macroeconomic aggregates of the Municipality in unstable transitional environment.

As the subject of the analysis, the Municipality was viewed independently from wider and competitive environments, and because of the analytic precision, from time to time the comparative method was used, first time, in relation to the wider environment of the Republic of Serbia, and the second time, in relation to the competitive municipalities of Serbia. The first direction of view will show if the Municipality transformation goes faster or slower, compared to the environment average, and the second one should indicate if it works better or worse than in other Serbian municipalities located in the same environment and the same set external social constant.

The used statistical data are official ones and they should not be taken with reserve. Due to some inconsistencies in statistic viewing of smaller communities, like municipalities, there will appear some irregularities which will be explained in corresponding points. In other cases, the indicators may be considered absolutely reliable.

2. Basic Macroeconomic Aggregates

The basic macroeconomic aggregate, used for general follow-up of a social community development status, are national income and social (domestic) product (in absolute or relative indicators) referred to the number of inhabitants or the number of employees. These aggregates trend dynamics shows the development status change in time, measured by economic growth rate.

For municipalities, as local communities, national income is used to indicate the development status because it reflects economic potential of the environment in the most realistic way. Anyway, these units are frequently referred to as domestic product category, which differs from the previous aggregate by having depreciation included. For this level of viewing, our statistics does not use the category of gross domestic product (GDP), which also covers the mutual transactions balance of participants in

² Ibid.

economic exchange, which is double- and at the same time recorded with many participants of the exchange. That is the reason why we will most frequently use the macroeconomic category of national income.

3. National income trends in the Municipality

National income of the Municipality in the transition period is constantly growing, with some oscillations. In the basic year (2000) it amounted to cca. 74 million Euro, to reach cca. 150 million in 2006. If the exchange rate factor is eliminated, which in this period was more significant and much more uneven than prices change, the national income, measured by constant prices as of 2006, got increased from 12 to 15 billion RSD (dinars).

The first aggregate indicator of the economic status shows that in the period of observation, the municipality of Leskovac stabilized its developmental base, with some degree of increase. In RSD amounts, it was not very dynamic, but as measured by unstable foreign currency units, it is significant anyway. In other words, the national product, expressed in unstable USD amounts, was cca. \$ 200 million in 2006, which is cca. 30 million less than the level achieved in the most successful year – 1989. However, if we take that the drop of USD purchasing power, as a measurement unit, was experienced meanwhile, it cannot be concluded that the economic development of this environment approached its highest level.

Measured in RSD (dinar) amounts, inflation free, the national income growth indicators of the Municipality are more modest. The growth between the basic year and the last year of observation is estimated to cca. 20%, which gives the average annual growth rate of hardly 3%.

4. Municipality of Leskovac Development Level Indicators

Apart from the mentioned macroeconomic aggregates, there will also be used other statistical accompanying criteria as development level indicators. The indicators of development level for the period 2000 – 2004 are given in the following Table, compared to the Serbian average, that is, in relation to Serbian municipalities (162) development level.

| Kind of indicator | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|------|------|------|------|------|
| National income <i>per capita</i> – RS = 100 | 64.8 | 69.4 | 63.0 | 61.5 | 54.6 |
| National income <i>per capita</i> – Rank | 118 | 106 | 113 | 107 | 113 |
| Employees number per 1000 inhabitants – RS=100 | 86.3 | 86.0 | 86.3 | 85.4 | 81.9 |
| Employees number per 1000 inhabitants – Rank | 71 | 75 | 71 | 68 | 69 |
| Retail sales turnover – RS=100 | 51.5 | 54.7 | 46.9 | 49.2 | 58.5 |
| Retail sales turnover – Rank | 95 | 103 | 116 | 103 | 68 |
| Number of phone subscribers per 1000 inhab. – RS=100 | 65.6 | 66.0 | 66.6 | 68.2 | 67.5 |
| Number of phone subscribers per 1000 inhab. – Rank | 124 | 126 | 134 | 131 | 134 |

The indicator national income *per capita* shows significant drop of the Municipality development level in the transition period. It shows that the achieved stability of the economic base is not verified in the environment. Namely, the transition dynamics in Serbia, as a whole, was much more significant than in the Municipality of Leskovac, because its most important development level indicator for 5 years considered, dropped for 10 index points. Compared to the total number of municipalities in Serbia, the position of the municipality of Leskovac was not worsened, it remained on the level it occupied before the beginning of the transition period. It means that the transition period favourable opportunities were used by the same municipalities, being already more developed than the Municipality of Leskovac, i.e., it is still the case that only 50 municipalities in Serbia (1/3) are less developed. In an indirect way, it shows that in the period observed, there was no good policy of even development of Serbia and that less developed municipalities, in such conditions, could not make up for that lag at the start.

The number of employees per 1000 inhabitants, as well, shows the same trend as the previous development criterion. What differs, is just the Municipality lagging, compared to the Serbian average and to other Serbian municipalities, being somewhat less. We consider that to be the effect of the municipality size, so the lagging is made relative in some way.

The retail sales turnover values reflect the Municipality development level status, and according to it, as well, there is a lag compared to the Serbian average (more than 60%). This activity intensity, the most dynamic in the transition period, shows the purchasing power rate of inhabitants and that the Municipality may not be further developed if it is not oriented to external markets (domestic and foreign).

Eventually, one of the most important development criteria indicators – the number of telephone subscribers – turns attention to endangered economic development and citizens' standard of the Municipality, because only about 30 municipalities in Serbia have the lower level of furnished telephone infrastructure.

Since the information technology is the foundation of a community development, long-term consequences may be significant if the Municipality economic policy resources and instruments would not be oriented to that direction, particularly in terms of indicators, showing bad inherited condition, which got worsened in the transition period.

5. National Income Sectoral Structure

The more important indicator of the transition period is the national income sectoral structure. Namely, it is to do with total national income contributed by all sectors: social, private, cooperative, mixed and state. Since the capital privatization process is dominant in the transition period, the change of sectoral structure shows carrying out of that process, but also the way of development of each of them within it. Absolute indicators of certain sectors contributions to the national income are given in the following tables. In the first table, the data are given in absolute amounts (in millions of RSD) and in the second one – in percentages.

- in RSD -

| Sectors | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------|-------|-------|-------|-------|--------|
| National income - Total | 3.773 | 6.144 | 7.624 | 8.504 | 10.035 |
| Socially-owned property | 1.435 | 1.934 | 2.231 | 2.054 | 1.725 |
| Private property | 1.474 | 2.553 | 3.326 | 3.801 | 5.013 |
| Cooperatives property | 32 | 38 | 71 | 102 | 110 |
| Mixed property | 759 | 1.443 | 1.861 | 2.235 | 2.870 |
| State-owned property | 75 | 176 | 135 | 312 | 319 |

- in % -

| National income - Total | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------|-------|-------|------|------|------|
| Socially-owned property | 38.00 | 31.05 | 29.2 | 24.1 | 17.2 |
| Private property | 39.1 | 41.6 | 43.6 | 44.7 | 49.9 |
| Cooperatives property | 0.8 | 0.6 | 0.9 | 1.2 | 1.1 |
| Mixed property | 20.1 | 23.5 | 24.4 | 26.3 | 28.6 |
| State-owned property | 2.0 | 2.9 | 1.8 | 3.7 | 3.2 |

The data from the first Table show that already in the beginning of the transition period, the contribution of the private sector is significant, i.e., it is almost identical to the one in the social sector. Here, one should be careful in conclusions making, particularly because of the fact that it is not to do with the indicator of socially-owned capital privatization degree, for two reasons, at least: 1) private sector, apart from enterprises, includes firms and agricultural farms and 2) mixed property sector is dominantly within the socially-owned property, and it consists of enterprises, which started this procedure according to previous privatization laws, but shareholding participation of employees is expressed in marginal one-number percentages. That is the reason why in the beginning of the transition period the national income was dominantly being generated in the socially-owned sector (with almost 60%).

In the following years of the transition period, there is a significant drop of social sector in producing national income (lower than 20%). It is due to the beginning of privatization, but also because of extremely bad production and market position of non-privatized companies which remained without support of banks. Increased significance of the mixed sector is an indicator that the transition period turbulences, within which there have also been included privatized enterprises with terminated privatization contracts so, in their ownership structure, there is majority share of the state capital now, with the share of employees (of 30%).

By the end of the period under observation, the contribution of the private sector to the national income of the Municipality, reached the majority share borderline, so it may be said that from 2005 the economic structure of the Municipality has been dominantly privatized. To be true, this only applies to privatization results, which is not the case when it is to do with privatized capital of socially-owned enterprises.

The changes of sectoral structure in qualitative terms, may be best observed by their comparison to changes in Serbia, seen from the National Income Table data, given for all sectoral structures in Serbia, i.e., as follows:

| Sectors | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------|------|------|------|------|------|
| National income - Total | 1.37 | 1.38 | 1.33 | 1.28 | 1.13 |
| Socially-owned property | 2.55 | 2.03 | 2.08 | 1.85 | 1.49 |
| Private property | 1.12 | 1.18 | 1.21 | 1.13 | 1.06 |
| Cooperatives property | 0.76 | 0.57 | 0.87 | 1.22 | 1.27 |
| Mixed property | 1.08 | 1.21 | 1.20 | 1.40 | 1.43 |
| State-owned property | 0.61 | 1.89 | 0.49 | 0.62 | 0.35 |

The data about the dynamic lagging of the Municipality of Leskovac, in relation to the development of the Republic of Serbia, are obvious. In the beginning of the transition period, the share of the Municipality of Leskovac in the national income of Serbia is almost 1.4% and it has permanently been reduced with the rate of 1.1% (18%). Such status was mostly impacted by social, but private sectors, as well, although the number of private firms in the same period was increased from 2.700 to 4.300 (57%). However, in that period, the increased share were only achieved by mixed and cooperative sectors.

Data show that the Municipality has not been well adjusted to the transition process and it is most probable that after its completion, the Municipality would be on much lower development level, compared to the average in Serbia. It tells about serious decrease of its competitiveness, which brings uncertainty in terms of further development and signalizes changes in its economic structure, because the inherited one was not capable of producing competitive advantages, but also that transition period does not produce better structure.

6. Enterprises capital privatization

Privatization of socially-owned capital is best measured by analysis of private companies share in total business result of all enterprises. Since the private capital share in the mixed sector is minor, it would not be taken as a common contribution to achieved business results. The years to be used for comparison, will be the basic transition year (2000) and the last (2005), for which annual accounts data have been provided. What follows are the indicators of private enterprises business operations given in the Table:

| Business operations indicator | 2001 | 2005 |
|-------------------------------|------|------|
| Number of legal persons | 80.0 | 86.3 |
| Total incomes | 27.6 | 66.4 |
| Total expenses | 26.0 | 65.7 |
| Net profit | - | 31.9 |
| Net loss | - | 26.6 |
| Total loss - cumulative | - | 22.4 |
| Number of employees | 11.1 | 32.4 |
| Average wage | 70.9 | - |
| Total capital | - | 23.7 |

The conclusion that may be drawn in relation with privatization is that it is still in process and that the share of private capital within the available capital is only 1/4. The economy of the Municipality is in the middle of the transition process and according to the existing dynamics it is not likely that it would be finished successfully. Namely, it is almost certain that the greatest number of enterprises will end in receivership, or with majority share of the state.

Regardless of relatively lesser share of private ownership in the total capital, its contribution to overall business results of the economy is dominant (two-thirds), which tells us that it is necessary to speed up the privatization in order to improve the overall business (operating) results.

How far we have gone in the socially-owned enterprises privatization process and what up-to-date results look like, compared to the environment, may be seen from the Table, which was made, structurally (in%) for the Municipality and the Republic of Serbia (end of 2005).

| Serbia | Total income | | Capital | | Employment | |
|----------------|--------------|--------|----------|--------|------------|--------|
| | Leskovac | Serbia | Leskovac | Serbia | Leskovac | Serbia |
| Socially-owned | 17.0 | 4.1 | 44.4 | 7.3 | 44.6 | 13.1 |
| Private | 66.4 | 65.8 | 23.7 | 32.4 | 32.4 | 54.1 |
| Cooperative | 1.2 | 1.0 | 0.7 | 0.8 | 0.9 | 1.2 |
| Mixed | 12.9 | 9.5 | 22.9 | 11.0 | 15.1 | 15.1 |
| State | 2.5 | 19.5 | 8.3 | 48.3 | 7.0 | 16.5 |

The given property structure of the Municipality economy clearly indicates that the social sector is relatively highly significant, compared to the Republic average, both in employment and the capital, respectively. It tells about quite slower transition process of Leskovac economy in relation to the Republic trends. Except in terms of employment, the Municipality has not passed the halfway of privatization threshold. The indicator of structural share in the total income tells us that the privatized sector in the Municipality achieves the above average results, compared to Serbia and in that way it significantly contributes to alleviation of the socially-owned capital transition effects.

In the period from 2002 to 2006, there were privatized 39 enterprises in the municipality (apart from previously privatized 4 enterprises).

In relation to the number of employees in economic sector, as an indicator of the privatization completion level, in auction-privatized enterprises (2.033 at the moment of auction-based privatization of 23 enterprises), there were only 10% employees restructured in the period observed. At the same time, in the Republic of Serbia, that indicator is quite higher (25%), confirming once more, that (from the social point of view) 2007, as the last year of privatization, was entered with a big number of workers not covered by privatization, which may be a latent social balloon of discontent. On the other hand, what is positive in up-to-date privatization process, is that in auction-based privatization of enterprises only 393 work positions (jobs) were lost.

The year 2007 privatization process was entered with 32 enterprises of which, according to estimations of NBS (National Bank of Serbia) Registries Sector, 20 did not announce any privatization prospects till the prescribed deadline. It means that by the end of 2007, i.e., in 2008 (privatization completion deadline), the property status of more than 50 enterprises should be resolved, that number being bigger than the privatized enterprises number

from all five previous years (39). The problem is even bigger, because most of these enterprises, after expiration of the set deadline and unsuccessful privatization will go for sales through Share Fund, or they will be liquidated, with negative capital. The issue which concerns us is a number of around 12.300 employees, the work position of whom are endangered due to not undertaken privatization procedure.

7. Transition results

The analysis of the transition effects in socio-economic structure of the Municipality will be made based on several statistical data available, such as: demographic, /un/employed persons number and average monthly net wage of employees. We will use these indicators in our analysis, because they reflect the structural disproportions in the best way, and some of them, the levels of citizens' standard achieved.

According to its size (1.025km²) and inhabitants number (156.252, as of 2002 Census), the Municipality of Leskovac is one of the biggest in Serbia. Most of its area comprises agricultural land (57%) and forest land (32%) and the base of its development should be agriculture and food processing industry. In the transition period, the area covering farm land has been insignificantly reduced (for cca. 200 ha). From the total number of labour-capable (103.000), there are only 72.000 active population, of that number, 53.600 dealing with their own professions. In the agricultural production there are 22.200 inhabitants directly engaged.

In the beginning of the transition period (2000), the number of employees in the economic industrial sector (excluding private firms); unemployed persons, pensioners; and farmers was almost identical (almost 22.000 each). After 7 years of transition it changed and it looks, as follows:

- " the number of farmers remained on the same level
- " pensioners – 23.400
- " employed in enterprises (excluding private firms) – 15000, and
- " unemployed – 23.300.

This population structure of the Municipality demonstrates in the most general way that the bad effects of transition changes are of structural nature and that they have not been stopped yet. In the same way, there will be observed some tendencies within certain categories, in order to probably observe the possible directions of the Municipality development and the need for taking corresponding measures.

8. Municipality demographic structure change

Consensus data, as of 2002, in terms of the Municipality population number, compared to the previous one, as of 1991, show that it has been reduced for almost 4000. However, between the two censuses, the statistic methodology was changed in view of domestic population coverage; the last census registered as domestic population those which resided abroad for less than a year. That criterion did not exist on the occasion of previous Census, so it is not possible to compare these two censuses. Anyway, it is estimated that the latest Census did not cover around 5000 inhabitants of the

Municipality, who resided abroad more than a year. For that reason, it turns out that the total number of the Municipality inhabitants, according to the latest data, has been insignificantly increased, which means that depopulation process has not affected the Municipality. Quite high number of the Municipality inhabitants is from rural areas, and only 44% is of urban character (Leskovac, Grdelica, Predejane and Vucje).

Birth rate is one of the most important characteristics of the population vitality and it is statistically followed up. The Municipality of Leskovac, as a dominant socio-economic gravitational center of Jablanicki District, has always attracted population of immediate environment. The first big saturation of inhabitants inflow happened during 90s of the last century, due to which there was minor increase registered between the two censuses of 90s. It was the first time in these 90s when one more vital event occurred and negative birth rate recorded in 1997. In the transition period, this negative process has not been stopped and there was recorded a negative birth rate of even 18 per mill, although it is positive within the city area (3.6 per mill).

The inherited negative effects have not been stopped even in unstable transition years, either in economic or living terms, which made the basic age structure of the Municipality worse, and which is, according to the latest Census outcomes (average 40 years), more favourable than the Serbian average for three index points, and that, on its part, again, worsens the long-term economic base of the Municipality development. However, the problem may be alleviated for medium term by means of the existing significant portion of spare labour force (dominantly young), which may be potentially activated in case of more favourable economic policy, as compared to the afore-identified, as limiting in terms of development.

9. (Un)employment and Wages in Transition

The number of employees in the Municipality is the indicator which, in the most direct way, reflects the first transition effects in the period 2000 - 2006. Employment in the Municipality for the period 2000 – 2006 is represented in the Table, as follows:

| Description | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|
| Total number of employees | 38.947 | 28.902 | 32.909 | 32.061 | 31.661 | 34.256 | 32.276 |
| Sector of economy | 22.307 | 21.820 | 19.729 | 18.037 | 16.328 | 17.650 | 14.357 |
| Private firms | | | 6.645 | 7.497 | 8.091 | 9.019 | 10.587 |
| Non-industrial sector | 6.640 | 6.472 | 6.535 | 6.527 | 7.242 | 7.587 | 7.332 |
| Total number of unemployed | 20.319 | 23.160 | 24.114 | 25.084 | 22.250 | 20.972 | 23.294 |

Uneven registration of total employment in the period under observation, disables more precise follow-up of employment transition effects. If it is realistically presumed that the number of employees in the private firms was around 5.000 (in the basic 2000), we have got that the negative transition balance of total employment is about 1.700 employees, or 5.8% of start employment. According to this, the negative transition effect on total employment was not high.

In the sector of economy, however, the most significant effect occurred, and it is logical, having in mind the direct orientation of privatization activities to it. The negative balance refers to almost 8.000 jobs lost, or more than 1/3 from the number of employees in the Sector of Economy (2000) and it is mostly absorbed by other sectors of employees, as follows:

- " 50% (almost 4.000 employees) was absorbed by newly created dynamic sector of private entrepreneurship (so-called private firms),
- " 8.7% (around 700 employees) was absorbed by non-industrial sector,
- " 37.4% surplus jobs registered at the labour market and
- " 4.3% remained non-absorbed – probably in the zone of “grey” economy.

The additional negative effect in relation to the level found in 2000, is entirely referred to the sector of economy, because it has been most directly hit with transition strokes and the transition changes have not dramatically changed the situation in the employment sector.

Small and medium enterprises (SME) sector with the employment growth rate of cumulative 60% in 4 years, contributed to amortization of transition strokes in the most significant way. It shows the direction of Municipality economic policy movement, with true recognition of the structural fact that this sector cannot reach its optimum functioning alone. However, even 5 years after the beginning of transition, it does not show the signs of consolidation, so further reduction of its share in the total employment and its equalization with entrepreneurial sector may be expected. If more serious privatizations of some big enterprises do not take place, or if new big external investments are not provided, there is a risk for the Municipality to become a service of other economic centers in Serbia. Anyhow, the given structure endangers the economic base of the Municipality of Leskovac further development in the long run.

In terms of unemployment, the Municipality is among the most endangered municipalities in Serbia. Only the cities of Nis and Novi Sad have higher unemployment. In relative indicators, with unemployment of 17.1 % the Leskovac Municipality is in the group of 20 municipalities in Serbia. But it is to do with a group of relatively small municipalities, such as: Indjija, Tutin, Novi Pazar, Priboj, Prijepolje, Sjenica, Bojnik, which have absolutely small number of unemployment. It is only the City of Nis which has relatively higher unemployment rate (17.4%) and these two big regions are considered, in this domain, as the most endangered in Serbia. In case the unemployment rate is measured according to European accepted methodology, also applied by our National Employment Service, the Municipality of Leskovac (with 42%) has the highest unemployment rate, even higher than Nis (36%), that being mostly contributed by the low absolute employment level.

From 2000 to 2004, the unemployment rate in the Municipality, according to the total number of inhabitants, was reduced from 24 to 17%, and in Serbia, it was increased from 9.4 to 30%. It tells us that the unemployment problem was inherited from the previous period and that it has not been worsened meanwhile, because the biggest portion of unemployed people was absorbed by the private, entrepreneurial sector.

It is possible to follow transition changes through the trends of effected average monthly net wage per employee. We will observe the absolute level of wage and its actual rise in the transition period, but also in relation to the effected average wage in Serbia. In the transition period observed, net wages in the Municipality had a continuous actual rise (above the rise of costs of living). Due to low basic 2000, wages were actually increased 2.5 times, even if they

are compared to relatively stable transition years (2003 - 2006), which tells us about the beneficial effect of transition changes in the employment sector.

Speaking in foreign currency terms, that rise is even more visible, in that it should be taken into account that in this period, the rise of the costs of living was higher than the increase of dominant foreign currencies exchange rate at the home market.

Therefore, from 2000 to 2006, the average monthly net wage in the Municipality got increased from 35 to 175 EUR, and in Serbia that ratio was from 47 to 257 EUR. However, the problem with employees wages in the Municipality is visible only when compared to average wages effected in the immediate environment. From the wages foreign currency ratio, it may be seen that they are increased faster in Serbia than in the Municipality and the lag of 2000 in the Municipality compared to Serbia was 25%, and in the last year observed it increased for 7 index points and in 2006 it amounted to 32%. Similar lagging of the Municipality development level in the same period, is also in terms of national income *per capita*.

The structural problems of lagging are more serious because they are located in other segments of national income generation and allocation. The greatest problems are in investment segment, because the investment rate (referred to the national income effected) in the first 4 year of the transition period in Serbia was permanently lower – 2 times and in Serbia, in 2004 it was 17.2% while in the Municipality of Leskovac it was 7.6%. In the beginning of the transition period (2000), it was 14.5 in Serbia and 6.3% in the Municipality. Eventually, structural changes of the most important development indicators will not be possible to realize and the status of the development level of the Municipality, either.

Conclusion

The estimation of the transition presented here, covers the period from 2000 to 2006 and it may read, as follows:

- " In the period observed, the national income of the Municipality of Leskovac had a rising trend in USD currency (from 75 to 200 million), but also in RSD as of 2006 (from 12 to 15 billion RSD. For this period, there was achieved a relatively modest economic growth (of 20%), around 3% a year;
- " In the observed period, there was relative lagging in the Municipality development for about 10 index points, so it reached 54% of the development level of Serbia and it is in the group of 50 least developed Serbian municipalities.
- " The contribution of the private sector in the national income of the Municipality (in the basic 2000) was 40%. The share of the socially-owned sector was also getting reduced with mixed capital, dominantly comprising the capital of socially-owned enterprises, and the privatization threshold of 50% was passed only in 2004.
- " All data undoubtedly show that the change of Municipality economic structure is indispensable, that the inherited structure has not produced any competitive advantages, and that the transition period does not either.
- " In the observed transition period, the privatization procedure has not covered sufficient number of enterprises and huge part of their capital will remain not privatized, which will be a permanently lost resource for the Municipality. Currently, it binds around 12.300 jobs.

- " Total privatization results, as a first segment of the Municipality transition show that the entire 2006 was just the half-way of the road travelled in terms of transitional adjustment to new socio-economic conditions.
- " The number of agricultural, retired and unemployed population got increased, while the number of employees in the economy sector significantly dropped.
- " The good sides of transitional adjustment are that no significant increase in the number of the unemployed occurred and that the actual wages of full-time employees have risen from 35 to 175 EUR.

Finally, it could be said that the transition effects on the entire position of the Municipality were positive and that the inherited structural disproportions were interfering with improvement of the Municipality position in relation to the environment, and that the conditions created in the transition period are less favourable, compared to the start position.

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