



INTERNATIONAL SCIENTIFIC CONFERENCE

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9-11TH DECEMBER 2013, JACHRANKA, POLAND



THE ROLE OF GOVERNMENT IN BUILDING THE COMPETITIVENESS OF RURAL AREAS IN SERBIA

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ACKNOWLEDGEMENT

This paper work is result of the project No. 46006 – III “Sustainable agriculture and rural development in function of achieving the strategic goals of the Republic of Serbia within the Danube region”, financing by the Ministry of Education, Science and Technical development of the Republic of Serbia in period 2011-2014.



Paper work is based on secondary research, reflect and assessment of current competitiveness and development rural areas of the Republic of Serbia. Considering the numerous advantages of the factor that rural areas have, proposed measures and activities for the greater prosperity of these areas, which are the responsibilities of the governmental, regional and local authorities.

The main objective of the paper work is to show ways of the economic empowerment of the region through increased employment and higher living standards, as well as their social progress and sustainable development.



In great part of its rural areas, Serbia has all prerequisites for promotion and successful implementation of the concept of multifunctional agriculture and integrated rural development:

- richness of diversity in rural areas,
- significant natural resources,
- preserved natural environment of rural areas,
- great potential for development of wide range of non-agricultural activities in the countryside.



LIMITATION AND WEAKNESSE

- unfavourable production and ownership structure in agriculture
- unfavourable business environment for SMEs and entrepreneurs
- little support for farmers from agricultural budget, underdeveloped physical and market infrastructure
- lack of entrepreneurial spirit
- lack of linkage between farmers
- high government centralization and
- limitations of local self-government in implementation of rural development projects.



MEASURES AND ACTIONS FOR IMPROVING THE COMPETITIVENESS OF RURAL REGIONS IN SERBIA

- (1) Smart growth: developing an economy based on knowledge and innovation;
- (2) Sustainable growth: promoting a more resource efficient, greener and more competitive economy;
- (3) Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.



FOLLOWING REGIONS IN SERBIA

- (1) Region of Vojvodina,
- (2) Belgrade region,
- (3) Region Šumadije and Western Serbia,
- (4) Southern and Eastern Serbia,
- (5) Region of Kosovo and Metohija.



In the Serbia there is no official definition of rural areas. The criteria applied by the Statistical Office do not include the standard rural indicators, which can be found in international practice (population density, population, the share of agricultural population, etc.) and division between urban and other settlements is based on municipal decisions.

- (a) **urban settlements** are those that are proclaimed as urban by the decision of the local self-government
- (b) **rural areas are** all inhabited territories except cities, which granted that status according to the Law on territorial organization of the Republic of Serbia and have more than 100.000 inhabitants (NPRD, 2011.)



REGIONAL INEQUALITIES AND URBAN RURAL INEQUALITIES IN SERBIA

- Size of the rural areas in Serbia (without the Kosovo and Metohija) is 65.952 km², which makes 85% of total territory of the country. About 83% of the total number of settlements is located in rural areas, and the average population density in the Republic of Serbia is 97 inhabitants/km² and is much lower in rural (63 inhabitants/km²) compared to urban areas (289 inhabitants/km²).
- Rural areas are characterized by high level of differentiation in terms of demographic trends, natural, economic and market conditions (availability of the market and conditions for marketing), then the conditions for agricultural production, rural and social development.



- Economic structure of rural areas in the Republic of Serbia is highly dependent from the primary sector (agriculture, mining industry, power supply), because of that a share of the sector Agriculture, Forestry and Water Management in domestic product of rural areas (data for 2004) amounts around 30%.
- Despite of all factors and trade advantages, the competitiveness of the agricultural and food sector of the Republic of Serbia and rural areas in the domestic and international markets is extremely low. On that point out the following indicators:
 - ✓ Although in the GDP of rural areas a dominant share has agriculture activity, the realized BDP per capita in rural areas (data for 2004) is lower for one fourth than the national average of the Republic of Serbia (Official Gazette No. 15/2011);



- ✓ Low productivity of agricultural production, first of all, due to its extensive character, leads to low salaries and low life standard of agricultural producers. Statistical data show that poverty in rural areas is more than double in regard to urban areas. That is to say, the statistical data for 2010 point out to a fact that 5.7% of poor people is in urban areas and 13.6% in rural areas (Poverty in the Republic of Serbia, 2008-2010).
- ✓ According to the WTO data, export of agricultural-food products per a hectare of agricultural area for the Republic of Serbia is significantly less in comparison to the EU-15 countries, but also in regard to the surrounding countries Bulgaria, Hungary, Croatia, Slovenia;
- ✓ Small number of products in which exchange the Republic of Serbia realizes a high surplus. Those are, primarily, cereals (especially maize), soft fruits (dominantly frozen raspberry and sour cherry), refined sugar and beverages.



REGIONAL INEQUALITIES

Population and population density (analyzed as a single indicator), Regional GDP, Employment, Unemployment, Business Demography and Budgetary Revenues per capita shows that regional disparities in Serbia are among the largest in Europe, reflected in the high ratio between developed Serbia-North and lagging behind Serbia-South. Inter and intra-regional disparities are also high, especially at the local level, as well as along the urban-rural division.

Regional disparities have been drastically accelerated in the transitional period 2001-2010, when peripheral regions were not able to address their developmental needs in a sufficient way.



Table 1. Gross Domestic Product by Regions, 2011

	GDP - total		GDP – per capita	
	Mil. RSD	Share, %	Thous. RSD	Level index, RS=100
Republic of Serbia	3,208,620.2	100.0	442	100.0
Belgrade region	1,271,690.6	39.6	772	174.6
Region of Vojvodina	859,808.1	26.8	442	100.0
Region of Šumadije and Western Serbia	610,143.0	19.0	301	68.2
Region of South and East Serbia	466,978.5	14.6	285	64.4
Region of Kosovo and Metohija	-	-	-	-

Source: Statistical Office of the Republic of Serbia, p.131.



MEASURES AND ACTIONS TO IMPROVE RURAL DEVELOPMENT AND REDUCING REGIONAL DISPARITIES IN THE REPUBLIC OF SERBIA

In order to promote rural development, the state needs to create a favorable and stimulating environment for:

- (a) the business sector and SMEs family agricultural holdings
- (b) law enforcement and sanctioning of illegal business
- (c) investments and create new jobs.



IN THE SEGMENT OF CREATING A **STIMULATING BUSINESS ENVIRONMENT**, THE CRUCIAL WILL BE THE ROLE OF THE STATE AS FOLLOWS:

- Providing stimulating and predictable agricultural policy, with increased support for rural development from the agricultural budget
- The development of an institutional framework for the business sector SMEs
- Develop incentive investment, innovation, and tax policy for companies operating in the field of agribusiness, artisan food production according to traditional recipes, organic farming etc.
- Development of financial markets, with favorable sources of financing and provision of loans for investment in innovation technology, primary production, in export business, etc.



- An effective competition policy in the market
- The development of all elements of business infrastructure
- Improving coordination and cooperation between the various partners in the government, as well as between different levels of authorities in implementing economic and social reforms (in the area of poverty reduction, social inclusion, etc.).



THANK YOU FOR YOUR ATTENTION!!!!

