

## INSTITUTIONAL FRAMEWORK FOR STRATEGIC MANAGEMENT OF SPATIAL DEVELOPMENT - THE CASE STUDY OF SERBIA

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### Abstract

The presented taxonomy for determining institutional framework for strategic management of spatial development in Serbia is based on three theses. The first is that the methodology for determining institutional framework for this purpose must rely on the concept and elements defined in the key document for the Europeanization of spatial development - ESDP (European Spatial Development Perspective: Toward Balanced and Sustainable Development of the EU). Second, its task is to create conditions for the implementation of active strategies of versions of reindustrialization of Serbia, with a focus on creating an enabling surrounding for the export business and private investments in mid and high technology industry in every part of the national territory. Third thesis is theirs the key mission is the application of models of endogenization results of technological progress in the institutional structure, as the basic condition for inclusion of Serbia in the development of new global production system. In the context of these hypotheses, analysis of the relationship between the management of spatial development and implementation of the model of endogenization of technological development in the institutional structure is based on their role in the revitalization of developmental functions of three basic production-organizational models of modern industry (industrial districts, clusters, poles of generic growth) in Serbia. Exposed material, in addition to an introduction and conclusion, is divided into three parts. The first part analyzes the methodology and results of current characteristics of the national production-organizational system. The focus is on determining key factors that block or open the space for reindustrialization in accordance with the European concept of endogenous, auto-propulsive and self-sustainable development based on scientific knowledge. In the second part, the emphasis is on exploring the link between scientifically valid defined objectives for reindustrialization and content of institutional reforms and policies for their implementation, primarily in terms of creating conditions for the spatial development of Serbia in the framework and elements defined in the ESDP document. The focus of the third part is the concretization of the determinants of the institutional framework for managing spatial development from national to local levels to the realization of the strategy of reindustrialization of Serbia.

**Key Words:** Serbia, Reindustrialization, Management of spatial development, ESDP Institutional framework.

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### I. Introduction

The focus of this paper was to determine the scientific content of the institutional framework for increasing the efficiency of spatial development in Serbia. In the political, professional and business community circulate different ideas and approaches to this problem. Two things are common. The first is the connection with the project for preparing for European inte-

gration of Serbia, as well as standards for defines the determinants of the institutional framework for the strategic management of spatial development. The second is that the allocation of appropriate institutions should be made primarily at the level of regional and local governments. And, again, in another case, one should bear in mind two groups of relevant facts.

The first is related to the historical legacy and consequences of institutional arrangements and responsibilities of the division of space in the area of public regulation. These are:

1. The current role of local governments in the spatial development is of the dominant influence of communal socio-economic organization imposed by the Constitution FPR Yugoslavia in 1953 year. Its main characteristic is the institutional arrangement of rights and responsibilities for preparation and implementation of local development and economic policies. Institutional arrangement of local regulation, to change is in accordance with the objectives and priorities of the overall socio-economic development. In this framework, we achieved various development results, which suggest that the standards for defining their institutional arrangement secured a sufficient level of flexibility, which resulted in good local case management policies and appropriate results.

2. In Serbia, to exist political and institutional asymmetrically arranged regionalization. Serbia is from the first Constitution of the Federal People's Republic of Yugoslavia of 1946, de facto and legal divided into four regions: (1) Vojvodina, (2) Kosovo and Metohija, (3) City of Belgrade, and (4) the so-called, Central Serbia without Belgrade. The first three, since its establishment, it had (and have) arranged institutional responsibilities in the sphere of public regulation of the economy and economic development, while the last (which includes the greater part of Serbia) function (and still does) in an institutional vacuum.

3. In Serbia, almost seven decades, leading to greater or lesser intensity, enthusiasm and institutionally regulated policy of balanced spatial development and are set aside for this purpose (in international comparison, large) budget funds. However, in addition, disparities between developed and undeveloped regions, towns and communes (municipalities) as well as within them are more or less continuous increase.

4. Because of the spread and depth of poverty out of Belgrade and Novi Sad in the period of transition, problems of balanced spatial development to receive from economic to more state and territorial issue. This should be viewed in light of the fact that blaming each other for the exploitation and underdevelopment was one of the key factors of forming a political climate that led to the collapse of (former) Yugoslavia. Results of development of the fall of the state, show that the rich (the exploiters: Slovenia and Croatia) have become absolutely and relatively richer (while the disparities in development between Slovenia and Croatia, as well as between their regions, cities, sub-regions and communes increased), while the poor (exploited: Bosnia and Herzegovina, Montenegro, Macedonia, Serbia, and in the framework of Serbia and Kosovo and Metohija) as a whole, both absolutely and relatively poorer.

5. The public has been two decades of the present thesis that the political institutionalization of regionalism in terms of the formation of regional authorities (Parliament, Government, Judiciary, Administration) lead to rapid economic development and reduction of spatial disparities in living and working conditions. Without going into the debate, for Serbia, in addition to their own (mostly negative), and relevant experience in the immediate surrounding, where the imported model cantonal organization's Federation Bosnia and Herzegovina outside the Republic of Serbian (as a Switzerland model) resulted in almost complete blockade of the development.

The second group is related to the choice of models preparing Serbia for European integration.

6. The choice of institutional solutions to manage and bring economic development, there was lack of effort to implement the basic trajectory of institutional and market reforms in the European Union. When the middle of the last decade of last century it became clear that the key to effective development is endogenization results of technological progress in the institutional structure, the Common institutions of the European Union defined in 2000 year active version the strategy of reindustrialization (Lisbon agenda or strategy in March 2000) in the form of: (a) the

system recommendations for the preparation and implementation of institutional and market reforms and the mezzo-and macro-economic policies, and (b) standards for measuring their performance in the Member States: A key goal was to be by 2010 year to finish the process of building a competitive global economy based on knowledge, entrepreneurship and respect for high standards of sustainable economic, social and surrounding development. The results were in line with expectations. Mid-2011 year, there was the appearance of the second wave of global financial and economic crisis. Its generator is a model of institutional organization and functioning of the European Economic Monetary Union (Euro zone), which is contrary to the spirit of the Lisbon Agenda of March 2000 year, pushing the economy and of consumption borrowing, businesses and individuals at the expense of the future. Economy of China's is 2010/2011 the European Union pushed to third place in the global economy. Chinese industry has taken a leading position in production all industries and jobs of low and medium technological complexity, while the European Union has failed to the United States and Japan take the lead in high tech industries. In any case, is relevant to many problems and controversies that accompanied and followed the Lisbon Agenda of March 2000 year (and its reduced and innovative version EUROPE 2020 of March/June 2010 year) indicate that the endogenization results of technological progress in the institutional structure, as well as the factors of successful economic, social and surrounding development, a complex and challenging problem, even for societies and economies that are at a much higher level of socio-economic development of Serbia.

7. The second wave of global financial and economic crisis of mid-2011 years, has questioned the treatment of project preparation for EU membership, as a primary development paradigm of Serbia. This does not mean turning away from EU membership, because it is good and useful in many areas of local administration to the national production system. The crisis of the Euro-zone and its accompanying events impose reconsideration of previous approaches to the problem of accession. Its essence can be summed up in the search for answers to the question: What should be done and how to prepare for EU membership process used for efficient and dynamic cross Serbia and consumable industrial and economic activity? Preparations for the European integration should not be viewed as more objective, which will in itself, allow overcoming the numerous internal and external barriers to development, but primarily as a mechanism, which should support efforts to improve the welfare and recovery of failed institutional and market reform policies and their implementation.

In the exposed context, solving the problem of planning the institutional framework for managing spatial development of Serbia can be accessed in different ways.

The first is foreign policy and is related to the process of preparing Serbia for European integration. European Union marks a kind of philosophy of regionalism (Europe of regions) and communitarian development cooperation, which have a unique meaning, except in terms of share of national area member states under a single statistical concept (NUTS 1, 2, 3 and LAU 1, 2). In this sense, the concept of grouping inherited communal organizations by administrative districts and asymmetrical regionalization of the upgraded model of the statistical regionalization (definition of NUTS-2 and 3 units), and to (future) open space for shared access to European funds.

The second is the inner-political. Serbia from London and Bucharest Agreement of 1913 year to its mark of chronic weakness of the state and territorial organization. Reforms in the past 100th years in terms of decentralization, i.e. recentralization, did not result in: (1) of its permanent stabilization as a state, (2) weakening of open or covert separatist aspirations, and (3) the construction of stable institutions and institutions. In the past two decades, the restoration of capitalism and the beginning of the institutionalization of socio-economic system modeled on the target surrounding, the internal reasons for strengthening the role of local governments and regionalization can be seen in the consolidation of democracy, transparency and replace ability of government. Situation in early 2012 year, shows that there is no (expected) offset in the development of managerial and administrative capacity for multiple-organization of public functions and activities and the positive development of legal culture and public action, which would allow:

(1) structuring of complex management and administrative structures necessary for the functioning of modern market economy in Serbia, and (2) reducing administration costs, clientelism and corruption to acceptable limits.

The third is the economic and general development. Regionalization and strengthening the role of local governments in the public regulation, open space don'ts the development of appropriate institutional framework and implementation of economic incentives and development policy, or the model of a richer and more successful, increase the mobility of factors of production and development, and thus, through competition, open the way to faster of development. In part we have a second option, often in the world and Europe, in Serbia the dominant, the regionalization and strengthening the role of local governments is used as a tool for redistribution of added value and social wealth, calling on the principle of solidarity. The level and direction of redistribution is a matter of political decision-making with all the positive and negative consequences. In any case, the question: Are the rationalization and strengthening the role of local government in the economy is good or bad development strategy for Serbia? - There is no unambiguous or definitive answer.

The fourth is related to (empirically verified) fact that the basic condition for balanced spatial development, the dynamic development of production of tradable-goods for export. This raises the question of defining the active version strategy of reindustrialization or system of criteria and measures to be taken by (national, regional, sub-regional, local) government in terms of organizational development and market base and consideration of resource advantages, the main features of the culture of entrepreneurship and labor and other specificity for the transition from the consumable an production economy. The focus of the official development policy is the clustering and the development of industrial zones and technology parks, primarily by engaging the external factor. However, these determinations are not based on appropriate analytical and professional elaboration, resulting in: a small degree of socio-economic coordination and support in low-cite individual and group development ventures, primarily in terms of creating conditions for the privatization of development of the production of tradable-goods and promotion of the authentic (national) production entrepreneurship.

To explain taxonomy to determine the institutional framework for the strategic management of spatial development in Serbia is based on three theses.

The first is that the methodology for determining the institutional framework for this purpose must rely on the concept and elements defined in a key document for the Europeanization of spatial development - ESDP (European Spatial Development Perspective: Toward Balanced and Sustainable Development of the territory of the EU).

Second, it is his task to create conditions for the implementation of active versions strategy for reindustrialization of Serbia, with a focus on creating an enabling business surrounding for the export business and private investment in mid and high technology industry and high at every point in the national territory.

Third, theirs the key mission is the application model for endogenization results of technological progress in the institutional structure, as the basic condition for the inclusion of Serbia in the development of new global production system.

In the context of these hypotheses, the focus in analyzing the relationship between the management of spatial development and implementation model of endogenization results of technological progress in the institutional structure is based on their role in the revitalization of developmental functions of three basic production-organizational models of modern industry (industrial districts, clusters, poles of a generic growth) in Serbia.

Exposed material, in addition to an introduction and conclusion, is divided into three parts. The first part analyzed the methodology and results of current characteristics of the national production-organizing system. The focus is on determining the key factors that block, that is, open space for reindustrialization in accordance with the European concept of endogenous, auto-propulsive and self-sustainable development based on scientific knowledge. In the second part, the emphasis is on exploring the link between scientific valid reindustrialization defined objecti-

ves and content of institutional reforms and policies for their implementation, primarily in terms of creating conditions for the spatial development of Serbia in the framework and elements defined in the ESDP document. The focus of the third part is the concretization of the determinants of the institutional framework for managing spatial development from national to local levels to the realization of the strategy of reindustrialization of Serbia.

## **II. INSTITUTIONAL FRAMEWORK OF PRODUCTION-ORGANIZATIONAL SYSTEM AND ITS IMPLICATIONS ON THE SERBIAN SPATIAL DEVELOPMENT**

### **II. 1 The methodology for determining the role of the institutional framework in structuring the production-organizational system in a balanced spatial development**

The connection between strategy (balanced) development and implementation of spatial model for endogenization results of technological progress in the institutional structure (as a key factor for reindustrialization in the direction of the European concept of endogenous, auto-propulsive and self-sustainable development based on scientific knowledge - the author's note) is based on the thesis that the key in establishing the optimal solution dynamic combination of three basic production/organization models of modern industry (clusters, industrial districts, the poles of a generic growth - in terms of their treatment, as a key economic and social institutions for the socio-economic organization of production of material goods and services at sectors or spatial basis) in accordance with socio-economic characteristics and resources of each particular spatial area (region, sub-region, city, local, urban or rural area) in Serbia.

The main task of clustering is the policy of improving the competitiveness of the total (in this case, national, regional, sub-regional) production structure from which to derive optimal use of all space with its resources.

The main task of policy development (revitalization) of industrial districts is to create conditions for implementation of in-cite sub-regional and local development goals, above all, problem-solving: (1) high unemployment, (2) revitalization, modernization and new construction of missing physical, industrial and business infrastructure, (3) implementation of the concept of endogenous, auto-propulsive and self-sustainable development, and (4) creating conditions for internal and external inter-regional and cross-border cooperation at the regional, sub regional and local levels.

The main task of the development policy the poles of generic growth is to connect research and education with the project (national, regional, sub-regional) reindustrialization, primarily by improving the manufacturing enterprises and enhancing quality of human capital at internationally competitive levels.

### **II. 2 The structure and scope of development of production-organizational system in Serbia**

The industrialization of Serbia in the period since World War II until 1989 years (more precisely 1980th year when completed formation of sectors and spatial structure of the industry with which it entered the process of (post) socialist transition), took place, mainly, in a model of industrial districts. By the end 60-years of the last century in Serbia (without the territory of the Autonomous Province of Kosovo and Metohija) was set up 26 industrial districts. In their framework, identified are 22 other industrial centers of medium size and 114 small industrial centers. Thus the total number of industrial centers (in terms of poles of urban development - author's note) in Serbia before the transition can be estimated to about 160.

The formation of industrial districts and industrial centers, in addition to the logical structure of production capacity of rounded traced the development appropriate logistical facilities (roads, railway lines, river and canal network, ports, warehouses, wholesale trade enterprises and foreign trade companies), and educational capacity (primarily medium education for industrial and other production profession) in accordance with the specific structure of industrial production of concrete industrial districts.

At the beginning of the seventh decade of the last century, the political measures initiated the process of building large business systems to the paradigms of the third technological revolution. Formed the 76 major national, regional or sub-regional production systems based on similarities gathered in the energy sector, agro-industrial complex, electro-metal complex, the complex manufacturing of chemical products, complex for the production of consumer goods (mainly textiles, leather and footwear and furniture) and the construction complex (Table 1).

Table 1 Summary of industrial districts and the basic structure of key Sat regional clusters in Serbia in 1989 year

Name industrial districts:	The basic structure of the key sub-regional clusters					
	Energy cluster	Agro-industrial cluster	Electro-metal cluster	Cluster for production chemical and pharmaceutical products	Cluster production and processing of textiles, leather, rubber, wood and furniture	Construction Cluster
1	2	3	4	5	6	7
Čacak			+			+
Beograd <sup>1)</sup>	+	+	+(3)	+	+	+(4)
Bor			+	+		
Jagodina			+			+
Kragujevac			+			+
Kraljevo			+			+
Kruševac		+	+	+	+	+
Niš <sup>1)</sup>			+(2)		+	+
Novi Sad	+	+	+		+	+
Leskovac					+	+
Kikinda	+	+				+
Novi Pazar					+	
Pančevo	+	+	+	+		+
Pirot					+	+
Požarevac	+	+				+
Smederevo			+			+
Sremska Mitrovica		+				
Sombor		+				
Subotica		+	+			+
Šabac		+		+		
Užice			+			+
Valjevo			+			+
Vranje			+		+	+
Vrbas		+				
Vrsac		+				
Zrenjanin	+	+	+		+	+

1) In Belgrade and Nis the number in brackets indicates the number of clusters in the relevant industries. In other industrial districts in the designated sectors acted only in one cluster.

According to current scientific knowledge, these business systems have had the function of the cluster led by natural resources or investment. Since the mid eighties of last century, a new policy decision started their breakdown, the first transfer of financial power to the lowest business units, and then the key pieces of business decision-making process. However, despite this, these large business systems (clusters) were employed about 55% of workers, produced about 65% and performed 90% of the foreign trade turnover of the real economy in Serbia.

In Serbia, since 1945 year there was no explicit idea for establishing poles of generic growth, based on the development of strong and international competent research and education

nal institutions. At the end of the fifth decade of the last century, in reliance on the resources of the University and various public services, to found a Institute of Nuclear Sciences in Vinča (in the form of the Technology Park) and the complex of the Institute for various purposes in Belgrade. At the end of the sixth decade of last century, to initiate a project to develop new poles of generic growth, the establishment of the University of Novi Sad, Niš and Kragujevac with college's structure adapted to the needs of industry and agriculture in their surrounding. However, as in the case of Belgrade, did not succeed in their transformation in the (regional) centers of global excellence and the development and transfer of high technology.

The process of forming these structures of production-organizational systems are monitored and a number of weaknesses. A key limitation is that the national production-organizational system, its elements and institutional arrangements for regulating their mutual relations, developed in the framework of mass, energy, material and labor-intensive production on the basis of imitation of foreign technology (mainly imports of equipment and purchase of licenses) and the dominant role of political (communist) elite in their structuring and development. The consequences of this approach, which is felt to this day are: (1) *poor accumulated experience of industry best practices*, mainly because of tolerance for irrational use of resources, (2) deeply ingrained habits (especially the management structure) to a high external and internal protection and non-competitive efficiency, and (3) the system of values and social relations that cite block in generating and implementing business and technology innovation.

Commodity market (which is in contrast to other European (post) socialist countries, now EU-27, worked in the former SFR Yugoslavia) is not any transmitter, indicating stakeholder's production-organizing system: what and under what conditions it is produced, to be competitive? Basic signals coming is from the supply side, and then offered mostly what one has and no search for a new one. Therefore, the key actors of the national production-organizing system behaved as a typical special interest groups (distribution-oriented coalitions). And where there is no rule of this group of business and technological innovation, but all efforts at conservation-oriented positions.

#### Box 1: What is the distributive-oriented coalition?

The concept of *distribution-oriented coalitions* marks the special interest groups, which provide the association improve its position in the distribution of added value and social wealth without adequate personal contribution to their maintenance and proliferation.

The main socio-economic characteristics of distribution-oriented coalitions are: (1) the tendency towards the development of monopoly of political, social and economic structures, (2) loss of interest in the adaptation to the social, economic and cultural changes in the surrounding, (3) the tendency to (mix) use instead of administratively-hierarchical and market mechanisms of allocation and evaluation. and (4) preference for stimulating the development of distribution-oriented coalitions at the lower levels of socio-economic organization, in order to hide the true intentions of key actors of special interest groups.

The causes and consequences of development and operation of distribution-oriented coalitions in Serbia see, for example, in: Adžić, S. and Popović, D. (2005), *Fiskalni sistem i fiskalna politika - njihov doprinos unapređenju konkurentnosti privrede: Slučaj Srbije/Fiscal System and Fiscal Policy - Their Contribution to Improving the Competitiveness of the Economy: The Case of Serbia*, "Ekonomska/Economics", No. 1, pp. 173 - 200

### II. 3 The transition and socio-economic crisis in Serbia and their implications

Serbia after 21 years of capitalist restoration achieved about 60% of GDP from the pre-transition peak achieved 1986<sup>th</sup> year. The highest price paid sector for the production of tradable-goods. Many elderly, especially the export manufacturing industries have disappeared and new ones were not created. Production and employment in industry and construction in 2011 year amounted to only 37% of pre-transition peak achieved 1987/1988 year. In agriculture, a smaller

decline in production was noted, but scissors constituted a monopoly price and market inputs, credit and sales continually threaten her only play.

There are different views about the causes of the failure of Serbia to create the conditions for the revitalization of the production of tradable-goods and sustainable development. The dominant view is that in seeking the causes of geopolitical cataclysm caused by the disintegration of Yugoslavia and Serbia to the inability, in this context, to include in the process of European integration. Consequently, the current ruling political elite, joined spillover effects of the first and second wave of global financial and economic crisis. Not denying the importance and impact of these factors, as the main cause of failure in creating conditions for sustainable development can be identified by the fact that no restoration of capitalism (1990/1991 year) and the transition to a democratic political system (at the end of 2000 year) did not create the conditions for endogenous results of technological progress in the institutional structure, because they removed the key socio-economic barriers, that: (1) immobilize the development and improvement of production entrepreneurship and export business, and (2) block the generation, implementation, and economic valuation of business and technological innovation.

#### **II. 4 The current institutional framework and its implications on the structuring and functioning of the organizational-production system**

Analysis of the structure and functioning of organizational-production system is derived based on the identification of the structure, content and the direction of influence of key factors, either acting as an incentive or as limited factors for the implementation of the European concept of endogenous, auto-propulsive and self-sustainable development based on scientific knowledge.

After 2000 year have been realized following key market reforms and public institutions:

1. Reform the financial system in the direction of recommendation of international economic and political organizations. Penetration of foreign financial institutions created a bank-centered financial system in which the end of 2008 year the more or less respected the principles of hard budget constraints and avoid moral hazard. The activities of state from 2009 year in the loan market, to bring a partial crowding out the private sector, and subsidizing loans and interest rate and discrete influence (which will be assigned the same) would jeopardize the existence of the remaining banks in the public (partial) ownership.

2. To introduced a rigorous monetary control. There has been partial success in curbing inflationary pressures due to: (a) the uses of funds obtained through privatization (overflow in current consumption, rather than the implementation projects of revitalization, modernization and new construction of physical infrastructure), and (b) delays in project preparation and implementation of Serbia reindustrialization.

3. To completed the process of privatization of estate enterprises in the commercial sector. To remain the enterprises are just that, in a regulated institutional framework of privatization, they can not find any what-customers. Effects of spillover the first wave of global financial and economic crisis has shown that privatization is carried out at the cost of their development blocks. Since their new owners took them most of the production and economic functions, there is, due to public pressure, the mass cancellation of privatization carried out.

4. To developed the institutions and arrangements for the partial liberalization of prices and production monopolies and enterprises for the production of public goods. The results are ambiguous because they left out the key changes in public sector spending and the restructuring of public enterprises, which operate in the regime of natural or administrative monopolies.

On the other hand, the objectives and mechanisms for implementing institutional reforms induced phenomena, which are blocking efforts for balanced spatial development.

5. The existing industrial districts and their clusters are practically disappears. The analysis should take into account the fact that they lost their developmental function is around 1980 year. But what is worrying is that after 2000 year, little has been done on finding replacements.



6. There is a failure in development of the (production) entrepreneurial spirit, as the level of individuals and groups, and the entire socio-economic system. Most of the entrepreneurial initiative was completed in the sphere of production is no-tradable goods (import trade, wholesale and retail, real estate, construction), a little in agriculture, manufacturing industry and export trade.

7. It is apparent lack of market and public institutions for the implementation of development policies based on the generation and implementation of business and technological innovation. To be used up domestic investment potential, not have institution of venture capital, banks have no business portfolio financing of innovation generated by businesses, government programs for budget support for technology transfer from research systems into new production initiatives is insufficient with vague and imprecise results.

8. Strategic co-ordination mechanisms have remained undeveloped, despite the many institutional reforms, market infrastructure and infrastructure for public regulation of the economy and economic development. The consequences are: (a) a short time horizon of decision makers (government of short-term), (b) high subjective discount rate (the predominance of tactics strategy), (c) the market does not encourage collaboration, cooperation, trust, commitment and vigilance, and (d) public intervention is not as encouraging cooperation is based on unconditional cooperation with the dominant political option.

9. At the national market does not demand the leading user and producer-user interactions are weak and sporadic. The Army has suspended the demand of new technology solutions, electricity power supply industry to remove demand a warning that the payment is uncertain, telecommunications do not count on the participation of local technologies, while the large public, communal and production systems overcome the problems of basic survival

10. STIEOT (Science - Technology - Information - Organization - Education - Telecommunication) infrastructure is in relatively decent condition and better than many other countries of similar development level. However, its structure is a production and unproductive. Connection with the real economy are underdeveloped, and sporadic due to the small linear pressure on enterprises to improvement of its business components and systems of motivation and staff development to increase the ability of the implementation of business and technological innovation.

In the exposed context, the institutional framework of the national production-organizing system does not ensure its functioning and development in accordance with the basic paradigms of the European concept of endogenous, auto-propulsive and self-sustainable economic, social and surrounding development based on scientific knowledge. The analysis indicates that the basic human, physical and normative parts (components) of the system, mostly in order, taking into consideration the determining circumstances. However, the entire structure is inadequate, and therefore can not exert its (developmental) potentials. The current structure is the result of the domination of non-competitive interests and the lack of understanding the essence of the modern problems of spatial development. The truth of the fact that, although the Serbian democratic country in which more and more dominated by the private sector can not expect progress in creating conditions for the endogenous, auto-propulsive and self-sustainable economic, social and ecological development in the framework of an open market economy, if you do not introduce substantial control the executive and judicial power in terms of providing greater public interest in the preparation of institutional reforms and policies for their implementation.

### III. REINDUSTRIALIZATION AND INSTITUTIONAL FRAMEWORK FOR THE MANAGEMENT OF SPATIAL DEVELOPMENT

#### III. 1 Methodology

The presented methodological approach, as outlined in the introduction, based on the hypothesis that the establishment of institutional framework for managing spatial development in Serbia, it must rely on the concept and elements defined in the document ESDP (European

Spatial Development Perspective: Toward Balanced and Sustainable Development of the Territory of the EU).

From the point of this paper are: (1) consistent with respect for the principles of polycentric, decentralized and balanced development of the entire national territory, (2) creating conditions for increasing dynamism, attractiveness and competitiveness of cities and urbanized units in Serbia, (3) continuous efforts to active promotion of a strategy to diversify and improve the productivity of rural areas in Serbia (4) implementation of the strategy of industrial development, which will consistently respect the principles of efficient and sustainable use of all physical infrastructure in Serbia, (5) the maximum public involvement factors to eliminate the socio-economic barriers to generate, implementation and evaluation of economic knowledge and innovation in Serbia (6) transparent and consistent respect for the rights of the broad management of natural resources and the work created in Serbia, and (7) creating conditions for effective management (use of) natural resources in Serbia.

To operationalize should be implemented in two planes. The first is derived from the analysis of spatial aspects of the institutional framework for the creation of conditions for sustainable strategy of reindustrialization of Serbia. The second derives from the fact that strategy of reindustrialization has its immanent laws and that they must be integrated into the institutional framework for sustainable (balanced) spatial development.

### **III. 2 Spatial aspects of the institutional framework for sustainable strategy reindustrialization of Serbia**

In defining the institutional framework for managing spatial development strategy in Serbia should be observed: (1) the principle of decentralized and polycentric development in the function of introducing a new model of regional balance urban-rural relations (the key factor is to establish a balance between the location of industry in the metropolitan area of Belgrade, Novi Sad, Kragujevac and Niš, so called. city-gate in the peripheral regions of Serbia, medium and small cities, and in particular, rural, frontier and underdeveloped sub-regions), (2) the principle of attracting new industry and business revitalization phenomena, such as dynamism, attractiveness and competitiveness of cities and other urbanized areas, (3) consistent recognition of "bottom-up" development based on principles of coordination and mobilization of resources in-cite, particularly in smaller urban centers and rural areas, (4) the principle of maximum and efficient use of in-cite physical, educational and social infrastructure and the financing of its reproduction of local resources, (5) creation of conditions for the development of internationally competent knowledge, skill and innovation, (6) broad participation of citizens and users in the management of natural and man-made resources, especially the industrial zone, which are excluded from the period of transition and economic production functions, and (7) the effective management of natural resources (primarily agricultural land and water).

In analyzing the problems of the institutional framework for managing spatial development of the above criteria should, more than ever, take into account the specific distribution of population, natural and man-made resources and the degree of urbanization and development of physical infrastructure and production in Serbia. The key factor is the fact that most of the population distributed in a relatively small number of urban settlements arranged, with significant in-cite resources for food production, interconnected roads, which have a direct or indirect connection to the Trans-European corridors VII and X. Network distribution of settlements and the available physical and productive infrastructure allows relatively easy to develop local production systems in space.

That, and the position of the Serbian market with different structures of production and consumption, makes room for the development of various forms of inner, finishing and similar production.

In this context, to create economic conditions for bilansirani spatial development is necessary to achieve the following objectives:

1. The development of regional and sub-regional export macro-clusters in the agro-industrial complex, the realization of a set of programs for the development of: (a) economic self-sustainable farms, cooperatives, production and transport enterprises, united in the reproduction of the whole export organized by main lines of production (wheat, corn, fruits, vegetables, sugar, oil, bio-diesel fuel, milk, pork, poultry, beef and mutton), and (b) the appropriate market infrastructure and specialized circles of commercial and financial capital, whose main source of earning income (profit) funding food production for export. From the point of space, these activities should support a set of projects for rehabilitation, modernization and new construction of specialized physical and educational infrastructure and infrastructure for public regulation, whose main task is to provide incentives (and relatively stable) conditions for the smooth running of the process of expanded reproduction of production lines for these with the lowest possible cost (which at the level of stock prices in the target markets provide an appropriate rate of return (profit) for all participants – author's note).

2. Rehabilitation of the development function of industrial district and the (related) smaller industrial centers, the revitalization of one of the inherited or establishing a new sub-regional (macro) clusters. Scientific based policy recommended that the focus is on mechanisms of support to public-private partnership projects, in the functions of revitalization of existing industrial zones. In any case, due to the inability to find good solutions for all cases in a new institutional framework for spatial development should to build in mechanisms for rehabilitation of devastated and abandoned industrial zones and compiling them for other purposes. The main task is to be in any particular case determine the time and cost of remediation and reuse of space, as a basis for determining the appropriate model of public-private partnership.

3. Development a poles of generic growth in Belgrade, Novi Sad, Kragujevac and Niš. The basis of these projects is building a network consisting of: (a) specialized technology parks with adequate business (entrepreneurial) incubators, (b) high-tech industrial zones, and (c) existing enterprises whose business portfolio is located in the area and production of high technology or an intention to conquer its own resources corresponding production. The development of poles of generic growth is not limited to the area of these cities, but is possible in other areas, where they can create enabling conditions for life and work to ensure adequate human resources to the highest internationally competitive skills and abilities.

4. Developing a good business surrounding for manufacturing entrepreneurship in rural areas, to establish a micro cluster (initial step is to define the poles of rural development micro - which have in Serbia according to the existing structure of settlements can be estimated at about 300 to 400). The main task of this (sub) structure is the institutional framework to initiate local policies for in-cite the coordination of public and private activities and initiating specific local structural adjustments (in terms of rural settlements - by observation) the economy, above all, the intensification of investment activity for entry into new activities in the form of an integrated package consisting of: fresh capital, technology, management, marketing, organizational skills and additional training (local) labor force as a function of utilization of the available factors of production and development and market potential in the immediate or distant surrounding. The key to implementation is to determine the factors that act on stimulating private investment in terms of: (a) the establishment and development of micro, small and medium-sized enterprises oriented to the dynamic market segments in the external surrounding, (b) reallocation of the available (local rural) of productive capital, especially production infrastructure to propulsion activities, and (c) implementation of projects for the revitalization and modernization of legacy facilities, especially in agricultural production, to be put to productive and economic function by increasing exports.

From the exposed constellations (certain scientific) goals to constitute the institutional framework to promote the reindustrialization in function of balanced spatial development of Serbia can draw two main conclusions:

First, there must be clear and precise socio-economic vision, which explicitly defines: (a) core values (guiding principles and policies and a culture of life and work - in terms of acceptance

of innovation as an essential factor for sustainable and balanced spatial development of Serbia), which inviolable and expression of basic beliefs established by consensus of all relevant options, (b) order, which clearly expresses the main reason for the existence of a certain socio-economic system (in terms of completing the process of constituting otvorene market economy integrated into the target European surrounding), and (c) mission, which expresses clear and motivating goal, to provide living and working conditions according to European standards for the majority of the population.

Second, science, in the dominant understanding of its essence, can not successfully develop methods and mechanisms for solving the problem of determining the socio-economic vision, particularly one that is based on adapting existing and developing new institutions in order to create good conditions for the generation, implementation, and economic evaluation of innovations. Thus, the essential questions of formulation attributes of the institutional framework to encourage reindustrialization in the function of overcoming disparities in spatial development, to give up voluntarism of the politicians. Accordingly, the problem of improving the efficiency of public regulation process more uniform spatial distribution effects of reindustrialization of Serbia was primarily a matter of human creation, and its essence is to understand the risk behind every (public) decision. Therefore, the content of institutional reforms, the implementation must be based on principles of management actions in the national (regional, sub-regional and local) government in the economic, educational and administrative spheres. Its main function is to provide the result of overcoming the limitations in (internal) individual observations of the position in the global economic system structured according to the concept of sustainable economic, social, cultural and environment development, creative economy and innovative society. This assumes a widely defined and tightly structured consensus of the most important partners: businesses, farms (integrated in the association), banks, and unions, public and scientific research institutions in order to create a culture of cooperation, solidarity and trust.

### **III. 3 The implications of the model of industrialization in the structuring of the institutional framework for the strategic management of spatial development**

In the exposed context, can be determined scientifically valid approach to determining the implications the model of reindustrialization and the structuring of the institutional framework for managing spatial development in Serbia. It is, above all, accurate identification of (sub-regional, local) comparative strengths and weaknesses, problems and ways of their transformation, or elimination, and accordingly, the definition of appropriate strategies, goals and instruments (national, regional, sub-regional and local) institutional reforms economic, urban, municipal, educational and social policies, to ensure fulfillment of the following requirements:

- *Consistently respect the principles of the modern development on differentiated processes that are carried out simultaneously in different (mainly sub-regional and local) terms, with respect to in-cite the economic, natural, social, ethnic, cultural and historical conditions. Accordingly, each specific (sub-regional or local) territory should be regarded as poles of development, and their population and the economy as a set of potential resources, which can be most effectively utilized. Development initiatives must have a clear sub-regional and local content and a realistic response to specific problems and goals that drive and implement in-cite figures.*

- *The focus should be on measures to promote structural development and the ability to take on local and sub-regional level to create new or complementary activities, which increase the value added in production based on sustainable economic, social and surrounding development, and not on the quantitative development of the very eliminate costly investments in the (social and surrounding) problems.*

- *In order to create institutional conditions for the privatization of development on the basis of the implementation of key standards endogenous, auto-propulsive and self-sustainable economic, social and environment development, need a broad coverage of various sub-regional and local actors (institutions, organizations and individuals) that create, develop and implement various policies and strategies and integrate them into a harmonious and functional operating*

*structure*. Providing conditions for a partnership approach, cooperation and participation in creating each (sub-regional, local) spatial and sectoral development strategies and their implementation. Thus it is possible to ensure a consensus of different development actors, to promote a strategic approach and avoid (of course, to the extent possible) the overlapping development efforts and the negative social and surrounding effects and consequences for future generations.

- It is necessary to create conditions for a *holistic approach to the problem sub-regional and local development* with respect to strategic aspects, the operational aspects of the structure and activity. Development strategies should be based on a realistic assessment of the nature of economic, social and environment problems, affecting an area, and the ways how they can be removed. For the implementation, use a number of operational structures, including the key role of local, sub-regional, regional and national authorities of public administration, businesses, farms, business associations and development agencies.

- Activities that should be based on sub-regional and local spatial development strategies are: (a) the promotion of projects for establishing new export industries and businesses, primarily by encouraging the development of sustainable commercial farms, small and medium enterprises on the basis of clustering, (b) promotion of foreign and domestic investment in the real sector, (c) development of physical infrastructure, with emphasis on actions at the local level: building and repairing the main access roads, repair of industrial railways, construction and reconstruction of office space, construction and reconstruction of communal infrastructure, (d) development STIEOT infrastructure in the function of providing additional education and training, support research and development, business consulting services, construction or IT (informational-telecommunication) infrastructure, (e) strengthening the business infrastructure, above all, improving access to financial resources (but with strict adherence to principles hard budget constraint and individual responsibility for abuse and fraud) and quality improvement of national, regional, subregional and local public administration, and (f) strategies for improving the quality of life, increase personal safety and reduce crime and the like.

- *Development of poles of generic growth should be based on the (appropriate) program which is directly derived from the revitalization of the industrial development functions of the respective districts*. The main objective is to, on the basis non addresses, encourage sub-regional and local initiatives and provide support for all candidates to form of a poles of generic growth (in the form of a network of specialized technology parks, high-tech industry zone and existing businesses) - the integration of existing work and verified the results of research, education and production potential, which can provide in-cite or interregional cooperation for transboundary quite clear, precise and, in particular, established the specific needs of manufacturers.

If you are exposed to translate the operational level, it can be concluded that the specific solutions for creation of an institutional framework for managing spatial development should seek to: (1) creative application of public-private partnership (running parallel initiatives for the realization of projects for the revitalization and modernization of existing production structures and development of new businesses as a means of improving competitiveness), and (2) hard and patient work of translating the production of public goods and service of public administration from the administration regime in the regime of public service (in sense of service industry - author's note).

The main goal of translating sector for production of public goods and service of public administration in the regime of public service is transformed into an active partner for: (1) providing customer satisfaction - entrepreneurs and private investors from in-cite the external surrounding in a way that exceeds their expectations, (2) the achievement of the legitimate interests of the population, above all, by creating conditions for full employment (so that all who want to work to get employment with wages, which provide the level of reproduction of life and work by European standards), (3) attracting an entirely new work force with the highest qualifications and entrepreneurial skills, creating extremely favorable living and working conditions compared to the overcrowded agglomerations, and (4) the development of entrepreneurial culture based on the principles of endogenous and sustainable social, cultural and environment development.

The key to translating the production of public goods and service of public administration in regime of the public service is a precise definition of the vision of it: How fukcionišu and what to do and how to obtain from it what is the purpose of their existence? - and to have adequate public goods and services of public administration, in which the process of reproduction, along with a system of economic criteria, which are the primary entrepreneurs, highly-skilled workforce and private investors, there are some broader, community, social and political objectives determine the scope, quality, prices and costs of their production and the dynamics of public investment. Solutions should be sought in the possession and use: (1) specific knowledge and skills, (2) the ability genuine understanding of problems and managing in complex and uncertain surrounding, and, especially, (3) specific skills in creating solutions and persistence in their implementation. This allows determination of the successful implementation of the vision and strategies of translation sector production of public goods and service of public administration in the regime of public service. In this context, the efficiency of production of public goods and services of public administration in the function of strengthening the development of productive entrepreneurship, improvement of living and working conditions and encourage private investment in export industries and business is primarily the result of a competent (political) control. Its mission is to provide: (1) the effective planning and decision making, (2) good organization and motivation, (3) effective control of work processes, and, especially (4) development of a positive culture and image in the local, sub-regional, regional, national and international public target.

#### **IV. DETERMINANTS OF INSTITUTIONAL FRAMEWORK FOR THE MANAGEMENT OF SPATIAL DEVELOPMENT IN SERBIA**

##### **IV. 1 New development and economical paradygm as bases for institutional frame for the management of spatial development**

The basic condition for reindustrialization, as the primary development paradigm in the next few decades, the establishment of institutional framework that will encourage: (1) development of human capital, (2) improvement of manufacturing entrepreneurship, (3) the generation and evaluation of economic innovation, (4) production tradables, (5) savings, (6) private investment in the real economy, and (7) export - at any point in the national territory. Its main task is to promote a macro-level: (1) national savings, (2) development of socio-economic climate for production entrepreneurship and improve the performance of human capital, and (3) employment growth based on expanding exports at higher prices (more precisely, more newly value per unit of physical product!). His task at the micro level is to improve the competitiveness a basis of the development of innovation system in mark 3T (Technology, Talent, Tolerance), primarily by linking universities, industry and government (Triple Helix Model). Finally, it is important to note that competition belongs to a concrete enterprises, commercial agricultural farm and products in relation to those they directly competition and the market, and that the role of (national, regional, sub-regional and local) government to create conditions for higher employment and economic growth.

The answer to the question: How to reach such a structure the institutional framework? - is based on three (additional) hypotheses.

First and fundamental is that the institutional structure of the market power (multi-party political system), markets products and services (privatization and liberalization) and the financial markets (constitution of the banc/centered financial system and its surrender to a foreign factor), and various reforms and policies related to the process of preparing for European integration and measures to encourage foreign direct investment, a necessary but not sufficient conditions for model of reindustrialization which will come to the fore a tendency toward spatial cohesion.

The second is that the current structure and operation of production-organizing system to implement an important limit (scientific and professional) valid strategy of reindustrialization in terms of imposing a more balanced spatial development.

The third is that the structuring of the institutional framework to initiate strategy of reindustrialization in the even function of spatial development of Serbia can be achieved only in the evolutionary process. That means you need a permanent, persistent and parallel work on the one hand, the creation of each of the necessary conditions for growth based on exports and new employment, and on the other hand, the removal of their alternatives. This approach stems from the attitude, that finding a good solution to initiate the process reindustrialization in function of even spatial development of Serbia, a matter of good understanding of the problem than the physical (or even worse - financial) investment.

**Box 2: Is Serbia lacked the financial resources for reindustrialization?**

The base development of Serbia in the period since 2001 end of 2008 years when there was a spill-over effects of the first wave of global financial and economic crisis, did imports of goods valued at 110 billion U.S. dollars (p/c 14 500 U.S. dollars). This quantity of goods needed: transport, provide, sell, and provide money for financing the purchase and sale.

Activities related to these jobs are growing fastest, while the manufacturing industry and agriculture stagnated at the level of 1997/98 year. This development model is funded from external sources in the value of 76 billion U.S. dollars (p/c 10 500 U.S. dollars), of which: (1) from workers inostanstvu 30 billion U.S. dollars, (2) the growth of net external debt of 26 billion U.S. dollars, (3) foreign direct investment (FDI) 16 billion U.S. dollars (of which 90% were placed in the production of non-tradable goods), (4) grant 4 billion U.S. dollars, and (5) from privatization revenues of 3 billion U. S. dollars.

Exports of goods were over two times lower than imports, amounting to 49 billion U.S. dollars (which is stagnating industry, which grew at an annual rate of 2.1% compared to a low basis in 2000 year, participated with 90%).

A kind of curiosity is that the economy of Serbia, in spite of intensive development of the tertiary sector, since 2005. recorded a deficit in services trade with foreign countries (in the period since 1950 to 2004 yeras it had a constant surplus, that is, for example, in the period since 1981 to 1990 years was covered up to 30% of the trade deficit).

In order to determine the paradigm for the precise definition of the institutional framework for the strategic management of spatial development, it is necessary to accurately define the objectives of the new development in Serbia. These are primarily:

- *Acceleration of real economic activity* at a relatively high growth rates with the main objective to create real and sustainable conditions for the fulfillment of the requirements and expectations of the population at any point in the territory of Serbia;

- *Increase the employment of labor and capital*, which means higher income, higher fiscal revenues, and creating conditions for development of a new culture of life and work and social and economic values;

- *The transition to regular economic activity* (timely payment of obligations, wages, taxes and contributions, and reduction of economic activity in the shadow area) as a first step in developing a new model of economic and social stratification and inequality reduction, development of entrepreneurship and good production of public action (reducing corruption and furthering personal and group interests to the level that characterized the successful small states);

- *Developing a culture of participation in decision-making* in order to minimize the political, economic and social exclusion;

- *Create conditions for strengthening political and economic independence* in order to increase the degree of freedom of the actors in the management decision-making by consensus. At this point, we should mention that the main economic trends of the European Union and the political views of most member states the key factors of fluctuations in economic activity and creating a domestic political climate in Serbia.

However, in such circumstances need to develop some independence as one-sided orientation is no guarantee of long-term protection of national economic interests, especially in terms of the definition of good solutions for balanced spatial development.

The first, *gradually creating the conditions for savings in every space in Serbia as a whole is greater than the investment ( $S > I$ )*; Second, *activation of the third factor in the development of endogenous production function definition*; Third, *increasing the competitiveness of concrete industries, businesses, commercial farms, product and operations*; Fourth, *in order to create conditions for the implementation of these paradigms in the institutional framework for spatial development, key development, economic and social policy (in particular, monetary policy, fiscal policy, market policy, incomes policy and price policy of international economic relations, education policy, technology policy, and regional and local development and economic policy) must be put in place the welfare of faster growth, employment and establishing a balance in foreign economic relations, which until now was not the case.*

#### **IV. 2 The methodology for define the determinants of the institutional framework for managing spatial development**

The methodology for define the determinants of the institutional framework for managing spatial development in the context of these goals, problems, requirements, solutions and paradigms, is defined as a process consisting of activities, or setting the water conditions, which can not be changed, or act competently on what can be controlled. Featured are two main methodological approaches.

One is the definition of the basic domain of the institutional framework for managing spatial development. Reindustrialization may have different meanings in terms of its effects on spatial development. In this case, as a scientifically valid is determined by its treatment as a dynamic process of transition, production and business systems in a way that allows the revitalization of the development function of production sector of tradable goods in terms of open market economy in the sub-regional and local nivoun - generating innovations and their validation of the processes and products in a way that can benefit the innovator, a new value to the user. The task of the institutional framework to initiate, facilitate, encourage or discourage certain forms of evolutionary transition (the sector of production tradable-goods and export business) from the current situation in the future at any point in the national territory.

By combining these settings with the proposed paradigm, we can see that in the forefront of the constitution of an institutional framework for managing spatial development in Serbia, the following phenomena: (1) socio-economic and political structures and mechanisms that regulate the economic and social order, cooperation, and behavior members (in particular, sub-regional and local) community, which is composed of: (2) cognitive, cultural, normative and regulative elements (markets, public regulation, communitarian cooperation, and group and individual initiatives in specific geographical areas), in which the in-cite activities and resources provide stability, giving well-meaning economic and social life, so that (3) operate on several levels, from the world (global) and to a very localized interpersonal relationships.

In the given context, the main task of the institutional framework that usmeravava functioning of four local and/or sub-regional socio-economic (sub) systems:

The first involves a set of resources, institutions and institutional arrangements that encourage and direct the development and improvement of production entrepreneurship and export business;

The second includes a set of resources, institutions and institutional arrangements that encourage and direct the development of professional teams (made up of engineers, economists and lawyers) are able to tackle all the problems and challenges of globalization of business activities;

The third includes a set of resources, institutions and institutional arrangements that encourage and direct the executive and legislative authorities to support development based on increased employment and exports (which in this case, refers primarily to local governments and in-cite the production of public goods and services of public administration for the manufacturing industry, agriculture and export trade);



The fourth involves a set of resources, institutions and institutional arrangements, which are tasked to encourage and direct in-cite the population quality and regular education and life-long learning in order to get and maintain an internationally competitive knowledge and skills;

Another methodological approach is derived from retrospective studies and prognostic determinants constituting the institutional framework for managing spatial development in Serbia. The nature of these paradigms is that the use of his and others' experience is limited.

Take, for example, the second paradigm: the activation of the third factor in the development of endogenous production function defined in a particular space frame. A large number of factors: (1) new socio-economic stratification (in terms of transferring the focus of motivation in-cite population and entrepreneurs to seek new and involvement in the export business), (2) science (in terms of manufacturing innovation to in-cite users in order to create conditions for export to the target segments of European and global markets), (3) education and practical experience, and knowledge creation activities, (4) market (in terms of efficient allocation of factors of production and development of export business projects with high growth potential and profits) and the like. If to know: What are the innovations necessary for the transition to export-oriented development trajectory? – To have s crucial information for the good choice of specific institutional arrangements. What is certainly known, to the innovation-related activities and industries that have been abandoned in a particular area, as well as those that now have priority in other geographical areas, and developed what was needed for their generation and evaluation. On the other hand, there are more or less reliable predictions about innovation with high growth potential and profitability in the near and distant future.

Repercussions on the methodology for define the determinants of the institutional framework for the strategic management of spatial development is the choice between the three approaches.

The first strategy is guided by the constitution of the conscious determinants of the institutional framework based on ex-ante solution set (normative or intended strategy). Problems arise when the future of some of the ex-ante selected institutional arrangements prove to be invalid or ineffective.

The second is based on fine-tuning of certain institutional arrangements liquid needs. He was dominant in Serbia. The basis is the assumption that the future is developed in the present, the precise set of rules tagged with Aquis Communiature and other recommendations and requirements of the Community Institutions of the European Union, and in accordance with that, they can adapt their experiences in the selection of specific solutions and institutional arrangements. The result was imitative constitute the control system of spatial development. Key issues of this election were an unnecessary comment, because they are visible (negative) experiences of Greece, Ireland, Portugal, Spain and Italy.

The third approach can be characterized as a process of growing (proactive and reactive) strategy of institutional development, ie, a strategy that is achieved despite the absence of intent or (creators of institutional reforms and policies for their implementation - author's note). Mainly relying on the new strategy could lead to chaos in the institutionalism of the system for regulation of economic life. The main advantage is that in the case of rational behavior of key actors in the development and management under uncertainty (which is the behavior expected of a leading entrepreneurs and managements of commercial enterprises in a market economy - author's note) occurs unintentional state solution and the spatial structuring of the system of regulation development, which corresponds more to the possibilities and requirements of the population and economic actors.

These three approaches are extreme, and in real situations we can talk about the intended mix, imitative strategies and the growing institutional development (in this case the function of the evolutionary transition to a balanced model of spatial development - author's note). What are their implications?

1. For the institutional arrangements that can be reliably determined or fully managed, should be clearly, accurately and transparently define the content and mechanisms of implementation and, accordingly, constitute an appropriate (sub) structure.

2. For institutional solutions, which can not be reliably determined, the parameters should be defined (for example, requirements for adaptability, flexibility, rigidity, etc.) and, accordingly, constitute a (sub) structure, which will be based on principles of rationality in seeking solution in a volatile and uncertain surrounding to develop its properties, leading to the dynamic context of the implementation strategy of transition from unbalanced to balanced spatial development.

3. In both cases, the function of learning should be incorporated into the corresponding (sub) structures (in terms of ability to teach about itself, to its decision makers to take timely corrective action).

4. In accordance with (1), (2) and (3) establishment of institutional framework for managing spatial development should take place, as the intended combination (pre-formulated) and growing (responsive, adaptive) strategy, which should incorporate elements of imitative strategies, rather all, in terms of creative use of European standards in the concretization of certain institutional solutions or determining the time to approach the reaction.

Key determinants that constitute the institutional framework and its determinants in management of spatial development in Serbia must be defined as a mix of normative and growing strategy. From the point of weak management capacity, it is desirable that the initial parameters of the specific determinants are (largely) normative feature, to the institutional reforms launched in the right direction. The main danger is the tendency of their makers the choice of solutions based on emulation of recent past and present societies and economies on a higher level of development. The probable result is the conversion of specific sub-regions and local communities in the exclusive manufacturer of the goods of low technological complexity and implementers of labor-intensive process in the chain of reproduction of transnational corporations (TNC), multinational enterprises (MNE) and (foreign) macro-clusters. Since Serbia is a very long period of growing uncertainty about the possibility of implementing the recommended scientific concepts of socio-economic development and the site of numerous conflicts between interest groups, realistic solution is to develop the core of this institutional framework follows the concept of the intended strategy, and other parts, the concept of growing strategy.

Glimpse the essence of this approach is an example of the role of the institutional framework in initiating and directing a new production and organizational models of the manufacturing sector of tradable-goods in the regional centers. As noted, one of the key tasks of the new institutional framework is the preparation and implementation of the project establishment and development of poles of generic growth. Development a poles of generic growth, in the next step, the formation of an internationally competent personnel and generating innovation opens the way for the rehabilitation of developmental functions of the corresponding industrial districts and small and medium industrial centers around the child in the domain of export industries of medium and high technology. Cumulatively, thus to open the door for initiate the process of establishment and development (national or regional) multinational enterprises (MNE), transnational corporations (TNC) and the export macro-clusters.

The basis for the development of national network poles of generic growth is a system for higher education in the state (public) ownership, primarily because of the perception that its institutional arrangement and human resource base available to the growing application of the concept of strategy and self-organization in their initiation and implementation. It takes two procedures. The first is the restructuring of the network of colleges at the state universities, to become a strong educational institutions, its colleges should not be beyond the scope of the licenses obtained by the best European standards and the needs of society (in the sense that the state universities enroll only students under clear budget, transparent, precise and verifiable criteria for the structure and numbers, which come from the state and forecast demand for individual occupations on a national labor market strategy and overall socio-economic development). That would be like world-renowned universities, opened a space for greater involvement of college in key Euro-

pean, national, regional and sub-regional projects, relevant for the development of society, economy and, in particular, concrete enterprises in the sector for production of tradable goods. The second is individual, because it is based on the application for conversion of each state university at the center of excellence in education and scientific research.

The basic condition for such a focus is the development of a new dynamic model of college financing. The main objective is to provide revenue from four sources. The first is education funding from the national budget. The second is the funding of scientific research from the national budget. Third are revenues from research and development work for concrete enterprises. Fourth are the other sources, such as ad hoc consulting and other services, including services for lifelong education for works. In the dynamic context in the medium term (three to five years) should be a relationship between first, second and third sources of 1:1:1 or similar depending on the real social need for appropriate staff with higher education and fixed costs for the normal functioning School, which has been entrusted the task to a high standard. Income from the fourth source, should be allocated solely for the advancement of knowledge and skills of the actors teaching and scientific research of their choice. Since it is essential to innovation, versatile ex-ante evaluation, in order to transform the concrete center of excellence in college can be a lengthy, but the implementation must be carried out consistently and patiently in the life of a specific project. The task of the institutional framework is that each state university and college put in a position to independently (on the principle of self-organization) find solutions for the transformation: the determination of enrollment quotas and financing models in a dynamic context in the long term (eight to ten years) between the two evaluations. Numerous private universities should be left free: Will offer at higher education (meaning their automatic transformation into centers of excellence) or lower standards of public sector?

To establish a regional network of poles of generic growth and their role in launching two other primary production and organizational models got full meaning, it is necessary that determinants of the institutional framework for managing spatial development support for these four paradigms for their determination. Neither solving this problem is neither uniquely nor predictable ex-ante, so the exposure, to limit the problem: How to increase the participation of knowledge in the growth and development?

#### **IV. 3 How to increase the participation of knowledge in the growth and development?**

Within the overall limit, which are explicitly confirmed by the appearance of a second wave of financial and economic crisis, reindustrialization as a function of balanced spatial development of Serbia must be based on scientific knowledge. The key factor is, as noted, the formation of regional networks of generic growth function of development and rehabilitation of key industrial district in-cite the development of export industries and businesses in the area of medium and high technology. But it is a necessary but not sufficient condition. To lead to increasing the role of scientific knowledge in generating developmental thrust, institutional arrangements should provide:

- *Improving the innovation system.* At first glance, the current state of innovation systems (structure and organization of education and research, the size and structure of teachers, scientists and researchers, available space and equipment to some extent) is respectable. However, instead of part of businesses, most is in the state property, and with the effectiveness as other state organizations. The institutional arrangements that support this system are far from the ability to provide conditions for a function reindustrialization balanced spatial development. In this context, the innovation system in Serbia, in the strict (scientific) significance of this term does not exist, because where there is no innovation (in terms of bringing benefit to the innovator, a new value to - the author note), there is no innovation system.

- *A support system to entrepreneurs for growth and development.* Instead of financial subsidies for creating new businesses and jobs and funding of current reproduction, reforms should ensure the creation of monetary and fiscal surrounding that will encourage savings at the enterprise level (in terms of increasing the gain in open competition). At the operational level, compa-

nies should be encouraged to independently develop strategies for increasing the efficiency of transfer of knowledge into products and processes through: improving the performance of human capital, good management counseling and various forms of technical assistance in the preparation of new jobs, projects and other initiatives.

- *Improving the knowledge and skills of the population.* Encourage the development of regional networks of gender generic growth under the proposed concept will automatically allow you to everyone who wants to have adequate (intellectual and physical) qualities, acquire knowledge and skill with which it can equally compete in a tough match in the global market managers and professionals. This will be the economic entities in the national labor market to come to appropriate personnel.

- *Increase investment in the sector for manufacturing of tradable goods.* For true meaning of innovation (as the engine of economic growth based on to expand exports and employment) for their economic evaluation is to be needed a efficient system of investment.

- To create conditions for investment growth in the sector for production of tradable goods is necessary to *provide the right mix between investment efficiency and real interest rates.* The interest rate is a monetary instrument, which is not related to the rate of time preference or discount investment. Therefore, the interest rate and the marginal efficiency of investment, is different for the specific enterprises and the economy as a whole. However, dynamically finding a solution to this problem opens the door to activate the third factor in the development of endogenous production function. For this there are no ready recipes, but it is the responsibility of the public factor, as referred by the Central Bank of the basic signal for the formation of market interest rates.

- *New relations between labor and capital.* The relationship between labor and capital in the past two decades has been established in accordance with the wishes of shareholders and management companies, and some key elements of labor relations returned to the end of the nineteenth century (the reduction in real wages, flexible employment, workweek of fifty to sixty hours, to exclude the employees from the enterprise management and the like). Certainly the role of labor in the modern economy is a different, rather than 30, 50 and over year. But the same goes for capital. Thus, both labor and capital waiting arduous and painstaking process of harmonizing the principles of self-organization, in order to activate the third factor in the production function to create conditions for sustainable development propulsive renewal.

## V. Conclusion

Starting from the finding that the successful management of spatial development strategy needs to take reindustrialization of Serbia on the basis of changes in structure of national production-organizational systems taking into account the regional, sub-regional and local specificities, there needs to be relying on their in-cite resources, and creative work potential to make the conditions for their thorough valorization with allocation in sectors, businesses, farms and commercial ventures, which have the greatest chance in the European and global division of labor. For it is necessary to *convert the whole territory of Serbia in a pleasant place for the production entrepreneurs, life and work (especially workers with the highest qualifications and abilities, which should ensure the sustainability of projects and the clustering of development of export medium and high technology industries in the global competition) and private investment in production of tradable-goods.* Requirements for the establishment of institutional framework for managing spatial development of the above concept are in poor condition. In this context, it could be concluded that its constitution can not be implemented in due course. However, it is not impossible as determined by fate.

The main finding of this paper is that the key factors for their implementation is of cultural nature (development of the cultural pattern in which the priorities are: trust, accuracy, giving great importance to entrepreneurship and production work), as a basis for preparing appropriate policies and institutional reforms, their implementation at all levels of spatial organization of Serbia, according to the degree of development of new export business and industry based on

private initiative and funds. Coordinated efforts of the public regulation, the system of production of tradable-goods, innovation system and the education system to achieve excellence, which quickly and directly contribute to improving competitiveness and developing industry and business oriented towards external markets. This means that institutional reforms and policies for their implementation at all levels of spatial organization of Serbia, should be put into operation: (1) limiting the power of distribution-oriented coalitions and fighting corruption in public and corporate regulation, and (2) improve conditions for business and investment in export business, by creating a solid financial infrastructure for the comfort of production entrepreneurship and private investment on the principles of self-organizing and interactive effects of key actors of the industrial, financial and innovation system.

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