

AGRO-INDUSTRIAL REFORMS: NATIONAL PRIORITIES AND EFFICIENCY FACTORS (THE CASE OF SERBIA)

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The newest development trends point to better and more appropriate use of resources and necessary production capacities for the purpose of successful agro-industrial reforms. The reform process within the agro-industrial business is supposed to rescue the country from the trap of medium development dictated by investors. The conducted studies indicate that there is a basis to improve the current state and the future development of agricultural industry in Serbia under the ongoing European integration process. Radical changes in economic and institutional infrastructure towards the agro-industrial sector's competitiveness improvement are the most pressing challenges for regional economic policy makers and actors of transitional macromanagement. Increase of competitiveness will generate a new development potential which would contribute to the overall economic prosperity of the country.

Keywords: agro-industry, agro-industrial reforms, resources, capacities, economic development, Serbia

Introduction

Agro-industrial field is the key sector by gross added value, the number of employees and export volume for Serbian economy. Due to availability of natural resources, well established traditions of diversified farming and geographical proximity of important customers from European and global markets, it would be quite realistic to expect further increase of Serbian agricultural production, income and the related export. But reality is not so bright because the agro-industrial sector is facing the following problems:

- 1) the issue of structural adjustment that requires the selection of economic sectors with higher added value,
- 2) reduction of national employment due to labor and capital saturation,
- 3) long-term decline in production in the once leading agricultural sectors,
- 4) export is traditionally more oriented on less demanding markets, due to several internal and external factors.



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Overall development trends through the processes of globalization and global production systems' transition are speeding up the technological development in terms of greater participation of knowledge in manufacturing and also in competition. This is a complex problem, for public regulation especially. The EU institutions in recent years have launched numerous projects so that to find comprehensive solutions to these numerous challenges. Among them, there are two most important strategies directly related to the re-industrialization process: Lisbon Agenda of March 2000 and Europe 2020.

Although these strategies have their operational grounding, they often produce the opposite effects, especially when it comes to less developed countries such as Serbia. This causes the unregulated market in all segments, inadequate production structure and great lack of both producers and suppliers. Moreover, instability caused by incompetitiveness, corruption as well as the inadequate role of the state threaten Serbian domestic market which is, on the top of everything, small-sized and has low purchasing power (Pejanović, 2013). At the same time, foreign markets are demanding and to conquer them requires long period of time. At the same time, we should keep in mind the absolutely undoubted fact that national economic activity is always developing with positive effects on accelerated growth in agro-industrial sector and very intensive export growth (that accompanies imports increase and disproportionate consumption growth at all levels of consumption).

Therefore, the state should not make concessions to the needs of those national businesses and/or foreign investors who are attracted by cheap labor, but must concentrate on changes in the structure and quality of economic activities in order to contribute to the whole society and national economic development. The populist activities should be avoided.

There are only a few developed countries which are not protecting their markets. The popular thesis that free market is the key precondition for the EU membership is unfounded because the EU members themselves know very well how to protect their economy and many of them do not allow importing raw materials and/or products which are already widely available at domestic market. In addition, it is very important to monitor the arrival of foreign capital into the most important sectors, especially in the agro-industrial one, because the latter has too valuable resources and meaningful for the whole country productive capacity. Today it is most certain that serious checks are needed because servility to a promising foreign investor may have the most damaging consequences. The real practice has confirmed this countless times, and Serbia, sadly, did nothing to correct these most serious and quite visible mistakes. There must be special rules imposed governing the behavior and operations of multinational companies, and they must be made clear that the free market concept does not mean the absence of rules as such (Adzic, 2011; Domazet, 2011).

Serbian agro-industry: prospects for extensive and intensive growth

Taking into account the favorable conditions for Serbia agro-industrial sector development we can also identify the key problems such as unfavorable structure of agricultural holdings, technical and technological backwardness (primarily when it comes to medium and small farms), poor organization in cooperatives etc. However, sufficiently high level of processing in the domestic food industry along with some other favorably contributing factors do not prevent further progress of the sector in question. Currently, the agricultural policy in Serbia does not favor large manufacturers (as opposed to small and

medium ones), except for some privileges when it comes to production in some underdeveloped areas.

The largest number of small and medium-sized farms stimulates mostly extensive production in the country. The average value of agricultural production in 2015 was 5.900 EUR per farm (for reference: in Belgium it is 214.000 EUR per farm, according to the Eurostat). 3.1% of the total number of holdings use land in the amount of more than 20 ha and thus embrace 44% of the utilized agricultural lands. 77% of holdings use land up to 5 ha (and this would be 25.2% of the lands).

Such holdings are too small to be competitive enough, both for direct sale at European markets, as well as for the sale of raw materials with further agro-industrial purposes. An additional limiting factor is the lack of producers' skills and knowledge as reflected in low average yields on these small farms. Deterioration of agricultural cooperatives has been also observed in the previous decades, and this requires more attention to quality and efficiency of operations in such cooperatives.

Thus, in early January 2016 the Law on Cooperatives (OG 112/2015) came into force and resolved the issues of property-legal relations of founders, cooperative assets ownership, as well as management. There is also observed technical and technological backwardness of the agricultural sector overall. The share of irrigated lands is overall quite low (only about 3% of the total utilized agricultural area) and specialization in agricultural production is not sufficiently extensive. The average yield of cereals is also very low (4.8 t per ha, which is twice behind the most successful in this regard Belgium with 9.2 t per ha). This clearly indicates low productivity in the sector overall. The potential of food industry is not sufficiently utilized and if we take into account the strong raw material base ensured by agricultural production, we may conclude that production diversification is insufficiently applied on the national level.

Although some food sectors are highly developed, such as confectionery, juice production etc., and they have quite well established export to the EU, low performance of the food industry overall is an additional limiting factor for the national agricultural production and all related processing chains.

Agriculture in Serbia is well mechanized in terms of number and power of tractors. However, these tractors are mostly used by small and medium-sized holdings, and in many cases they are very much outdated, there is also quite evident lack of other specialized agricultural machines and equipment. Equipment in general is very unevenly distributed in the country, and this distribution is preconditioned primarily by the degree of specialization and size of a particular herd. Large regional differences are also observed.

Incentives for equipment and machinery purchase are widely using in Serbia. Establishment of the related institutional framework includes the Instrument for Pre-Accession Assistance for Rural Development (IPARD) operating structures in accordance with the obligations arising from the sectoral agreements between the European Commission and the Government of the Republic of Serbia (Bogdanović, 2007).

Overall, Serbian agro-industrial sector is technologically outdated with inadequate production programs and without necessary market competitiveness. Low and medium technological intensity groups are dominant in this sector. To these groups belong over 80% of all agro-industrial enterprises, which employ over 80% of all agrarian workers. In the structure of exported goods dominating are also primary products instead of products with

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higher value added. All this indicates that the agro-industrial sector in Serbia has a “bad” structure with predominantly exported goods, therefore, it must be extensively modified.

Unfortunately, today we have only a few national brands that can represent Serbia at European and/or global markets. The most important national brands were destroyed partially or totally, due to the destruction of resources and capacities in the course privatization and due to development strategies of new owners, which were not in accordance with national priorities/interests. The economic and technological decisions which have been already implemented disabled many of the available production capacities and also research development activities. The new agro-industrial systems excluded most of small and medium-sized enterprises from the framework of existing activities related to development and promotion. They are no longer able to cooperate with large industrial systems because they did not improve their businesses or because some of large industrial systems just disappeared.

Primary agricultural production is an important source for the food industry development; however, the latter is also often not qualified enough for the export of final products. In the structure of Serbian national exports, for example, there is no meat and meat products. At the same time, we export corn and import fresh meat instead.

There is no national strategy for agro-industrial sector development, and there is no national strategy for economic/social development as a whole. This is only yet another confirmation that we continually have irresponsible and incompetent governance.

The processing industry is neither revitalized, nor qualified for higher levels of finalization of primary products. The share of industries in GDP has been constantly growing in the recent years, and in 2015 it was 25.7% (which is still insufficient). If we develop the processing industry and employ more skilled workforce, export of agricultural products with a higher degree of processing will therefore significantly increase (potentially, up to 40% of national GDP).

But so far, production is still materially and labor intensive and is very much dependent on foreign technologies’ imports and imitation. Development takes place mostly through foreign direct investments’ attraction, and these foreign investments enter spontaneously, without any selection or state responsibility for their further actions. The biggest part of these investments goes into the productions with low technological intensity which does not contribute to the production of high value added, and this, in turn, means no additional employment for highly educated workforce (Adzic, 2008).

Due to the structural reforms already implemented, employment growth demonstrates some positive trends in the social environment in Serbia. But the labor market is still characterized by a large share of informal employment, high structural unemployment of young people leading to “brain drain”, gender inequality in the labor market and limited resources for active employment policy measures. The current employment rate of the population aged 15 and above is over 45%, according to some estimations.

The number of formal employees has been increasing, but a large number of employees is still under grey economy, more than 600,000 so the rate of informally employed is roughly about 24%. Strong growth in informal employment is mainly the result of greater engagement in seasonal agricultural production. Employment rate for women is still significantly lower than the same rate for men. The employment rate in Serbia is significantly lower than the average of the EU-28. The unemployment has a long-term character because a large number of the unemployed are seeking jobs for more than a year, so the long-term

unemployment rate is about 9%. This long-term unemployment leads to obvious knowledge obsolescence, therefore, the chance to find a new job decreases in proportion to the length of continuing unemployment. In future, this may lead to permanent exclusion from the labor market as such (Kovacevic, 2015).

Solutions and Recommendations

The state must not assign itself to meet the interests of foreign and domestic capital, but to increase the quality of its activities, thus contributing to the development of the society and economy, in the first place. It should ensure the coordination of public and private activities and initiate the process of structural adjustment of the local economy first, and then at the same time expand activities on the regional level. This primarily refers to intensification of investment activities which, inter alia, means entry for new businesses in the form of an integrated package consisting of fresh capital, technologies, quality management, marketing, organized knowledge and additional training of the labor force as a function of exploiting the market potentials in the nearer and further environment. This would also include public intervention to resolve the problems related to current sustainable development in the framework of the agro-industrial complex, including the development of:

- new small and medium-sized manufacturing enterprises and larger craft workshops oriented on the dynamic segments of national market and markets in the nearer environment,
- available local productive capital, especially that related to production infrastructure, resources and most propulsive activities of the agro-industrial sector,
- the projects aimed at revitalization and modernization of national capacities, in order to put them in full compliance with potential production placement investments.

European countries strictly ensure that all sectors are subsidized according to their needs and interests of the national economy, while in Serbia, for several decades, it has been done voluntarily from case to case and on the basis of flat-rate assessment of the current Ministers, without any changes. In the competitiveness rankings, Serbia in 2015 moved from the 101st to the 76th place, and this can be interpreted as the result of macroeconomic reforms (EUROSTAT, 2013). In any case, this is good for the country since we managed to reduce the budget deficit, stopped the growth of public debt, and also significantly improved the business environment for foreign investors. This indicates that there is no progress in any activity also not in the agro-industrial complex without quality education, application of modern technologies and constant modernization of production. The fact that we are currently at the phase of significant industrial revolution - caused by scientific inventions in information technologies - directs and compels us to invest more in education and science. However, this is not so common in real practice. Funds assigned from the budget for this purpose are still at the level of statistical error. Moreover, very much unreasonable and unclear phenomena are occurring now in Serbian economy:

- still ongoing is the sale of the remaining state-owned enterprises;
- quite significant are the sales of natural resources such as land, water sources etc.;
- companies remaining in the public sector are not restructured;
- public administration is not yet reformed and/or rationalized;

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- banking and financial markets are not “decolonized”. Foreign banks continue to exploit the real sector and Serbian citizens;
- adequate measures are yet to be taken to stop the import of shoddy goods and goods with the forthcoming expiration date which endanger the health of citizens and thus increase the costs of healthcare and social insurance;
- nothing meaningful has been done so far to encourage domestic trade so that to adjust to the business conditions of foreign chains that are subsidized by their governments;
- there are no incentives provided to open retail centers at other foreign markets in order to increase exports and boost sales of domestic goods.

Thus, it can be seen that nothing has been done so far to revitalize the existing agro-industry, despite the country’s possession of very significant resources and capacities. The army of unemployed, who have not not find opportunities for a job under the current manufacturing conditions, continue to live in despair and hopes for a better life. Young and better educated will continue to emigrate looking for better chance, and thus contributing to building other economies. If today’s macroeconomic, agro-industrial and sociological policies continue, Serbia will rapidly regress, both demographically and economically. And this would be not the consequence of the global economic crisis, but only the result of own ignorance and irresponsibility. Our acting Prime Minister is quite aware of this, and thus we hope that the results will not fail as already indicated, for example by the rate of economic growth of 2.8% during 2016.

A new concept of industrial development must be elaborated, diametrically different from the concept that has applied so far. The new concept for the agro-industrial sector development specifically should be based on:

- a new development strategy;
- a new organizational form for the sector;
- new initiatives for cooperation of private and public capital, with responsibilities based on the market economy principles;
- technologically advanced, environmentally responsible and energy-efficient agro-industrial production;
- rational distribution of state incentives.

In order to realize this concept of agro-industry development the following mechanisms and objectives should be taken into account (presented in Table 1).

Measures for the objectives and mechanisms of the agro-industrial policy presented in Table 1 are listed further in Table 2.

If the capacities get upgraded and adapted to new needs and requirements of the new industrial revolution, Serbia's GDP will significantly increase accompanied by the economic growth rate of about 4%.

Implementation of structural reforms started with harmonization of key legislation, i.e. adoption and revising the four key laws in the areas of standardization, accreditation, metrology and technical requirements for products. This implementation is being carried out through three measures:

- harmonization of legislation with the EU – over 75% of acts for regulations in different areas are already harmonized by now;

- regulation of not harmonized areas;
- intensity of regulations' harmonization and guaranteeing enough capacity for preparation and application of technical regulations in the relevant ministries so that there are no potential risks to the proper implementation of structural reforms.

Table 1 - Objectives and mechanisms of agro-industrial policies
in the process of structural adjustment
(author's proposition)

	Mechanisms for realization of the projected goals of the agro-industrial policy	Objectives of agro-industrial policy
1	Decommissioning of the existing organizational structure	Development of new microorganizational structure
2	Assigning the key enterprises with the status of natural monopolies and transnational business philosophy	
3	Development of micro and small enterprises and larger craft workshops	
4	Restructuring of management	Restructuring of internal organization
5	Companies' massive abandoning the unprofitable programs, secondary and tertiary importance operating activities	
6	Reduction of unemployment	
7	Development of new cooperation models for further production	
8	Development of newer marketing tools, technological and financial engineering	Creating comparative advantages in order to reduce costs, increase product quality and work processes in parallel to conversion of production programs
9	Creating conditions for registration and operation of transnational corporations	
10	Establishment and development of export-oriented reproduction complexes	
11	Technical and financial assistance for the reconstruction of the quality assurance system and collection and processing of information from the target segments of the world market	
12	Development of new models for cooperation between the agroindustrial sector and the local universities	
13	Encouragement of joint ventures and other forms of long-term agro-industrial cooperation with foreign companies	
14	"Balance cleaning" and other forms of fiscal relief for companies	Financial rehabilitation
15	Development of specialized infrastructure for better financing of the agro-industry	

Implementation of the listed measures (Table 1) will directly contribute to the formation of better conditions for safe and better quality national products, thus increasing domestic agro-industrial sector's competitiveness in parallel to reducing the costs of testing and certification, improving control, legal framework and technical regulations in full compliance with the EU market requirements. At the same time, implementation of these structural reforms will provide higher levels of protection, security and healthcare due to the use of safer and better-quality products, property protection, wiser environmental protection and compliance with other public interests.

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The expected reform of the agro-industrial sector will lead to employment increase due to new jobs' creation at existing employers and also due to own businesses' more launches as well as increased demand for different forms of self-employment financing, stimulation of demand for labor also can be predicted in this case. Increasing innovative capacities through acquisition of new managerial, organizational and other skills, especially among young people, may lead to more innovative products' creation and quicker development of entrepreneurship with technical support on the side of business incubators.

Serbia today is trapped in a vicious circle of poverty due to its inadequate economic reforms. Reforms already carried out in the agro-industrial sector demonstrate the positive effects but they could be much higher provided the outflow of skilled personnel in limited while more productive investments are attracted so that to organize better the production capacities, especially when it comes to high-tech jobs with a large share of added value. Such production program would cause an output increase through larger export of high-quality products which are in demand at primarily domestic but also regional and world markets.

The strategic objective for better use of available resources and newly built capacities in the agro-industrial sector should be based on the employment of those human resources which are (through their education and professional inclinations) more oriented on reaffirmation and improvement of competitiveness. Mobilization of their knowledge and experience with the help of new technical means and latest technologies would lead to more dynamic economic development, stimulation of export, and increases in both GDP and standards of living for all citizens. Later on, increased social mobility will encourage the development of tertiary services, science and technologies in parallel to rising educational and cultural levels of society's development.

In addition to these strategic goals these newly changed circumstances should also promote the application of modern technologies at the higher stages of product finalization with higher added value in environmentally responsible and energy-efficient programs, which must rest on domestic raw and semi-finished materials as well as on export programs.

The question that arises and that requires a rational answer is: which branches will we develop taking into account the listed priorities. For sure, we have rarely great resources that represent a huge potential for further development of Serbian agro-industrial sector. We have rich resources in agriculture overall, starting from arable lands of excellent quality. But the question arising here is: did we manage to direct, through these newer economic policies, continuously and rationally the balanced development of primary production in farming, fruit-growing, viticulture and horticulture as well as in livestock farming, poultry farming and fisheries?

Primary production in these sectors should form the basis for further efficient and competitive development of the processing industries which must become an imperative for liberation from the centuries of poverty. Development of such a progressive agro-industrial

sector, with medium and high level of technological intensity, should be the obligation of every policy, no matter who shapes it.

Already available are the saving programs, technical and technological projects as well as human resources with higher education that makes it possible to invest all these resources into the production of new values with a much higher added value. The latter, in its turn, has a large economic multiplier power and significant cooperative potential for all related branches, it is also able to provide better market opportunities taking into account the latest geoeconomic trends.

According to the knowledge economy principles, priority should be given to:

- education, which means that all educating programs should be adapted to the needs of education institution operating in the agro-industry;
- infrastructure, which means that necessary information resources, accommodation and other infrastructure facilities must be provided in order to develop faster the core activities;
- the overall national development must proceed in the context of the world economy trends and newest geopolitical and geoeconomic changes.

Contents of the actions within such a complex of issues depends on finding the right answers to the question: how to create better conditions for financing the development of own funds' accumulation, rather than taking credits from foreign banks, or the IMF, or the World Bank, as it is happening now. This own accumulation can be provided only by increasing the production for domestic market and exports under constant reduction in trade deficit. Progress in foreign trade, namely in export, requires harmonization of production with international standards of quality and further diversification of export options as well as greater orientation of producers on customers' requirements and needs. Export growth and the scope of foreign trade exchange are not always accompanied by the improvement of the export structure, which is a big problem. Expansion of export can be explained by the effects from privatization and restructuring of enterprises, signing and ratifying free trade agreements etc. For the realization of such production necessary would be coordination of institutional and corporate reforms that both contribute to the development of better business environment, namely, generation and valorization of microinnovations with constant improvement of public and corporate governance, especially when it comes to export business networks. Business processes must be complemented by the created better conditions for greater participation along with securing consensus between economic, social and political partners in the chain of reproduction with transparent professionalization and decentralization of public regulation functions (Adzic, 2008).

Another significant factor of influence would be improving the rank of Serbia in the World Bank's "Doing Business". Back in 2016 Serbia was 54th in terms of general business conditions among the 190 countries assessed that year. Serbia has demonstrated some progress according to the Global Competitiveness Index (GCI), in which, again in 2016, it was ranked 90th in the list of 138 countries (Cvijanović et al., 2012). The kitof priority reforms must include the package of measures to improve access to finance for small and

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medium enterprises. Improving the predictability of business environment for small and medium enterprises through various supporting programs will result in establishment of more new enterprises, modernization of the already existing facilities, improvement of production processes, and eventually – higher product and service quality.

Taking these priorities into account, future research must be based on the following priority sectoral reforms (see Table 2).

The defined here objectives are predetermined by the necessity for compliance with the new concepts of agro-industrial development and agro-industrial policy along with the accompanying internal and external challenges, including:

- high-tech production with higher level of added value for both local and global markets;
- greater efficiency of the agro-industrial sector as well as higher level of competitiveness;
- providing stable income and significant profits of all the actors involved in agro-industrial production;
- realization of economic, environmental, climatic, social objectives of sustainable development with significant multifunctionality of the sectors taking into account the complex structure of the global economy and the global agricultural industry, new models of structural adjustment, new ways of labor division, newer resource and economic development factors.

The reforms should not be too broad since their key purpose is to identify concrete priorities and then focus the efforts according to these priorities. Considering the limited number of reforms that can be securely implemented and have further useful effects requires a range of measure to narrow the scope actions to be implemented in this highly specific sector. However, this description of measures should always explain the upcoming activities, for example, amendments in legal frameworks, (re)training of employees for better implementation of the suggested reforms etc.

The key risk here is the lack of political support in the course of agro-industrial reforms' implementation. Other related risks also include:

- untimely provision of financial resources necessary for production restructuring,
- untimely provision of financial resources for workforce restructuring at newer companies,
- untimely resolution of property and other legal issues,
- untimely scheduling of liabilities and claims,
- inadequate spotting of unnecessary resource waste,
- poor detection of opportunities for improving the quality of services provided by these companies.

Table 2 - Summary of top priority reforms
(author's own proposition)

#	Field and economic systemic reforms	Recommendations	Reference documents
SECTORAL DEVELOPMENT			
1	Development of the agricultural sector		
	Improvement of competitiveness and of the overall position of agricultural holdings	Adjusting the volume of subsidies per ha to the total number of applications that have been submitted	Law on Agriculture and Rural Development; Strategy of agricultural and rural development in RS 2014–2024; National Agricultural Program 2016-2020; National Program for Rural Development 2016-2020
2	Development of the industrial sector		
	Raising the competitiveness of the processing industry. Prioritization of industrial sectors with the greatest potential for growth and development, making action plans for the priority industrial sectors	Improving the business environment and encouraging more private investments. Taking more efforts to improve the predictability of business environment and MSP support program, with an emphasis on reducing the cost of access to finance.	Industry Development Strategy and Policy of RS 2011-2020
DEVELOPMENT OF THE SERVICE SECTOR			
3	Business environment and reduction of the “gray economy” share		
	Package of measures to improve access to finance for MSPP. Improving the quality of banking sector offers, development of new financial instruments, as well as enhancing the readiness of MSPP to access various alternative financial resources	Introducing a new program with guarantees for loans to small and medium-sized enterprises. Regulating and reducing the para-fiscal charges, particularly for MSP. Enhancing the predictability of business environment and MSP support programs, with a special emphasis on reducing the cost of access to finance.	Strategy for supporting the development of small and medium enterprises, entrepreneurship and competitiveness for the period of 2015-2020
4	Innovations		
	Program to support innovations and technological development in both public and private sectors. Support for innovative and technological projects in scientific-research organizations and private sector in general	Adopting an action plan to implement the strategy and also a road map on further development of scientific and research infrastructure so that to encourage the cooperation between the industrial and academia and to increase the inflow of investments into the research field	Strategy of scientific and technological development of RS, 2016-2020

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5	Foreign trade and investment incentives		
	Improvement of the national system of quality infrastructure. Achieving high level of development of the key elements in the system of quality infrastructure: metrology, standardizations, accreditation and conformity assessment; effective implementation of legislation related to free movement of goods	Providing further harmonization of sectoral legislation so that to ensure better application of technical requirements and standards. Strengthening the administrative capacity to perform market surveillance. Ensuring adequate administrative and supervisory capacities in order to realized the EU regulation on registration, evaluation, authorization and chemicals restriction (REACH). Strengthening the capacity to control the exports of dual-use goods	Strategy for the improvement of quality infrastructure for the period of 2015-2020
6	Education and skills		
	Qualifications oriented on the needs of the local labor market	Continuing the implementation of the Action plan for education reform in accordance with local needs	Strategy for the development of education 2020
7	Employment and labor market		
	Improving the effectiveness of active employment policy measures with a particular focus on young people, surpluses and fighting long-term unemployment	Improving the implementation of targeted AEP (active employment policies) measures, in particular those which allow the reintegration of workers who are declared as surplus in resolving various issues of state enterprises and rationalization of state administration	National employment strategy for the period of 2011-2020. Employment and social reform program
8	Social inclusion, poverty reduction and equal opportunities' provision		
	Improving adequacy, quality and social protection targeting. Increasing the adequacy of cash benefits and improving the availability and quality of social protection through changes in legislation	Provision of financial and institutional resources for social policy so that to guide more systematically the young and those who are long-term unemployed. Increasing the efficiency of social benefits for people below the poverty line. Sustainable institutional setting for promoting gender equality.	Law on Social Protection, Employment and social reform program.

Effects from these reforms will be reflected in the reduction of number of workers employed in “gray economy” and better functioning of the labor market due to much better control and better coordinated work of inspections, more efficient monitoring of employment contracts’ compliance and rights of workers. This would be achievable through increasing

the general efficiency level of labor inspectors' work as well as through prevention of their corruptive behavior in parallel to increasing these inspectors' education level.

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