

## Clusters and Republic of Serbia Local Economic Development Strategy – World and European Tendencies

(“Republic of Serbia Official Gazette" nr. 21/ 2007 )

Local Economic Development Strategy of Republic of Serbia till 2012 represents the first strategic regional development document that completely defines the basic development priorities of the regional country development and the ways of their implementation. What is interesting for us is the participation of clusters in its making and success analysis.

The Strategy indicates the insufficient regional networking of the enterprises - meaning clusters, incubator centres and technological parks. The undeveloped system of business networking through clusters, business – technological incubators and technological parks, representing the base for regional policies of all the developed countries is one of the causes of inadequate competitiveness of SMEs and extreme regional disproportions. The basic motives for State engagement in this area are extreme intra and inter-regional differences standing in the way of development, and they initiate the population migrations – large, strategically important areas remain without inhabitants and their resources unused.

Stimulation of the equal regional development of Republic of Serbia consists of:

- 1) Regional competitiveness improvement;
- 2) Regional disproportion and poverty reduction, and
- 3) Regional institutional infrastructure building.

### SWOT analysis

This analysis specifies the advantages and disadvantages of the Republic of Serbia regional development. We will pay attention to the very encouraging advantages which are:

- 1) Unused natural potentials valorisation (good natural, geographic and traffic position and rich potentials of wood, mountain and water complexes);
- 2) Agricultural resources;
- 3) European tendencies for Serbia to develop traffic on the pan-European corridors VII and H (Danube river, multi-modal South-East traffic axis construction);
- 4) developed regional traffic and energy infrastructure;
- 5) Macroeconomic stability;
- 6) Inexpensive labour, even comparing to neighbouring countries;
- 7) Improved investment climate;
- 8) Increased number of employees in private sector;
- 9) Regional tourism potential;
- 10) Free trade zone with South-East Europe countries (CEFTA);
- 11) Implemented donor projects of regional and local development;
- 12) Shift of the population structure toward higher education levels;
- 13) Staff potential (young educated unemployed staff);
- 14) Developed regional network of institutions of secondary and university level education;
- 15) High number of university graduates per year (about 20,000) out of which one fifth are technical faculties graduates;
- 16) Multicultural environment;
- 17) Networks of institutions (schools, cultural, health and social institutions) adjusted to population needs;
- 18) Regional potential in the protected environments;
- 19) Numerous institutional ecological mechanisms adopted;
- 20) Regional and local urban plans adopted;
- 21) International cooperation of local institutions;
- 22) New regional incentive mechanisms adopted;

- 23) Very long experience of Republic of Serbia Development Fund in financing the regional development projects
- 24) Entrepreneurial local governments development;
- 25) public-private partnership.

### Clusters and Industrial Policy

In the area of industrial policy, the development objectives are aiming at the clusters, industrial parks and zones development incentives. Concerning the entrepreneurship development policy, Strategy indicates the inadequate horizontal and vertical connections of enterprises - clusters, incubator centres and technological parks. Republic of Serbia Government partially supported the financing of clusters in car industry, plastic and rubber industry, small farming equipment production, wood and software industries in 2005 and 2006, whereas donors supported the clusters in furniture production, fruit, vegetables and textile industries. After that there were activities related to forming of cluster in the areas of electronics, mechanical engineering, vine industry, tourism and business incubator centres in Nis, Knjazevac, Vranje, etc.

Objectives of dispersive development and forming of a strong, export-oriented and competitive SME sector, aimed at regional disproportions decrease, are:

- 1) Dynamic regional economic growth and development with special attention paid to new jobs creation in the private sector;
- 2) Better economic ties among regions through clusters and networking of companies, creation of business – technologic incubators and scientific – technologic parks in University centres;
- 3) Social tensions reduction (increase of employment rate and improvement of qualification structure).

Measures and activities of a special importance for a more equal SMEs sector regional development are the ones for cluster, industrial and technological parks development.

### Clusters in Tourism

This Strategy reflects an important role of clusters in tourism, too, as they should contribute to identification of the internationally competitive touristic product of each separate region. There are four basic tourism clusters: AP Vojvodina, Belgrade region, West and East Serbia.

The Law on Tourism states that the Agency for Development of Tourism should be established in order to perform authorised development and expert activities related to tourism planning and development, and it would have an essential role in the improved competitiveness of tourism clusters.

### Action Plan

As far as the local authorities role in the regional development is concerned, one of the key activities set by the Strategy is the cluster development promotion that is – as we can proudly notice – efficiently and persistently carried out through LEDIB Programme activities in Nisava District.

All the above mentioned was incorporated into the Action Plan that envisions the equal regional presentations of cluster development, their mapping, as well as the regional agencies education programmes in order to provide services to clusters. As far as tourism is concerned, tourism clusters should be formed and promoted, and basic, competitive products of clusters should be identified in order to present them at the world market.

This Strategy represents a step forward for initiating the establishment and development of clusters, based on the Regional Development Law. It marks the clear decision of the Government for further institutional profiling and encouragement of the cluster expansion, according to European and world-wide development tendencies.