

POSSIBLE DIRECTIONS OF CHANGE OF KEY SEGMENTS OF THE ECONOMIC REGULATORY FRAMEWORK IN SERBIA

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ABSTRACT

The paper first analyzes the institutional framework of the economy and public finances in Serbia, with particular reference to the treatment of the SME sector and entrepreneurs, foreign investors and the digital (IT) infrastructure. A special part of the paper deals with the dynamics of accession to the European Union of some countries that are now members of this integration, as well as with the process of Serbia's membership, since it is considered that this process is the key determinant of the institutional conditions for our country. The third part deals with the treatment of public finances in the Constitutions of the selected EU Member States.

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1. INTRODUCTION

The Republic of Serbia is in the process of implementing comprehensive reforms in almost all relevant areas. Institutional reforms are one of the most important segments along the way. This is because they determine the quality of management. The following dimensions are at stake: participation and accountability, political stability, government effectiveness, the quality of the regulatory framework, the rule of law and the control of corruption.

The current state and basic directions of institutional activity must focus on these six issues, since this is how the development results of our society and economy are significantly determined. In this regard, at least a few important aspects that are primarily related to constitutional presumptions, our membership in the European Union and the coverage of economy and public finances in the documents of selected EU member states should be considered.

2. INSTITUTIONAL FRAMEWORKS OF THE ECONOMY AND PUBLIC FINANCE IN SERBIA

The institutional and legal prerequisites of each state are defined by its highest legal act, that is, the Constitution, which establishes the principles and regulates the basic political, economic and social relations in the country, the obligations, rights and freedoms of citizens, and especially the basic organization of the state and the decisions-making process in its highest organs. Serbia adopted its first Constitution on 15th February 1835. With this first (so-called Sretenje Constitution) constitution, the tracing of the road of the state of Serbia began. After numerous side-tracks, it finally reached its last, seventh constitution, adopted via referendum on 28th and 29th October 2006. As a principality it had 3 constitutions (1835, 1838, 1869), as much as it did as a kingdom (1888, 1901, 1903), and one as a republic (2006). From 1918 to 2006, the constitutional development of Serbia was inseparable from the history of the constitutionality of the Yugoslav state, which changed its name several times (Kingdom of Serbs, Croats and Slovenes, Kingdom of Yugoslavia, Democratic Federative Yugoslavia, Federal People's Republic of Yugoslavia, Socialist Federal Republic of Yugoslavia, Federal Republic of Yugoslavia, State Union of Serbia and Montenegro). However, the very first constitution of Serbia (1835) proclaimed that the property of every Serb was "in any way inviolable ...", while its most advanced constitution (1888) stated that the property was "inviolable no matter what its nature is."

In March 2007, the European Commission for Democratization through Law (better known as the Venice Commission) adopted the Opinion on the Serbian Constitution and assessed that our new constitution met European standards in many respects, but that there were still provisions that were not in accordance with them. As a positive element, this commission particularly emphasizes the possibility of functioning of the government parliamentary system and human and minority rights and freedoms, while regarding the judiciary and the courts, it is necessary to amend the relevant constitutional provisions since there is a possibility of party interference (and even control) in these important areas of social regulation. The Venice Commission is also skeptical of the rules on territorial organization, as it regards them as complicated and vague but not irreparable.

The third part of the Constitution of the Republic of Serbia deals with the economic organization and public finances of our country. Our economic regulation rests on a market economy, an open and free market, the freedom of entrepreneurship, the independence of economic operators and the equality of private ownership and other property forms. The economic structure of Serbia starts from the uniqueness of the economic space with the single market of goods, la-

bor, capital and services and implies harmonization of the influence of the market economy on the social and economic position of employees through social dialogue between trade unions and employers. Some restrictions on entrepreneurial freedoms can only occur in the case of threats to human health, environment, natural resources and security. The rights acquired by investing capital cannot be diminished, nor can free competition be restricted by creating a monopoly position or a dominant position, while foreigners are subject to national treatment, i.e. they are on a par with the domestic market. Foreigners can own real estate, have the right to concessions on natural resources and goods of general interest.

The existing social property is transformed into private ownership, while the co-operative and public ownership are guaranteed. Public property is defined as state ownership, property of an autonomous province and property of a local government unit. State property includes natural resources, goods of general interest and resources used by state bodies. Legal and natural persons are allowed to acquire individual rights to certain goods in general use, while natural resources are used under appropriate legal conditions. The use and disposal of private agricultural, forestry and urban construction land is free, unless there is a danger of harming the environment or endangering the rights and legal interests of others. Natural rarities and scientific, cultural and historical heritage are of general interest and the Republic, autonomous provinces and local self-government units have a special responsibility for their conservation. The constitutional foundations of Serbia's economic structure also provide the protection of consumers' health, safety and privacy. In particular, dishonest market transactions are prohibited.

Financing of state competencies is realized through taxes and other public revenues. The economic power of the taxpayer is a criterion for paying taxes and other duties. All revenues and expenditures financed by state competencies are presented in the republic, provincial and local budgets. *State Audit Institution* (DRI) controls the budget execution at all levels. In addition, it gives an opinion on the draft budget statement for consideration by the National Assembly of Serbia. The Republic, autonomous provincial and local self-government units may be indebted, if necessary for the effective conduct of their competences. The harmonization of development, even sustainable regional development, is a competence for the Republic. The National Bank of Serbia, as the central bank of our country, is independent in the performance of its functions. The highest state body of audit of public funds in our country is the State Audit Institution, which is independent in its activities.

The no-conflict-of-interest clause stipulates that no one may perform public or state functions that conflict with his or her other competences, affairs and private interests.

One of the fundamental transitional laws in Serbia was the Privatization Law of 2001. Its main feature is basing privatization on the sales method. Namely, 70% of the social (or state) capital of the company is sold and the rest is distributed free of charge to employees and/or all citizens. The shares of socially-owned (or state-owned) enterprises are sold through an auction (public bidding) or through tenders (competitive bidding). The tendency is to reach strategic investors in this way, who will own a controlling stake and have the interest and ability to control the management and ensure good corporate governance. By the beginning of June 2013, 2,364 companies were privatized, from which it could be expected that the privatization was mostly completed. However, more than a quarter of privatization contracts were broken, and a process of reviewing the privatization of 24 large companies (which the EU also insists on) was conducted. At the same time, great efforts have been made to complete the restructuring process in 179 companies. From the aforementioned, it follows that the current privatization process has not been in line with the needs of the efficient conduct of overall transition processes. It should be borne in mind that successful privatization is, as a rule, the mainstay of transition.

In mid-2014, the list of non-privatized companies included 161 restructuring companies and 423 firms. Expenditures for publicly owned enterprises, local and national, excluding the Agency listed companies, were approximately \$750 million annually. The existing list of privatized companies is characterized by their significantly worse characteristics than in 2001, when the implementation of the previous law began. The analysis of privatized entities included in the list of the Privatization Agency showed that the models and methods of privatization applied in the previous period (according to the previous Law and by-laws) were outdated and inapplicable. Therefore, it was necessary to pass a new privatization law, which was adopted in mid-2014.¹

The new Privatization Law makes a clear distinction between companies that can find a future owner and continue their business and those that cannot be sold through privatization and that will be able to return their resources to cash flows through bankruptcy. In this way, privatization occurs as a change of ownership of the capital and property of legal entities operating with social and public capital. Models of privatization are: capital sales, asset sales, transfer of capital without compensation and strategic partnership. The method of selling capital and prop-

¹ See more: [Albaneze, Ž., \(2014\).](#)

erty is public bidding. Methods of privatization through the transfer of capital without compensation include transfers to employees and transfers to strategic investors. The method of privatization through strategic partnership refers to public bidding. In the process of privatization, a combination of multiple privatization methods and models can be applied in order to implement them more effectively. In fact, the new privatization law set a deadline for completion of the privatization of social capital which was the end of 2015. The idea of this privatization law is to apply the established methods, models and measures only to companies with sustainable business. In this regard, another business sustainability assessment is being conducted, which, with information and a letter of intent from potential investors, will be the basis for deciding on a model, method and measure for companies with sustainable operations. For companies that have been assessed as unsustainable, it is foreseen that a bankruptcy petition can be filed to resolve their status as soon as possible.

Small and Medium-Sized Enterprises and Entrepreneurs (SMEs) in Serbia operate in a business environment that is in the development phase and is constantly recording progress in the field of regulation and business conditions in the country. One step along the way were the new issues passed by the Companies Act of 2012 (also held in the new Companies Act²), which ensured the improvement of the business environment in the Republic of Serbia: the reorganization of management bodies and the establishment of a unicameral or bicameral management system, which was prescribed to reduce the financial contribution for the establishment of a limited liability company (to 100 RSD). In order to continue further development and improvement, the following laws were also enacted: the Law on Amendments to the Bankruptcy Law, the Law on Amendments to the Labor Law, the Law on Privatization, the Law on Amendments to the Planning and Construction Act.

Within the framework of establishing a legal framework that encourages the development of MESP, the activities of “Comprehensive Regulatory Reform” are foreseen and implemented, but not fully. Progress has been also made on the implementation of the Regulatory Impact Analysis. A number of existing laws have been amended and new laws have been adopted to improve the business environment, such as: the Law on Deadlines for Settlement of Financial Liabilities in Commercial Transactions, the Law on Audit, the Law on Accounting, the Law on Factoring, and the Law on Amendments to the Law on Tax Procedure and Tax Administration³.

² [The Law on Enterprises {Zakon o privrednim društvima \(“Sl. Glasnik RS”, 6p. 36/2011, 99/2011, 83/2014; “Sl. Glasnik RS”, 6p. 5/2015, 44/2018, 95/2018\)}](#).

³ [Vlada Republike Srbije \(2015\), p. 8.](#)

Free pricing of goods and services with the direct price control of strategic products and foreign trade liberalization is a confirmation of our country's market orientation. Foreign trade is quite liberalized, and exports and imports of goods and services are largely free. The regime of export-import contingents and licenses was abolished, as well as a differentiated system of customs protection, whose main task was to eliminate or mitigate price disparities. Our foreign trade system enables us to operate in free customs zones, similar to the European free zones. The area of foreign trade and foreign exchange is regulated by the Law on Foreign Currency Trade, the Law on Foreign Credits, the Law on Foreign Trade, the Customs Law, the Law on Customs Tariff, the Law on Free Zones, the Law on Tax system and the Law on Standardization.

By reducing the average tax burden and distributing tax liabilities more evenly, taxpayer coverage is widening, contributing to a real increase in public revenue and reducing the so-called tax burden, putting the gray economy into more bearable frames. A sustainable non-inflation funded budget deficit is recorded. The second phase of the reform of the public revenue system has begun, as well as changes to the budgetary procedure, taxation and tax administration procedures, which should ensure more efficient collection and rational use of public revenues. The Law on Value Added Tax and the introduction of a tax register were expected to be and generally are an effective counterbalance to illegal business.

The functioning of the financial market is institutionally regulated by determining the terms and the manner of issuing securities and their trading on stock exchanges. Secondary capital markets are traded mainly by banks, while a smaller number of companies market their shares. The money market is there to conduct short-term cash transactions.

Appropriate **antitrust laws** have also come into force, which comprehensively regulate the rules of antitrust behavior, thus enabling the application of a constitutional principle that prohibits all acts and actions which create or promote a monopoly position, i.e. restrict the market in any way.

The business operations of foreign persons in the Republic of Serbia are regulated, first of all, by the Law on Foreign Investments, the Law on Companies and the Law on Concessions. These legal regulations are very much in line with European standards and enable foreigners to carry out various business operations. Foreigners can set up their own businesses or special-purpose businesses, buy local businesses, invest with local entities in joint ventures, buy domestic companies' shares, convert receivables and investments into a permanent domestic investment businesses, use concessions and BOT⁴ (build, manage, use

⁴ English abbreviation (BOT – *build, operate and transfer*)

and transfer facilities, plants or facilities) arrangements, may establish branches and representative offices, banks, property and personal insurance organizations, audit firms, as well as establish companies in free zones⁵.

Serbia is working on creating a supportive institutional environment for foreign investment. In fact, foreign investors are treated equally in business, provided that there is free transfer of invested capital and profits, tax incentives, professional workforce, and access to banks, stock exchanges, securities business, free zones, etc.⁶ International agreements on the prohibition of double taxation, which our country has signed with a number of developed and other countries, are particularly important for attracting foreign capital from private sources.

In the case of Serbia, there is an effort to align the regulatory-political framework with the European Union⁷ as much as possible. In terms of legal solutions, Serbia has made some efforts in the previous period: the Draft Law on Amendments to the Law on Information Security has been done, amendments to the Law on Data Confidentiality and the Law on Personal Data Protection, as well as amendments to the Criminal Code and Criminal Procedures are planned. The Law on Critical Infrastructure was adopted, and it is indirectly important for the implementation of other laws in the field. **Information Security Law** is the umbrella law governing this area and defining risk protection measures, liability of legal entities and competent authorities. This law stipulates that operators of information and communication systems of particular importance must adopt an act that would provide clear safeguards, control over the information and communication system and the appointment of people to perform these tasks. In order to comply with EU regulations, it is also prescribed to establish a National Center for Security Risk Prevention (National CERT), as well as other similar centers

⁵ For more detailed legal regulations see the following address: <https://www.slglasnik.com/pravna-biblioteka/edicija-zakoni-i-propisi> (accessed: November 2019)

⁶ Foreign investors may have gained a somewhat privileged status: Foreign investors have so far received EUR 443 million in subsidies, an average of EUR 6,795 per job created. Considering that a quarter of investments are subsidies, the question remains what the Republic of Serbia receives from this. In the period from 2006 to 2016, EUR 501.8 million were spent from the budget on incentives, 90% of which were received by foreigners. In addition, 314 incentive contracts were signed - 149 with domestic and 165 with foreign investors. Most contracts were terminated with domestic companies (83), and 16 contracts were terminated with foreign companies. Most often incentives are directed towards the products of low complexity, low added value and with high involvement of manual labor of low skilled workers. Therefore, there is no significant effect of the spillover of value and the involvement of local suppliers in the production chain. Out of 188 subsidized projects of manufacturing industry, only 4 were related to the field of high technology. See more in: [Filipović M., Nikolić M. \(2017\), p. 161-162.](#)

⁷ See more at: http://www.mei.gov.rs/upload/documents/eu_dokumenta/godisnji_izvestaji_ek_o_napretku/20190529-serbia-report_SR_-_REVIDIRANO.pdf

of the republic authorities and enterprises. This Law also requires the creation of the Body for Coordination of Information Security Affairs, with the option of creating expert subgroups that would also include representatives of other public bodies, businesses, academia and the community.

The whole process of harmonization should be aimed at eliminating all the inconsistencies and shortcomings in the legal regulation of cybersecurity, as well as truly understanding the benefits of fully aligning with the existing principles, standards and practices, primarily within the European Union. This first implies harmonization with the EU **Directive on Attacks on Information Systems**, which was also taken into account in the latest already mentioned Government strategic documents. The legal solutions prescribed by the **Network and Information Security Directive (NIS)** and the **General Data Protection Regulation (GDPR)** also need to be considered. The second document is of particular importance as it applies to all personal data on persons residing in the EU, regardless of the place of business. **Data Protection Act of Personalities** fully complies with this regulation, but there are some vague provisions and mechanisms that do not exist in the legal system of Serbia, and thus its applicability is now in doubt.

3. EU MEMBERSHIP AS A DETERMINANT OF INSTITUTIONAL CONDITIONS IN SERBIA

Given that Serbia's strategic goal is the EU membership, the institutional conditions for the development of Serbia are largely determined by the standards and legal framework of the Union. In doing so, it should be borne in mind that the experience of the EU Member States to date has shown that this process has been (or is) slow, as can be seen in the following table.

Table 1. EU accession process of individual countries

Country	Start of SAA negotiations	Membership application submitted	ES awarded candidate status	ES approves date to start negotiations	Start of membership negotiations	EU accession
Turkey	1959 (EEC)	14. 4. 1987	12. 12. 1999	17. 12. 2004	03. 10. 2005	/
Iceland	1990	16. 7. 2009	19. 6. 2010	26. 7. 2010.	27. 7. 2010.	Gave up in 2013
Slovakia	1990	27. 6. 1995	12. 12. 1997	10. 12. 1999	15. 2. 2000	1. 5.2004
Czech R.	1990	17. 1.1996	12. 12. 1997	12. 12. 1997	31. 3. 1998	1.5.2004
Bulgaria	1990	14.12.1995	12.12.1997	10.12.1999	15.2.2000	1.1.2007
Finland	1990	18. 3. 1992	21.12.1992	21.12.1992	01.2.1993	1.1.1995
Macedonia	2000	22 .3. 2004	17.12.1995	-	-	-

Country	Start of SAA negotiations	Membership application submitted	ES awarded candidate status	ES approves date to start negotiations	Start of membership negotiations	EU accession
Croatia	2000	21. 2. 2003	18. 6. 2004	2004–2005	03. 10. 2005	1.7.2013
Albania	2003	28. 4. 2009	-	-	-	-
Montenegro	2005	15.12.2008	17.12.2012	26. 6. 2012.	29. 6. 2012	-
Bosnia and Herzegovina	2005	-	-	-	-	-
Serbia	2005	22.12.2009	1.3.2012	January2014	January 2014	-

Source: [Devetaković et al. \(2019\), p. 234-235.](#)

Serbia has acquired the status of the associate member of the EU by ratification of the Stabilization and Association Agreement by all member states. The text of the Council of Europe Conclusion (Article 19) reads: “It has been decided to open accession negotiations with Serbia. The first international conference will be held no later than January 2014. Prior to that, the Council of Ministers will adopt a negotiating framework, as confirmed by the Council of Europe at its regular enlargement session. The Brussels Agreement, reached between representatives of the Government of the Republic of Serbia and representatives of Kosovo’s provisional authorities, with the mediation of authorized representatives of the European Union. EU negotiations with Serbia began on 23rd January 2014, and our country’s legal regulation is in line with the European chapter-by-chapter regulations.

Table 2. Chronological overview of the opening of negotiating chapters between Serbia and the EU

DATE	CHAPTERS
14.12.2015	Second Intergovernmental Conference between Serbia and the EU: Chapter 32 on financial supervision and Chapter 35 on the normalization of Belgrade-Priština relations.
18.07.2016	Third Intergovernmental Conference between Serbia and the EU: Chapter 23 - Justice and Fundamental Rights and Chapter 24 - Justice, Freedom and Security.
13.12.2016	The decision on opening negotiation chapters 5 and 25 was taken at the Fourth Intergovernmental Conference in Brussels. Serbia’s negotiating positions for Chapter 5 - Public Procurement and Chapter 25 - Science and Research were presented at the conference.
27.02.2017	At the Fifth Intergovernmental Conference in Brussels it was decided to open negotiation chapters 20 and 26. The conference presented Serbia’s negotiating positions for Chapter 20 - Entrepreneurship and Industrial Policy and Chapter 26 - Education and Culture.
20.06.2017	At the Sixth Intergovernmental Conference in Luxembourg it was decided to open negotiation chapters 7 and 29. The conference presented Serbia’s negotiating positions for Chapter 7 - Intellectual Property Law and Chapter 29 - Customs Union.

DATE	CHAPTERS
11.12.2017	At the Seventh Intergovernmental Conference in Brussels it was decided to open negotiation chapters 6 and 30. The conference presented Serbia's negotiating positions for Chapter 6 - Company Law and Chapter 30 - Foreign Economic Relations.
25.06.2018	At the Eighth Intergovernmental Conference in Luxembourg it was decided to open negotiation chapters 13 and 33. The conference presented Serbia's negotiating positions for Chapter 13 - Fisheries and Chapter 33 - Financial and Budgetary Issues.
10.12.2018	At the Ninth Intergovernmental Conference in Brussels it was decided to open negotiation chapters 17 and 18. The conference presented Serbia's negotiating positions for Chapter 17 - Economic and Monetary Policy and Chapter 18 - Statistics.
27.06.2019	At the Tenth Intergovernmental Conference in Brussels, a decision was taken to open negotiation chapter 9. The conference presented Serbia's negotiating position for Chapter 9 - Financial Services .

Source: <http://www.mei.gov.rs/srl/srbija-i-eu/istorijat-odnosa-srbije-i-eu/>

It is interesting that already at the Second Intergovernmental Conference between Serbia and the EU, held on 14th December 2015, negotiation chapter 35 was opened concerning the status of our province of Kosovo and Metohija. One should not lose sight of the fact that Kosovo * is today a potential candidate for the EU membership, since negotiations were opened in 2013. The Kosovo Stabilization and Association Agreement (SAA) * with the EU, as the first formal step towards eventual membership, was initiated in July 2014, signed in October 2015, and its implementation began in April 2016. However, the unresolved issue of Kosovo and Metohija is a key obstacle to achieving the goals of political integration and socio-economic development of our country⁸.

Table 2 also shows that the process of opening individual chapters in the negotiations with Serbia is rather slow. In addition, the current situation in the European Union - the process of reforming and restructuring it (debates on two-speed Europe, multi-speed Europe, etc.), the issue of further EU enlargement and treatment of the Western Balkans, as well as Brexit, is not without significance.

4. TREATMENT OF PUBLIC FINANCES IN THE CONSTITUTIONS OF INDIVIDUAL MEMBER STATES OF THE EUROPEAN UNION

Although the survey covers nine EU Member States, among which there is a great similarity (by size, development, geographical location, political system,

⁸ [World Bank \(2017\)](#).

etc.) the treatment of public finances in the constitution, as the highest legal act, differs significantly⁹.

In four of the nine observed countries (France, Croatia, Bulgaria and the Czech Republic), public finances are not even mentioned as such in the constitutions of these countries. Only some of the common elements in other fields are mentioned, or more commonly, their precise definition is left to acts of lesser legal force.

Unlike these four countries, public finances are explicitly mentioned in their constitutions in other countries, but the scope and the content are different.

In Germany (Basic Law for the Federal Republic of Germany), public finances have received considerable attention (the most comprehensive of all countries observed). Within the area called finance, attention was paid to the following issues: expenditure allocation, financial system and accountability, financial assistance with investment, distribution of powers with respect to tax laws, distribution of tax and other fiscal revenues, regulation of monopolies, federal grants for local mass transportation, provinces' participation in the distribution of motor vehicle taxes, financial settlement between provinces and additional assistance to provinces, federation and provincial financial administration - financial courts, management of the budget at the level of the federation and the provinces, emergency budget, federal budget, temporary budget management, extra-budgetary expenditures, expenditure increase, report submission, and control and debt limits. The German constitution also regulates the status of the Federal Court of Auditors (Control), one of its primary tasks being to control the soundness and efficiency of the use of public finances.

In the Romanian constitution, public finance considerations are given together with the economy to look at (the area is called economics and public finance). Within this area, besides considering purely economic issues (characteristics and desirable characteristics of the economy, issues related to property and its management), provisions are also laid down to determine the financial system more closely (formation, administration, use and control of financial resources of the state, territorial-administrative units and public institutions), the national currency is prescribed, the issues related to the national budget are covered (national public budget consisting of the state budget, the state budget of social security and budgets of local self-governments, cities and regions), the laws that more closely regulate issues related to budgeting are specified (the Law on the State Budget and the Law on the State Social Security) and the types of public revenues (taxes, duties, local taxes and other public revenues) are determined

⁹ See more in the paper: [Rikalović, G., Molnar, D., Nikolić, M. \(2015\).](#)

more closely. It also prescribes the work of the Court of Auditors, which should oversee the formation, organization and the use of financial resources of the state and the public sector, as well as the work of the Economic and Social Council as an advisory body to parliament and government in specific areas.

In the Hungarian constitution, the area of public finances has been further elaborated. Within the area of public finances, the issues related to the adoption and implementation of the central budget are covered, the conditions related to the Law on the Central Budget are specified, stating that the national debt must not exceed half of GDP, measures for reducing public debt depending on its share of GDP are covered, as well as the conditions under which it can derogate from this rule (e.g. mitigation of the effects of extraordinary circumstances, or, in the event of a lasting and significant national economic recession, to the extent necessary to restore the balance of the national economy). It also prescribes in more detail the jurisdiction and mechanisms of action of the Constitutional Court in relation to the adoption and implementation of the central budget, the collection of central taxes, fees and contributions, customs and other regional taxes, etc. It then prescribes the type and manner of disposal of property of the state and local self-governments (national goods), ways of its disposing and other related issues, as well as the management of public funds (public funds and other national funds of public interest). This part of the constitution also gives details of the work of the National Bank of Hungary with related issues. It also prescribes the work of the State Audit Institution as a body of the National Assembly in charge of financial and economic control. The State Audit Institution audits the implementation of the central budget, the management of public finances, the use of public finances and the management of national funds, as well as the audit in accordance with the criteria of legality, expediency and efficiency.

In the Republic of Slovakia, issues related to public finances are given in the section with closer definition of the economy. In this sense, the basic determinants of the economy are given, but it also defines more closely the position of the National Bank of Slovakia as well as the state budget. By elaborating these areas (budget revenues, rules of budget economy, as well as the relationship between the state budget and the budget of territorial units) it refers to the relevant laws.

In the Polish constitution, public finances occupy a significant place. Financial resources (collection and storage) for public purposes, acquisition, disposal and encumbrance of property, shares or units, issues of securities given by the State Treasury, the National Bank of Poland or other legal entities are defined. Then there are issues related to guarantees and financial guarantees given by the state and a limit for lending, whereas guarantees and financial guarantees are pre-

scribed so that national public debt does not exceed three-fifths of the value of annual GDP.

The Constitution also specifies the manner in which taxes are imposed, as well as other public levies, the specifications of those subject to tax and the rates of taxation, as well as the principles for tax relief and remission, together with the categories of taxpayers exempt from taxation. The work of the State Treasury is also prescribed. Frameworks for the adoption and implementation of the state budget and related issues are also defined, as well as the competence and role of the Council of Ministers (the right to propose budget laws, the transitional budget, amendments to the budget, the public debt contracting statute, and the statute on giving financial guarantees from the state). Also, the Constitution details the role, functioning and competence of the Central Bank - the National Bank of Poland, as well as the Monetary Policy Council, which formulates annual monetary policy goals.

5. CONCLUSION

After a detailed analysis of the constitutional position of economy and public finances in nine EU member states and in our country, the basic directions of activities that need to be taken in the announced changes to the Constitution of the Republic of Serbia can be seen as:

- The part of the Constitution that regulates our public finances should include a binding provision relating to the permissible degree of total public debt (both external and internal), expressed as an appropriate percentage of GDP;
- Bearing in mind the importance of the budget deficit for the stability of the country and its structural reforms, it is necessary to introduce a special norm that will prescribe the maximum share of the budget deficit in GDP in the Constitution;
- There should be a binding provision on the existence of an Audit Court which should exercise control over the formation, organization and the use of financial resources of the state and the public sector. The introduction of this new provision is more significant, as there is already a European supranational Court of Auditors, and our country has a strategic commitment to join the EU as soon as possible.

Primarily entrepreneurship, but also small and medium-sized enterprises, are the most significant drivers of innovation initiative, technological progress and the development and dissemination of knowledge. Due to their characteristics, pri-

marily innovation and abundance, MESP is a key driver of development of the entire Serbian economy. Another proof of the exceptional importance of SMEs and the importance of fostering their development is the fact that one of the priorities of the Europe 2020 Strategy, the European Union Development Strategy, the Single Market Regulation of the European Commission and the Small Business Regulation is precisely the growth and financing of SMEs and the emphasis is on their dependence on the economic success of Europe. Although the improvement is visible, it is necessary to continue work towards reducing the barriers and costs of doing business. It is necessary to establish transparency of regulatory activities, involve all levels of government in reforms and improve the overall change process, in terms of adopting new regulations and repealing those that adversely affect the business climate and businesses in the country. Adequate administrative framework also ensures enhanced competitiveness of enterprises, volume of investments and overall development of the Serbian economy.

A number of European Commission findings in its 2019 progress report on Serbia related to the **regulation of the electronic communications market**. According to this document, legal framework in Serbia is not aligned with the EU regulatory framework from 2009 in the field of electronic communications. The operational and financial autonomy of the regulatory body RATEL is not fully secured, and there is room for improving the operator's access to telecommunications infrastructure (pipes, antennas, fiber optic cables and land telephone infrastructure).

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МОГУЋИ ПРАВЦИ ПРОМЈЕНА КЉУЧНИХ СЕГМЕНАТА РЕГУЛАТОРНОГ ОКВИРА ЕКОНОМИЈЕ У СРБИЈИ

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САЖЕТАК

У раду се, најприје, анализира институционални оквир привреде и јавних финансија у Србији, са посебним освртом на третман сектора малих и средњих предузећа и предузетника, затим страних инвеститора, те дигиталне (информатичке) инфраструктуре. Посебан дио рада се бави динамиком придруживања Европској унији појединих земаља које су данас чланице ове интеграције, као и процесом учлањења Србије, будући да ће сматра да је овај процес кључна детерминанта институционалних услова наше земље. У трећем дијелу рада се сагледава третман јавних финансија у уставима изабраних земаља чланица Европске уније.

Кључне ријечи:

устав, регулаторни оквир, економија, јавне финансије, Србија, ЕУ.