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NATIONAL STRATEGIC PLANNING AS THE BASIS FOR IMPROVING COMPETITIVENESS OF SERBIA

Državno strateško planiranje kao osnova
unapređenja konkurentnosti Srbije

Abstract

This paper deals with national strategic planning as the basis for improving competitiveness of a country. The aim of this paper is to examine possible models for strategic planning and to propose a framework model of strategic planning for the Republic of Serbia, given its local specifics. The author has analysed the specifics of national strategic planning and alternative models of public administration. The paper analyses in detail the current model of strategic planning of the Republic of Serbia. It proposes concrete measures for the improvement of the current model, in view of the benchmark models of strategic planning of relevant international organisations and other countries.

Key words: *strategic planning, strategic goals, competitiveness, Serbia*

Sažetak

Ovaj rad tretira temu državnog strateškog planiranja kao podloge za unapređenje konkurentnosti jedne države. Cilj rada je da sagleda moguće modele strateškog planiranja i, uzimajući u obzir lokalne specifičnosti, predloži okvirni model strateškog planiranja za Republiku Srbiju. Autor je analizirao specifičnosti državnog strateškog planiranja i alternativne modele javnog upravljanja. U radu je detaljno analiziran aktuelni model strateškog planiranja države Srbije. Predložene su konkretne mere za unapređenje zatečenog modela, sagledavajući benčmark modele strateškog planiranja relevantnih međunarodnih organizacija i drugih država.

Ključne reči: *strateško planiranje, strateški ciljevi, konkurentnost, Srbija*

Introduction

Planning involves defining goals and ways to attain them, through strategies, projects, action plans, policies, rules and procedures. Planning is a result of the tendency of people to manage future events or to react to them in a timely manner. An English proverb says: "Forecast is always wrong." Other authors [17] argue that planning, especially by the Government, does not produce the expected result due to the complexity and rigid nature of the process, and due to the great influence special interest groups have on designing and implementing important strategies.

At first glance, it seems that any planning, especially strategic planning with longer time horizon, is futile. Numerous companies fall into this trap as well and see their strategic plans and business plans only as marketing documents they hand out to their financial institutions and business partners in hard cover, not believing in their soundness and potential for implementation.

However, the initial fault of this approach is the fact that forecasting and planning should result in surgically precise projections of the future, which is certainly not possible. Planning should be understood as a flexible process with overall contingent consideration of possible future

scenarios and preparation of responses to possible events. Plans are also the basis for controlling the attainment of the defined goals. Without plans, there are no standards for measuring performance of the persons responsible, and therefore, no stimulative impulse for improving the operations of any organisation.

Typically, strategic plans are developed by profit organisations. During recent several decades, strategic planning has become increasingly important for non-profit organisations as well, including the Government and local self-government. Namely, there is a consensus that it is necessary for any organisation to define its strategic goals, based on a detailed diagnosis of external trade and international competence, and then to design a strategy to attain those goals. It is also interesting to note that, in recent years, state institutions have been taking the strategic planning tools from the economy, so that now the use of traditional strategic planning tools has become almost a standard in developed countries. These are tools such as benchmarking, SWOT, portfolio analysis, performance management, management by objectives, strategy maps, balanced scorecards, total quality management, value chain, and value networks, and many other tools.

This paper discusses the topic of national strategic planning as a basis for improving competitiveness of a country. The aim of this paper is to examine possible models for strategic planning and to propose a framework model of strategic planning for the Republic of Serbia, given its local specifics. The first part presents specifics of national strategic planning as opposed to business planning. The second part presents public administration models, with particular focus on the New Public Management model. The third part offers a detailed analysis of the zero strategic point of Serbia, current strategic documents and the strategic planning process within state administration. The fourth part of the paper analyses useful comparative strategic documents of national institutions and countries. The fifth part proposes an advanced strategic planning model for the Republic of Serbia. The last part summarises major conclusions of the paper.

Specifics of national strategic planning

There are several major specifics of national strategic planning as opposed to business planning.

Firstly, strategic planning at the national level requires longer time horizon, since it is practically based on visionary planning. A detailed vision is subsequently specified in detailed strategic goals and action plans. In terms of planning horizon, there is a tension between politicians, who insist on short term results due to short election cycles, and national professional technocracy, who seeks to also attain goals that require longer time horizons.

Secondly, cascading goals at national level have much more levels than in a typical corporation. Goals have to be cascaded from the national level down to regional level, local self-government, individual state agencies, institutions and the like. In other words, the process of harmonisation of goals and their implementation on the national level is much more complex and demanding.

Thirdly, there is a major difference in the initial mission, which, in this case, is securing room for attaining a higher level of satisfaction of the citizens (voters, taxpayers) as key stakeholders. As a result of this, the strategies designed and implemented by the state administration are significantly different from the strategies of companies. Specifically, state administration combines two approaches at the same time: the political one and the managerial one. It takes skill and a strong consensus of political rulers to reconcile the two approaches. In practice, this is often a utopia due to the usual domination of the political approach over the managerial one. The difficult and unpopular strategic decisions, for example, are delayed or diluted by means of slow or partial implementation. Also, there is an open question of what the demands of citizens really are, that is, what the demands of different segments of citizens are. Very often, the strategic goals of managerial character, especially in the period before political elections, are overwhelmed or deformed by goals originating as a result of political mathematics and goals that are expected to bring the largest number of votes and seats.

Fourthly, the structure, processes, and organisational culture in state administration are much more rigid than in a typical profit-oriented corporation. This significantly complicates the harmonization of strategic goals and the subsequent coordination of their implementation, primarily because of the tendency to maintain the status quo, and not to implement organizational changes.

Fifthly, such an inflexible context, which is manifested in the existence of strong informal groups that hinder even the slightest change, significantly complicates the process of allocating responsibility to individual subjects as well as measuring individual results. For example, what is the basis for measuring the success of a minister during the period of reconstruction of the Government or that of a director of a public enterprise? What are the performance indicators and what is the responsibility of the subject accountable for a particular goal? In state administration, it is very difficult to protect performance indicators and the source of information from banal relativism, and it is even harder to introduce the logic of differentiated remuneration. Very often, the defensive mechanism of the people whose performance is being measured is that the performance indicator is not good or that the data underlying the measurement results are inadequate. In the business world, this kind of discrediting happens much more rarely, and since they insist on one source of “the truth” (for example, business intelligence applications that generate automated quarterly reports on the performance of managers), which is then used as the basis for variable remuneration of managers.

Another specificity of the state strategic planning is the fact that strategic plan is funded mainly from the state budget and implemented through the use of internal administrative resources with the help of external consultants. In a situation with limited resources, it is necessary to prioritize strategic goals and adjust their implementation calendar.

Regardless of the specific problems in the application of the concept of strategic planning at the state level, this approach becomes inevitable and unavoidable. This is especially important for Serbia as a transition economy that cannot provide the overall development of the whole

society without visionary approach on the national level and systematic strategic approach.

Models of public administration and strategic planning

The path proposed to Serbia on the road to improving national strategic planning is the introduction of adjusted New Public Management approach [3]. By adjusted, we mean adjusted to local specifics of Serbia, especially in the part of the existing capacities of the public administration. It is a management philosophy of public administration with the idea of modernizing it and making it more efficient [2]. Representatives of this approach advocate the application of management philosophy from the private sector in public administration, to the extent possible. The key objective is to establish the smallest possible and most efficient state administration that will periodically account for the achievement of strategic goals and the fulfilment of their action plans and project plans and key performance indicators, which are known in advance to all relevant representatives of the state administration and which are aligned with the state budget. The idea is to divide state administration, in line with the divisional model, into a smaller number of systems (strategic business units) and to stimulate entrepreneurial competition between these systems in terms of the achieved performance level. In addition, this stimulates competition between public systems and private systems. Citizens are seen as atomized shareholders (owners of the state) and consumers (users of public services). There is always a question of whether internal savings can be achieved and whether services can be delivered in a cheaper and more efficient manner [9].

By the nineteen eighties, public sector administration was considered to be a centralized process, which stems from the budgetary framework, and which is implemented almost automatically through pre-defined policies and programs. The New Public Management approach insists on a bottom-up logic, which means that plans are created by a large number of stakeholders, such as politicians, government officials, business representatives, citizens, and many others. In this process, it is always insisted that a distinction be made between the entities that create a

plan and the entities that will implement the plan. In considering new plans, there is always the question of the effects the implementation of these plans will have on the citizens as key stakeholders. Namely, this approach always insisted on public value as a key result, which was a shocking novelty, considering the fact that never before had the Government been regarded as an institution that should create value.

This approach argues that state administration strategy makes sense only if it respects the so called strategic triangle with three key criteria: 1) Strategy creates public value, 2) Strategy is legitimate and is politically sustainable, and 3) Strategy is operationally and administratively feasible. Experience has shown that, in practice, the most difficult things to reconcile are points 1 and 2, i.e. the managerial and political dimensions, respectively.

Perhaps the best representative of this approach is *Margaret Thatcher*, former Prime Minister of Great Britain [15]. In those times of economic stagflation, there was great dissatisfaction of the citizens with the former state bureaucracy. The then Prime Minister realized the necessity of fundamental changes, but that a key condition for the success of that change was to provide political support. She was aware that state administration is a system that vigorously defends the status quo. She therefore assumed the role of a “political entrepreneur” and began a general reform of the public sector in the areas of organization, operational methodology, labour relations, cost management, reporting system, evaluations and remunerations, and the implementation of public procurements. Each ministry and state administration organization set their own goals for whose attainment they were responsible. For this purpose, the Efficiency Control Unit was formed within the Office of the Prime Minister.

This approach was later taken over by other countries such as New Zealand, Australia and Sweden, and later on America, too. For example, at the beginning of his first term, *Bill Clinton* introduced the National Performance Review and the Government Performance and Results Act [1]. Also, the OECD established the Public Management Committee and Secretariat – PUMA with the aim of emphasizing this segment of social development.

An increasing number of authors believe that the optimal model of governance is a milder New Public Management approach, the so called Neo-Weberian State [4], which is advocated by Germany and France, with the introduction of managerial logic into the functioning of public administration, but with simultaneous reaffirmation of the state as an integral managerial subject [7]. Namely, extreme New Public Management has shown a number of weaknesses and the need for on the fly adjustments. For example, one of the weaknesses is the theory on the formation of quasi markets between the state and the private sector which is certainly not possible in a situation of natural monopoly. The same is true for the practice of entrusting the provision of certain services to the private sector, which often led to a drop in efficiency due to lack of capacity or to a significant increase in the prices of services. Furthermore, the practice of hiring foreign experts did not provide a result within the projects of public sector reforms, due to lack of flexibility and adaptability to the local context when implementing a new model.

Strategic planning in Serbia

Starting point

The foundation for strategic planning is strategic analysis, and the definition of the starting point of various relevant aspects. Notwithstanding the significant number of deficiencies, very often the basis for defining the starting point of Serbia is the Global Competitiveness Index (Global Competitiveness Index) of the World Economic Forum (World Economic Forum)¹. Its advantage is the fact that it shows integral diagnosis of a state, including a significant number of indicators of economic, social, technological, environmental, legal, demographic, and political nature.

The World Economic Forum ranks countries based on competitiveness elements, which are included in the calculation of the pillars of competitiveness, which comprises the values of the sub-indexes of competitiveness and finally the Global Competitiveness Index. The values of this index and its sub-indexes and the pillars for Serbia in the period of 2010-2013 are shown in Table 1.

¹ <http://www.weforum.org/>

Table 1: The GCI values by pillars of competitiveness

Item no.	Index elements	2010-2011		2011-2012		2012-2013		2013-2014	
	Total position	96	3.8	95	3.9	95	3.9	101	3.8
I	Basic requirements sub-index	93	4.1	88	4.3	95	4.1	106	4.0
1	Institutions	120	3.2	121	3.2	130	3.2	126	3.2
2	Infrastructure	93	3.4	84	3.7	77	3.8	90	3.5
3	Macroeconomic framework	109	4.0	91	4.5	115	3.9	136	3.4
4	Health care and primary education	50	6.0	52	5.8	66	5.7	69	5.7
II	Efficiency drivers sub-index	93	3.7	90	3.7	88	3.8	92	3.8
5	Higher education and training	74	4.0	81	4.0	85	4.0	83	4.0
6	Efficient goods market	125	3.6	132	3.5	136	3.6	132	3.6
7	Efficient labour market	102	4.1	112	3.9	100	4.0	119	3.9
8	Developed financial markets	94	3.8	96	3.7	100	3.7	115	3.5
9	The ability to harness the benefits of the existing technologies	80	3.4	71	3.6	58	4.1	60	3.9
10	Market size	72	3.6	70	3.6	67	3.6	69	3.7
III	Innovation sub-index	107	3.0	118	3.0	124	3.0	125	3.0
11	Sophisticated business operations	125	3.2	130	3.1	132	3.1	137	3.2
12	Innovation	88	2.9	97	2.9	111	2.8	112	2.9

Source: [18]

In short, Serbia's ranking is not encouraging, and it has the worst rankings in the following segments: corruption, inefficient administration, political instability, inadequate infrastructure and insufficient and expensive capital. The quality of strategic planning, as a factor of competitiveness, can be placed in the first pillar of competitiveness – Institutions, which ranked low.

Table 2 shows GCI values for Serbia and other countries in the region in the period of 2010-2013. It is evident that the ranking of Serbia has deteriorated and is currently the worst in the region.

There is an unanswered question of whether we have defined our starting point given a significant number of social contradictions that arise from undefined starting point (undefined territorial issue, socialism vs. neo-liberalism, state strategic partnerships, and many others). Resolving these issues is the basis for building cohesion in the society, without which it will not be possible to reach consensus on key strategic directions of the state in the future.

The current strategic documents

Notwithstanding the fact that starting point is defined only vaguely and that discontinuity is more normal than exceptional, there is still room for the state to offer and set its key strategic directions. Now, we wish to observe the position of the state regarding key strategic issues and to examine the current strategic documents of the Republic of Serbia.

Development Strategies are prescribed by the Law on the Government and the Rules of Procedure of the Government as documents adopted by the Government. Article 45 of the Law on Government² prescribes that the strategy is a means by which the Government establishes the situation in a particular field, as well as measures to be taken for its development. The Law on State Administration, in Article 12, prescribes that state authorities, inter alia,

² With the Development Strategy, the Government shall establish the situation in the field in the competence of the Republic of Serbia and measures to be taken for its development. The Law on the Government, Official Gazette of RS, no. 55/2005, 71/2005-correction, 101/2007 i 65/2008, Article 45

Table 2: Relative position of Serbia as compared to other countries in the region

	Albania		B&H		Croatia		Macedonia		Montenegro		Slovenia		Serbia	
	GCI	Rank	GCI	Rank	GCI	Rank	GCI	Rank	GCI	Rank	GCI	Rank	GCI	Rank
2010	3.9	88	3.70	102	4.0	77	4.0	79	4.4	49	4.4	45	3.8	96
2011	4.1	78	3.8	100	4.1	76	4.1	79	4.3	60	4.3	57	3.9	95
2012	3.9	89	3.9	88	4.0	81	4.0	80	4.1	72	4.3	56	3.9	95
2013	3.8	95	4	87	4.1	75	4.1	73	4.2	67	4.3	62	3.8	101

Source: WEF

propose to the Government development strategies and other measures to shape government policy. The Law on Ministries defines the scope of work of all ministries and, inter alia, prescribes the obligation to develop the strategy in the fields for which the ministry is competent. The Rules of Procedure of the Government defines the layout of the Government Annual Program of Action and the Government Report.

In the previous period (2001-2013) a large number of strategic documents of the Republic of Serbia were made (the author estimates that there about 130 strategic documents) that can be grouped by pillars of competitiveness (Table 3 shows examples of strategies that are predominantly adherent to each of the pillars of competitiveness). Each strategy, depending on its objectives and planned activities for its implementation is related to one of the twelve pillars

Table 3: Examples of current strategic documents by pillars of competitiveness

Pillar I: Institutions	<ul style="list-style-type: none"> • The Strategy for Developing the Public Procurement System in the Republic of Serbia • The Strategy on Development and Promotion of Socially Responsible Business Operations in the Republic of Serbia • The Strategy on the Development of Internal Financial Control in Public Sector in the Republic of Serbia • The National Judicial Reform Strategy • The National Anti-Corruption Strategy • The Strategy on Free Legal Aid Development in the Republic of Serbia
Pillar II: Infrastructure	<ul style="list-style-type: none"> • The Development Strategy of Railroad, Road, Air and Intermodal Transport in the Republic of Serbia for period 2008-2015 • The Strategy on Telecommunications Development Strategy in the Republic of Serbia for period 2006-2010 • The Industrial Development Strategy and Policy 2011-2020
Pillar III: Macroeconomic framework	<ul style="list-style-type: none"> • The National Sustainable Development Strategy • The Tourism Development Strategy • The Republic of Serbia Energetics Development Strategy until year 2015 • The Fiscal Strategy • The Poverty Reduction Strategy • The National Strategy for Sustainable Use of Natural Resources • The Competitive and Innovative Small and Medium Enterprises Development Strategy for period 2008-2013 • The Strategy on Promotion and Development of Foreign Investments
Pillar IV: Healthcare and primary education	<ul style="list-style-type: none"> • The Strategy on Permanent Quality Improvement of the Health Protection and Patient Safety • The Strategy on Improving Handicapped Persons Position in the Republic of Serbia • The HIV and AIDS Strategy • The Social Protection Development Strategy • The National Strategy on Aging • The National Strategy on Social Housing • The Youth Health Development Strategy • The Strategy on Tobacco Control • The Republic of Serbia Public Health Strategy • The Birth Promotion Strategy • The Strategy on Prevention and Control of Chronic non-Infectuous Diseases • The Strategy on Permanent Quality Improvement of the Health Protection and Patient Safety • The Strategy on Development of Vocational Education in the Republic of Serbia
Pillar V: Higher education	<ul style="list-style-type: none"> • The Strategy on Adult Education Development in the Republic of Serbia • The National Strategy for Youth • The Strategy on Development of Vocational Education in the Republic of Serbia • The Strategy on Science and Technological Development of the Republic of Serbian in period 2010-2015
Pillar VI: Market efficiency	<ul style="list-style-type: none"> • The Republic of Serbia Trade Development Strategy • The Free Zones Development Strategy in the Republic of Serbia for the period 2011-2016 • The Strategy on Market Supervision
Pillar VII: Labour market efficiency	<ul style="list-style-type: none"> • The National Employment Strategy for period 2011-2020 • The Strategy on Carrier Guidance and Consulting in the Republic of Serbia
Pillar VIII: Financial markets development	<ul style="list-style-type: none"> • The Strategic Action Plan (CSAP) to Enhance Corporate Financial Reporting, and Improving Audit Quality • The Monetary Policy Strategy and Objectives of the National Bank • The Strategy on Promotion and Development of Foreign Investments
Pillar IX: The ability to harness the benefits of the existing technology	<ul style="list-style-type: none"> • The Strategy on Change from Analog to Digital Broadcasting of the Radio and Television Programmes in the Republic of Serbia • The Strategy on Increase of Share of Domestic Industry in telecommunication Developments in the Republic of Serbia • The Information Society Development Strategy in the Republic of Serbia until year 2020 • The Strategy of Broadcasting Development in the Republic of Serbia • The Strategy on Development of Electronic Communications in the Republic of Serbia for period 2010-2020 • The Strategy for the Development of the Public Information System in the Republic of Serbia until 2016 • The Strategy for the Development of and Support for the Information Industry Technologies
Pillar X: Market size	<ul style="list-style-type: none"> • The Strategy on Republic of Serbia Exports Increase
Pillar XI: Sophisticated business operations	<ul style="list-style-type: none"> • The Strategy on Development of E-Government in the Republic of Serbia period 2009-2013 godine • The Introduction of Cleaner Production Strategy in the Republic of Serbia
Pillar XII: Innovation	<ul style="list-style-type: none"> • The Information Society Development Strategy in the Republic of Serbia until year 2020

Source: The author

which, according to the World Economic Forum, determine the level of productivity and consequently the achieved level of development of a national economy.

The latest attempt to create an umbrella strategy resulted in the National Sustainable Development Strategy of Serbia, which was created in 2008, for the period of 2009-2017. This strategy sees good geographical position, the wealth of natural resources and rich cultural infrastructure as key advantages of Serbia. Key weaknesses are institutional decapacitation, regional inequalities, poorly executed privatization, low level of direct investment, underdeveloped physical infrastructure, brain drain, and deficit of professional staff, low investment in research and education, high unemployment and growing environmental pollution.

This strategy defines the goals and strategic priorities within four components. These are: the economic dimension, the social dimension, the environment and natural resources, and the institutional framework. This strategic document defined the vision of Serbia as a country which, in 2017, is institutionally and economically developed, with adequate infrastructure and fully harmonized with the EU standards in terms of its functioning. The Strategy sets out five key strategic priorities, which support the achievement of the aforementioned vision. These are: 1. Membership in the EU; 2. Balanced economic development; 3. Development of people and their employment; 4. Development of infrastructure and balanced regional development; 5. Rational use of natural resources. In addition to the priorities, the vision is also supported by the following strategic principles, which are derived from the Declaration on Sustainable Development from Johannesburg, The Millennium Development Goals and the EU Sustainable Development Strategy. These are the following eight principles: 1. Inter and intra generational solidarity (meet the needs of the present generation without compromising the rights of future generations to meet their needs); 2. Open and democratic society (access to information and justice. guaranteeing civil rights. encouraging public participation in decision-making); 3. Knowledge-based economy (promote education and innovations); 4. Social inclusion (equal opportunities for all, minimize polarization and reduce poverty); 5. Triple-

bottom line (link environmental issues to economic and social factors); 6. Precaution (protect environment and preserve natural balance); 7. Externalities (polluters must pay for pollution costs); 8. Sustainable production and consumption (reduce pollution while providing economic growth).

The analysis of current policy documents in Serbia suggests the following conclusions [3]. Firstly, most of the strategies were adopted in 2008-2011. Secondly, most of the strategies were adopted by the Government of Serbia, and a small number by the National Assembly. Thirdly, the implementation period of a strategy is usually from one to five years. A quarter of strategic documents did not define the period of observation. Such is the case, for example, with the Defence Strategy of the Republic of Serbia. Fourthly, less than 30% of strategic documents have clearly defined action plans, more than 25% overlap, less than 10% have a mechanism for monitoring and measuring performance. A significant number of documents are extensive, outdated, too broadly defined, vaguely written, and with too many strategic goals. The SIGMA Report recommends that 20% of the strategies should be discarded immediately, 33% implemented and 47% correct and only then implemented [14]. Fifthly, the strategic documents are mutually incompatible, as a result of the lack of an umbrella strategy document.

The analysis of the strategic planning process in Serbia

The text below deals with the analysis of the current strategic planning process in the Republic of Serbia.

Firstly, awareness of the importance of strategic planning is not currently present in the Serbian administration. Notwithstanding the significant number of initiatives (such as the Serbian European Integration Office and the General Secretariat of the Government), there is still no unique and coherent framework for strategic planning in Serbia [10]. Consequently, we have a situation where each ministry develops its strategic planning documents (mainly development strategies) without any consideration whether their goals are compatible with medium and long term goals of the state, nor how these goals are aligned with the strategic goals of other ministries. Isolated development of strategies of individual ministries without consultation

and cooperation with other departments will not produce satisfactory results in the field of economic recovery and improving national competitiveness.

Secondly, the insufficient resources and inadequate administrative capacity have led to the fact that important strategic documents are not prepared or that are prepared in a completely inadequate way. Sometimes, this is coupled with insufficiently qualified foreign consultants, who are trying to apply an indigo approach to the strategic planning process, which cannot produce a good result [10]. Such documents are not aligned with each other and lack comparable content and the depth of analysis. The planning and the implementation of strategies suffer from problems of internal decapacitation due to insufficient training of civil servants in the planning, monitoring, evaluating and reporting. In addition, these activities are seen as an “extra work for the same pay”. The level of quality of planning is reflected in the fact that, in 2012, only about 30% of the points discussed at Government sessions were envisaged by the Government Annual Program of Action.

Thirdly, the regulatory framework is a significant problem. Namely, the regulations, which we have mentioned earlier, do not define a common framework for planning at the national level. The regulations govern only parts of the strategic and operational planning (development strategies, medium-term plan, annual plan of activities), and do not unite them into a single unit. There is no clearly defined calendar of submission of plans, but only the final deadline by which state administration bodies should submit their plans of activities to the General Secretariat. These deadlines are often not met in practise.

Fourthly, in many cases, the strategies adopted by the Government lack action plans with defined goals, initiatives, responsible subjects, and correlations with the budget. Without this segment, the implementation of strategies is not possible and the strategic document itself loses its meaning.

Fifthly, most strategies, even if they have an action plan, do not have an adequate mechanism for implementation, monitoring, evaluation and reporting. There is no accountability for the implementation of these strategies, as they represent a set of wishful thinking, not based on an in-depth strategic analysis of the current

situation, and very quickly, these documents end up in some drawer without any intention to be used in any manner. In terms of monitoring, the part being monitored is the implementation of the Government Plan relating to the adoption of legislation. Other segments of the Government Plan are not monitored consistently.

Sixthly, one of the key issues is the absence of correlation between planning and budgeting. In practice, the predominant planning logic is the inverse logic. First, the projections of available funds are made, and then the question of what could be done with the available money is asked. In addition, according to the Law on the Budget, along with their financial plans, state administration bodies must also submit medium-term plans, which should clarify how public funds are to be used in the following three years. In practice, state administration bodies submit their financial plans to the Ministry of Finance, whereas their medium-term plans are submitted to the General Secretariat. These processes are separate and there is no coordination between the two.

In summary, the main weaknesses of strategic planning in Serbia are the following: the lack of an umbrella policy framework, inadequate capacity and lack of motivation of administrative staff, inadequate quality of strategic documents, mutual incompatibility of strategic documents, lack of monitoring and reporting on the implementation of the strategy, lack of accountability for the results of the implementation of a strategy, and lack of coordination between strategic planning and budgeting.

Examples of umbrella strategic plans

A key problem that we observed in the analysis stage is the lack of an umbrella strategy at the national level, which would then cascade down to the levels of sectoral strategies and strategies of territorial units. Therefore, in the text below we will be analysing benchmark strategies, which can be used as a type of guidelines in the formulation of future umbrella strategic plan of the Republic of Serbia.

Europe 2020

Considering the visionary tendencies of much of the political establishment in Serbia, we believe that it is logical that

the basic document for the creation of Serbia’s umbrella strategy should be the EU strategy called Europe 2020: A European Strategy for Smart, Sustainable, and Inclusive Growth [6].

The creators of this strategy have first conducted an in-depth strategic analysis based on which they conclude that the crisis has caused the manifestation of a series of structural flaws in the Euro zone. The growth rate is lower than that of other economic partners due to the gap in productivity as a result of inadequate sectoral structure, lower level of R&D investment, market entry barriers and insufficient use of ICT. It is also noted that the employment rate for people between 20 and 64 years of age is at a level of only 69%. Finally, they note the fact that Europe’s population is aging rapidly, which causes increasing pressure on social, health and pension funds of individual countries.

European Commission defines three strategic priorities (see Figure 1). These are: smart growth (fostering knowledge, innovation, education, and digital society), sustainable growth (green and resource-efficient production while boosting competitiveness), and inclusive growth (education, employment and fight against poverty). The three strategic priorities are concretized through five strategic tasks (strategic targets) for the period by 2020:

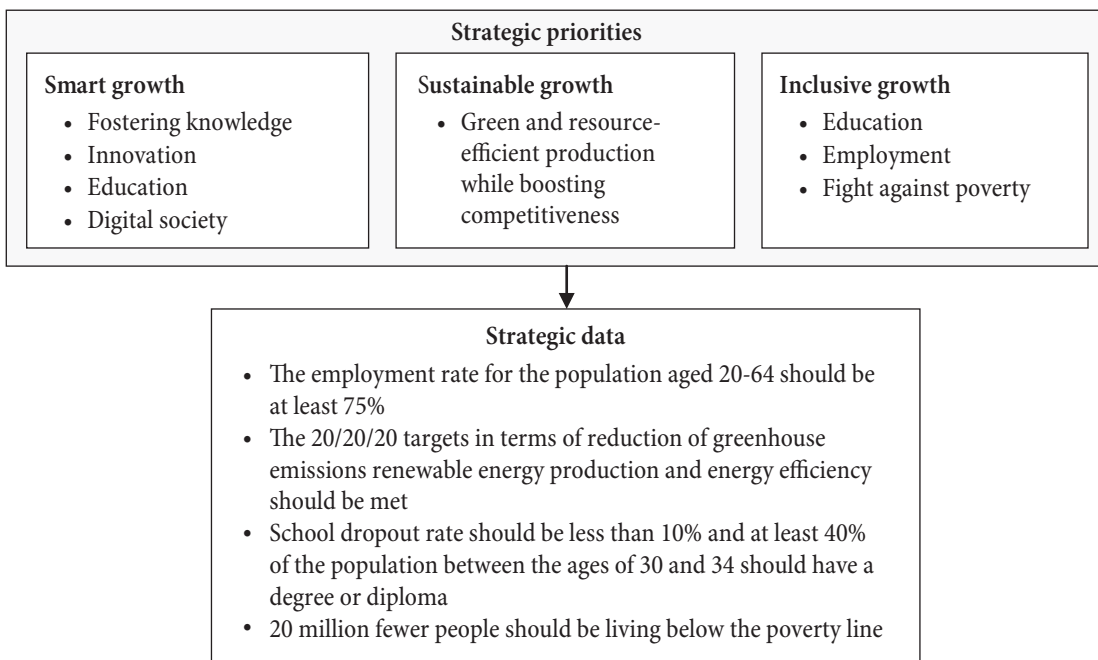
1. The employment rate for the population aged 20-64 should be at least 75%;
2. 3% of the EU’s GDP should be invested in R&D;
3. The 20/20/20 targets in terms of reduction of greenhouse gas emissions, renewable energy production, and energy efficiency should be met;
4. School dropout rate should be less than 10% and at least 40% of the population between the ages of 30 and 34 should have a degree or diploma;
5. 20 million fewer people should be living below the poverty line.

It is clear from the above that the EU insists on the following growth drivers: education, innovation, economic growth, employment, environmental protection, the fight against poverty and social inclusion. These are strategic issues that Serbia should consider when formulating their umbrella strategy.

UN Millennium Development Goals

MDGs represent eight development goals established following the UN Millennium Summit in 2000 [16]. All UN member states and 23 organizations committed to help achieve the following goals by 2015: 1. Eradicate poverty and hunger; 2. Achieve universal primary education; 3. Promote gender equality and empowering women; 4. Reduce child mortality rates; 5. Improve maternal health;

Figure 1: Europe 2020



Source: [6]

6. Combat diseases; 7. Ensure environmental sustainability; and 8. Develop global partnership for development.

Each goal was concretized through tasks and initiatives. However, the implementation of these strategic goals was subjected a lot of criticism for too broadly set of goals, the difficulty of their measurement and monitoring and favouring one group of goals over the other (most of the money was spent to repay loans and solving problems of natural disasters, whereas a smaller portion was spent on development projects, education projects, improving health, reducing hunger and poverty). In 2010, the goals were further specified in view of the deficiencies that were identified during the previous implementation.

Transformed World 2025

This US Government strategic document [17] predicts that the world will be challenged by growing resource constraints. All the world countries have been turning their attention toward access to relatively secure and clean energy sources and management of chronic food and water shortages. Adding over a billion people to the world's population by 2025 will put additional pressure on availability of vital resources. Significant growth in demand from developing markets, combined with constraints on new production, limits the likelihood that market alone will repair the supply-demand imbalance and potential food and energy price soaring. The already stressed energy and food sectors will be further exacerbated by detrimental impact of climate change. What is needed is stronger financial and policy support from national authorities and more coordinated and flexible effort from multilateral international organizations.

Food and water scarcity are closely interrelated with climate change, energy, and demography. A sudden switch from use of arable land for food to biofuel crops represents limited solution that could worsen both the energy and food situation. Such a complex syndrome of problems could overload decision-makers, making it difficult for them to take actions in time.

The projections suggest that energy and food prices will continue to grow after the economy recovers from recession. By 2030 commodity prices are expected to be for a substantial margin higher than 1997-2013 averages,

but much lower than maximum prices experienced in mid-2008.

Altogether, the world is faced with many discontinuities, some of which are energy transition, demographic and urbanization flows, resource constraints and possible conflicts over resources, global multilateral institutions perspective, destiny of state and liberal capitalism models, wealth transfer to the East, and many others.

What are the implications of these trends on future policies and trends within Serbian economy? In short, Serbia should invest more in primary agricultural production and food processing industry in order to ensure food security and potentially alleviate trade deficit problem. Taking into account abundant natural resources and existing expertise, the agricultural productivity and production can be significantly increased with better access to inputs, efficient use of existing and advanced technological solutions and infrastructure development.

Croatia

New Budget Law demanded that the state of Croatia defines its strategic goals for two years in advance in order to analyse the possibility of financing their implementation through concrete programs and projects [12].

Strategic goals of the Government are as follows: 1. Macroeconomic stability; 2. Justice and the rule of law; 3. Promoting knowledge, excellence and culture; 4. Uniform regional development; 5. Strengthening social welfare; 6. Tourism; 7. Agriculture; 8. International reputation; 9. Security of citizens; 10. Health of the nation; 11. Natural resources and environment protection. Each of the above goals was concretised through performance indicators, quantified targets, and concrete project initiatives.

Western Australia

This strategic document [8] predicts trends and defines the strategic goals of Western Australia for the period by 2050. The vision of the state is sustainable prosperity. Key strategic principles, strategic goals, and strategic directions are shown in Figure 2.

It is interesting to note that a significant number of these principles, goals and directions can be applied to the case of Serbia. It just shows that the overall strategic

framework of states is fairly stable (with some variations because, for example, in Serbia the issue of remote settlements is not relevant, but certainly the EU accession is, an issue which, naturally, is not mentioned here), and that key differences emerge in the concretization of goals by defining the performance indicators, objectives, initiatives, budget base and concrete implementation mechanisms, and responsible subjects.

Proposals for improving strategic planning in Serbia

In the last two decades, Serbia has been shaped by political turmoils, depopulation, unpredictable economic cycles, increased resource requirements, and many other changes. The need for proper strategy plan has never been greater.

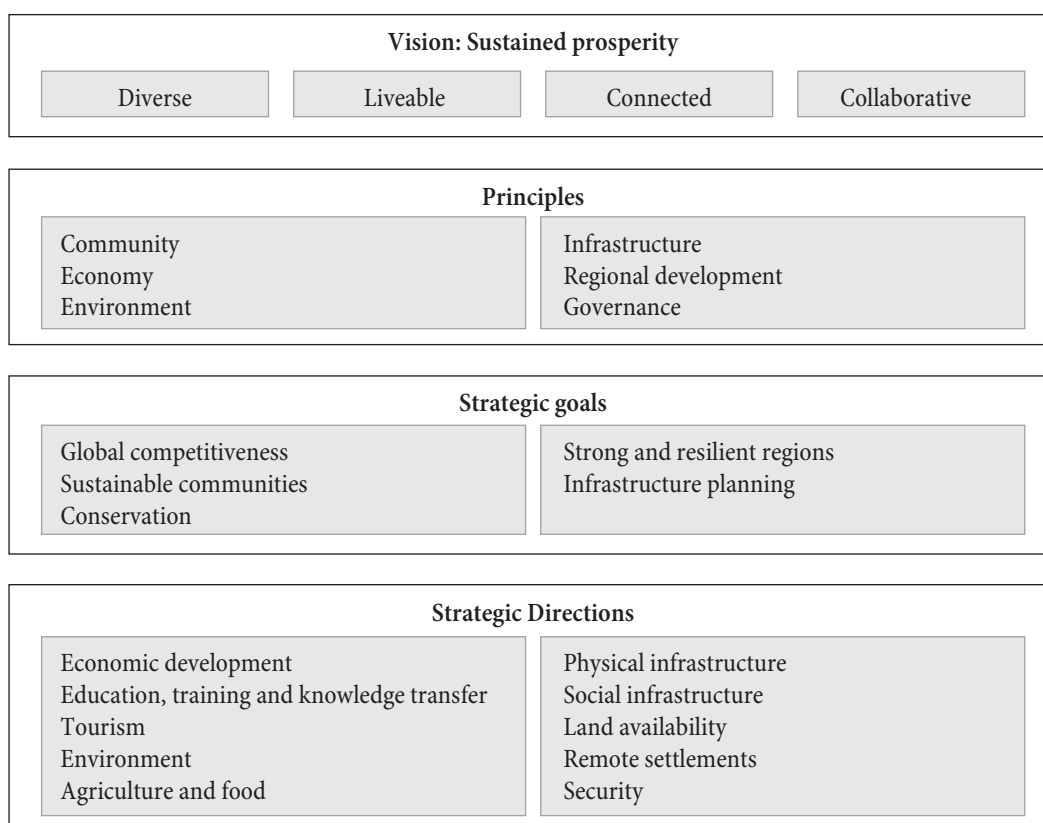
List of proposals for improvement

It is necessary to create an umbrella strategy document based on a vision of the future development of the whole society. The umbrella plan document of the Government

should set priorities top to bottom, in order to develop an effective system of state planning (similar to the expose of the Prime Minister which determines the basic goals of state policy, but the umbrella document must be quite a bit more specific). It can be made in the form of a National Development Plan or a Sustainable Development Strategy that would include an analysis of the comparative advantages of the Republic of Serbia, identify development opportunities and determine the priority sectors of the economy that would be generators of economic development of the country. Without an umbrella planning document, it is impossible to synchronize the process of creating and implementing sectoral strategies.

An umbrella strategic document should cover two key strategic areas: European integration, with improvements in the National Programme for Integration of Serbia into the EU, and improving economic competitiveness of Serbia. This umbrella strategy should be synchronously complemented by sectoral strategies of the Government. The umbrella strategy should be aligned with the EU 2020 strategy and its development priorities, as well as

Figure 2: Western Australia strategy structure



Source: [8]

the planned budgetary framework of the Republic of Serbia. The umbrella strategic document should refer to the future five-year period with the possibility of annual refreshment of the relevant goals, performance indicators, targets and initiatives.

It is necessary to create a methodological document that would specify a hierarchical flow of the development of national strategies and provides clear guidelines for creating individual strategic documents and the accompanying action plans and monitoring of their implementation.

In order to properly implement the measures, it is necessary to strengthen the office of the Prime Minister and the General Secretariat and to create a mechanism for horizontal coordination of the planning and implementation processes with the Memorandum on the Budget and Fiscal Strategy as a document of paramount importance in testing the financial viability of the planned activities. It is also necessary to ensure better communication in the area of strategic planning and implementation, between representatives of various ministries, as well as between the Government and the National Assembly.

Improving the above weak points and shortcomings of strategic planning would significantly improve the quality of strategic documents and their synergistic effect. What gives us hope that things in this segment can still improve are the political support for the reform of public planning, recruitment of new educated young people, somewhat better coordination between the Ministry of Finance, the European Integration Office and the Council for Regulatory Reform, the existence of a useful

GOP software application for planning, monitoring and reporting on the Government level and trainings for its implementation, constant pressure from the EU to harmonise strategic planning and strategic documents with the EU standards, as well as the formation of the modern centre of the Government in the form of the General Secretariat of the Government. Specific guidelines for improvement are given in the SIGMA Report (Support for Improvement in Governance and Management) [14].

Proposed model of strategic planning and implementation

The basis of the strategic planning model should be the requirements and needs of the community and the citizens. In order to profile the needs clearly, it is necessary to define the starting point, i.e. to conduct an in-depth economic, social, demographic, technological, political, environmental, and institutional and regulatory analysis and record the key gaps in the strategic development [5].

After the detailed strategic analysis, it is necessary to define the vision, mission, strategic goals and key principles that should, in the case of Serbia, be under the umbrella of the strategic documents of the European Union, which were previously discussed. It would be pretentious if the author provided the final list of strategic points for Serbia, since it is not even the subject of the paper, however, he is prepared to give an outline of strategic themes and principles that are based on the logic of strategic documents that have been previously presented, as well as the specifics of Serbian society (see Figure 3).

Figure 3: Strategic themes and objectives for Serbia (the author’s preliminary proposal)

ECONOMY	Competitiveness	Innovativeness	Employment	Macroeconomic stability	Infrastructure		
SOCIETY	Trust	Family values	Cultural heritage	Social support	Tolerance	Reputation	Partnerships
PEOPLE	Demography		Knowledge		Health		
NATURE	Environment		Land	Renewables			

Source: The author

Table 4: Example of BSC

Objective:	Indicator	Task	Initiative
Employment	Unemployment rate in Serbia	Decrease unemployment rate below 15% in the next three years	<ul style="list-style-type: none"> • Financial support to entrepreneurial business • Business incubators • Education programs form workers and managers • Self-employment programs • Part-time employment

Source: The author

It is necessary to concretise the defined strategic objectives in order to enable their implementation. In this paper, we propose the Balanced Scorecard methodology that concretises each target in the form of performance indicators, tasks and initiatives [11]. The Table 4 shows the idea of decomposition of the objective “Employment” through individual key performance indicators, tasks and initiatives.

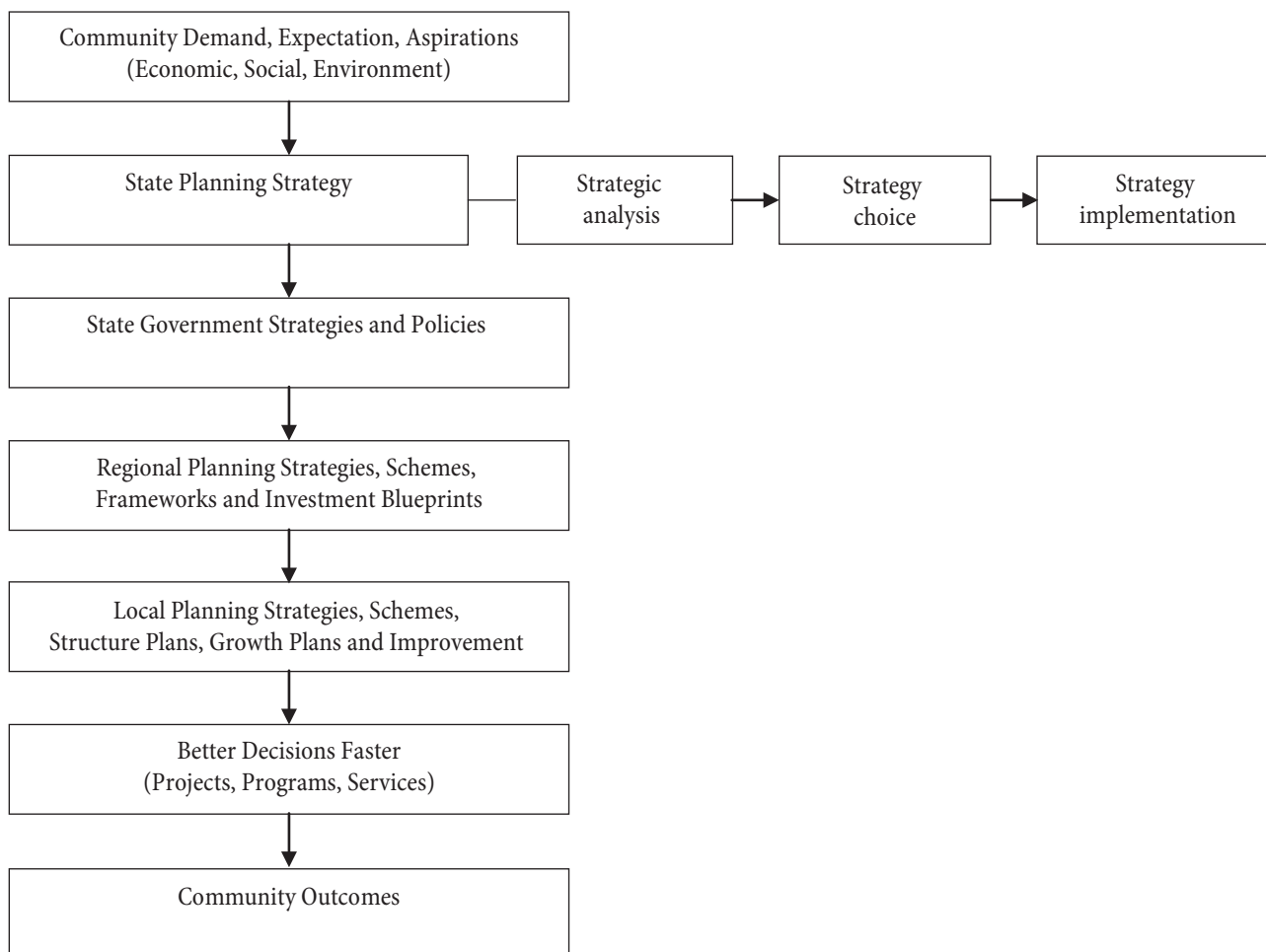
The defined strategy map and BSC should be subject to public discussion and agreement between the Government and relevant stakeholders on individual topics and goals.

Only in this way is it possible to reach realistic goals, which would be established by consensus and which could be implemented in the future.

The strategic plan at the national level must be cascaded down to lower levels in order to achieve the desired effects on the citizens and the community (see Figure 4).

When a strategic plan is agreed upon, the next step is to design the implementation part that would deal with monitoring and reporting, and if necessary, initiate re-planning as well. We propose that this should be a Government body and that it should operate using the

Figure 4: Cascading down a strategy to lower sub-systems



Source: The author

Project Management Office logic. This centralized unit of the Government for planning could be established according to the principles of the Department of Planning of Western Australia. However, in order to make it possible, it is necessary to attract good quality staff and implement a training program in strategic planning and implementation. It is also necessary to include representatives of ministries and relevant bodies and associations in the PMO structure in order to reduce resistance to the strategy and its implementation.

Conclusion

The paper highlights a few important specifics of state strategic planning compared to strategic business planning. Some of them are longer time horizons, the complexity of the process of harmonization of a great number of goals, focus on citizens as key stakeholders, the need to combine managerial and political approaches, the rigidity of the structure and culture of state administration, higher resistance to organizational change, as well as the difficulties in allocating responsibility for results and measuring performance of individuals and organizational units within the state administration.

Serbia has not yet chosen a model of public management. Externally, the model of New Public Management is being imposed, whose main idea is to equalise the public sector with the private sector and to make public sector more efficient by introducing the principles of business economics. This approach insists on simultaneous achievement of three strategic goals: creating public value, political effectiveness, operational implementation of the defined goals. An alternative model for Serbia is the neo-Weberian model which starts from the previous logic, but with a significant modification of the principles of business economics when they are adopted by the state administration.

We have analysed the zero strategic position of Serbia based on the index of global competitiveness. The key disadvantages are corruption, inefficient administration, political instability, inadequate infrastructure, and inadequate and expensive capital. There is an unanswered question of whether we as a society have defined our starting point

given a significant number of social contradictions that still burden the society and make it difficult to reach consensus on key strategic directions of the state in the future.

A large number of strategic documents were created in the previous period. The biggest drawback is the lack of an umbrella strategy document. The analysis of the existing policy documents has shown several of their flaws. Firstly, the strategies are not aligned with each other and there is a significant level of overlap, with significantly different time horizons. A significant number of documents have no action plans, monitoring and reporting mechanisms, or responsible subjects. A number of documents have been outdated in terms of the concept of writing, extensiveness, a great number of general goals. The administrative capacity of the state administration staff is inadequate and there is no good coordination between the processes of budgeting and strategic planning.

This paper analyses strategic documents of relevant international organizations and states. The idea was to examine the strategic framework that could be a guideline in formulating future umbrella strategic plan of the Republic of Serbia. The analysis has shown a significant homogeneity of strategic goals and the ability to implement them in Serbia to a certain extent.

Key recommendations for improving the process of strategic planning in Serbia are the following. It is necessary to create an umbrella strategy document based on a vision of the future development of the whole society, which should cover two key strategic areas: European integration and improvement of competitiveness of the Serbian economy. The umbrella strategy should be aligned with the EU 2020 strategy and its development priorities, as well as the planned budget framework of the Republic of Serbia. This umbrella strategy should be synchronously complemented by sectoral strategies of the Government, using the model described in detail in this paper. It is necessary to create a methodological document that specifies a hierarchical flow of the development of national strategies and which provides clear guidelines for the development of individual strategic documents and the accompanying action plans and monitoring their implementation. After alignment of the umbrella and lower level strategic documents, an important step is to develop the implementation part that

would perform monitoring and reporting. It is necessary to include representatives of ministries and relevant bodies and associations in order to make the implementation of the strategy faster and more efficient.

What gives us hope that things in the segment of national strategic planning can still improve are the political support for the reform of public planning, recruitment of new educated young people, somewhat better coordination between state administration bodies, the existence of a useful software application for planning, monitoring and reporting on the Government level and trainings for its implementation, constant pressure from the EU to harmonise strategic planning and strategic documents with the EU standards, as well as improving the functioning of the General Secretariat of the Government.

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