

SUBSIDIES AND STRUCTURAL TRANSFORMATION IN SERBIA: IS A PARADIGM SHIFT IN INDUSTRIAL POLICY WARRANTED?

Marija Marčetić, Bojan Kocić, Jovana Andjelković

Toplica Academy of Applied studies, Ćirila i Metodija 1, 18 400 Prokuplje, Serbia,
neimar.marija@gmail.com, bojan.kocic@yahoo.com, jovana.andjelkovic@vpskp.edu.rs

ABSTRACT

This paper analyzes the impact of Serbia's subsidization policy during 2015–2025 on the structural transformation of the economy. Subsidies in Serbia have been widely used as tools of industrial and fiscal policy aimed at increasing employment, attracting foreign direct investment and supporting domestic sectors. Integrating industrial policy theory, political economy and structural transformation frameworks, the study evaluates whether the current subsidization model has led to a shift toward high-productivity, technologically advanced sectors, or merely sustained a low-cost, investment-dependent growth pattern. The analysis indicates that subsidies have produced short-term gains in employment and investment but have not significantly enhanced long-term productivity or structural change. Additionally, the fiscal burden of subsidies remains considerable, and institutional mechanisms lack transparency and systematic impact evaluation. The paper concludes that reform of the subsidization model is warranted — toward productivity-linked, innovation-oriented support that fosters domestic value chains. Policy recommendations include shifting from employment-based subsidies to productivity-conditioned instruments, instituting rigorous ex-post evaluations, and strengthening domestic supplier networks.

Keywords: subsidies, industrial policy, structural transformation, Serbia, productivity, fiscal policy, FDI, development strategy.