

Economic sciences

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## **ECONOMIC SUSTAINABILITY IN BALKAN REGION**

**Summary.** *The main problems and their solutions for economic growth in the Balkan region are investigated.*

**Key words:** *economic sustainability, medical sector reform, apparatus improvement, Southeastern Europe, monetary development.*

Economic sustainability refers to a practice that supports long-term economic growth without adversely affecting the social, environmental and cultural aspects of the community. To empower the change from a modern civilization into an eco-progress, the segment requires idea breaking hypothetical advancement, strategic help, and apparatus improvement. Sustainability can be a motor to upgrade an organization's cutthroat methodology and the improvement of new business openings while additionally presenting the worth of co-creation.

The Balkan region is one of the most polemic and full of promise for dealing with economic sustainability. In the article "*Local Sustainable Development and Spatial Cohesion in the Post-transition Balkans: in search of a developmental model*" (Vassilis Monastiriotis and George Petrakos, 2009), the authors discuss the issues and ways to solve the problems of the Balkan region. The transition process that began about 20 years ago in the Balkan Peninsula and the European Union process, which was closely related to it, has led to a fundamental transformation of the Balkan economic space at all levels,

both good and bad, national and multinational. Among the other results that this brought were the emergence of a new and sharp socioeconomic dichotomy, which takes the form of an improvement model "around the core" (polarization), but shows a specific backward, peripheral, rural, etc. To achieve sustainable and equitable sub-national development, a certain spatial development plan is needed that will result in real and deep teamwork between the countries of the region at all levels of the region and state.

Table 1

### Balkan deficiencies and new spatial policies

	<b>Civil societies</b>	<b>Local governments</b>	<b>Connectivity</b>	<b>(Infra-) structures</b>
<b>Vision</b>	-Immature; partisan representation; interests linked to elites & clientelism	-Lack of admin capacities/resources -Undemocratic elites and lack of 'own initiative' culture -Sub-ordination to national planning	-Inability to 'think big' and 'think bold / positive' -Weak extent & appreciation of synergies and complementarities	-Weak comparative advantages and human resources -Urgent priorities ('roads') limit bolder vision
<b>Involvement</b>	-Weak social capital (bonding v bridging) and civic networks	-Suspicion against central / local govt -Control over policy -Dependency on central govt for priorities/funding	-Weak linkages b/w hinterlands & centres -Hierarchical administrative structures	-Weak economies => competition & singular objectives -Emphasis on infrastructure
<b>Openness</b>	-Inward-looking; weak civic networks; lack of trust; competition; localism	-Local antagonisms -Zero-sum-game culture -Historical role of central govt in setting agendas / policies	-Weak linkages across regions / urban centres -Hierarchical admin systems	-Dualism limits econ synergies -De-industr/tion => 'creativity' a competitive game
<b>Independence</b>	-Limited local financial resources -Not mature enough to develop innovative strategies	-Devolution & EU co-financing limit functional independence -Functional independence also hindered by lack of capacities/knowledge	-Lack of economic linkages implies lack of synergies / incentives for financial collaboration among local administrations	-Weak economies => low tax-bases => low local service provision => dependence on nat'l investment and redistribution

**Source:** The Hellenic Observatory. (2009). Local Sustainable Development and Spatial Cohesion in the Post-transition Balkans: In search of a developmental model [Brochure]. Author. Retrieved November 6, 2021, from <https://www.lse.ac.uk/Hellenic-Observatory/Assets/Documents/Publications/GreeSE-Papers/GreeSE-No29.pdf>

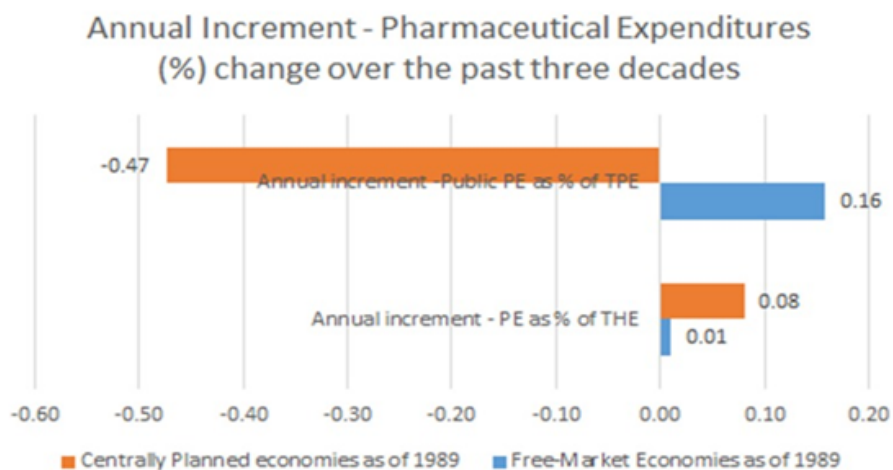
Very important economic problems are discussed in the article "The New and Old Europe: East-West Split in Pharmaceutical Spending." (Jakovljevic, M., Lazarevic, M., Milovanovic, O., & Kanjevac, T. (2016, February 09). The

degree of monetary advancement of a nation can be checked by the level of its general medical care. Since the finish of the Cold War in 1989, the international destiny of Europe has opened up numerous issues that at last influence the expense of medical care. A large number of the communist economies recently overwhelmed by the state have gone through significant changes in the field of medical care, embracing the unrestricted economy model (*Yakovlevich, 2013*). The Soviet-style medical services framework in Central and Eastern Europe after Semashko, contrasted with Western Europe, by various (more) emergency clinic beds, specialists and attendants (*Semashko, 1934; Torosyan et al., 2008*).

The portion of government financing in complete medication spending in many nations in focal and eastern Europe has consistently diminished over the past certain many years. The contrary situation was the EU-15 nations that effectively expanded government subsidizing for doctor prescribed medication for their residents. In old communist nations, private and self-caused consumptions have become predominant. The European data set "Wellbeing for all" distributed by the WHO (HFA-DB) is a public register with broad information on socioeconomic, assets and wellbeing results just as information on wellbeing utilization in all European Region nations (*WHO, HFA-DB, 2015*). Drug costs are as a rule characterized as expenses for physician endorsed drug and non-doctor prescribed prescription without the utilization of medications in clinics (*OECD Pharmaceutical Spending, 2013*).

Clinical consumables are remembered for such information in numerous nations (around 5% of the proclaimed worth) and the compensations of drug specialists in case they are dismantled into account from the cost of prescriptions. At last, the determined complete drug costs accommodate a discount and retail overcharge and a VAT. The portion of drug use (PE) in complete wellbeing consumption used to be higher in nations with a midway arranged economy. Rather than them, the specific inverse pattern is seen in nations with an unrestricted economy. In the event that it considers the scene of

government spending on drugs as a level of complete wellbeing use, a totally unique reflection exists. This huge error is the primary finish of this information report (see Figure 1).



**Fig. 1. Annual Increment—Pharmaceutical Expenditures (%) change (observation time span up to 22 years among former centrally planned and up to 42 years in free market economies)**

Source: Jakovljevic, M., Lazarevic, M., Milovanovic, O., & Kanjevac, T. (2016, February 09). The New and Old Europe: East-West Split in Pharmaceutical Spending. Retrieved November 7, 2021, from <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4771948/>

Principle Trends: Long-term drug uses are communicated as a level of absolute clinical uses and are diminishing in created nations (Mossialos and Oliver, 2005). The portion of government financing in all out drug spending has been consistently declining in generally focal and eastern European nations (Gotseva, 2015). The contrary circumstance was the EU-15 nations battling to keep up with ordinary and increment public subsidizing for physician recommended meds for their residents. They have prevailed with regards to growing the inclusion of the populace with a savvy technique for repayment of drugs costs (Remuzat et al., 2015). Two expansive public gatherings noticed, the previous focal arranging economy and the unrestricted economy, have

something else entirely legacy in the field of drugs supply and financing systems (Jakovljevic, 2014b). Eastern European states experience the ill effects of issues of availability and inconsistent admittance to meds, essentially dictated by family pay gatherings. Conventional nations with unrestricted economy economies, basically EU-15 states, in like manner experience the ill effects of uncommon sicknesses and of poor and weak patients, remembering those for need of costly therapy systems (Iskrov et al., 2012). By and by, there is the tremendous advancement made in Eastern Europe in guaranteeing admittance to imaginative prescriptions for everyone (Putrik et al., 2014). Current difficulties in opposing the tensions brought about by sicknesses identified with populace maturing and flourishing are the principle issues of maintainable medication financing across Europe (Ogura and Yakovlevich, 2014; Yakovlevich and Milovanovich, 2015; Yakovlevich and Laaser, 2015) Despite the excess contrasts, the specialists accept that later on these locales will combine, expanding social prosperity and the accessibility of drugs for all inhabitants. (Elder, 2000).

There are also problems with the availability of medicine in the Balkan region, as described in the article, "*Resource allocation strategies in Southeastern European health policy.*" (Jakovljevic, M. B. (2012). Southeastern Europe, also called the Balkans, comprises a mosaic of little, post-communist, center pay markets. They share a typical recorded legacy in the field of wellbeing arranging and strategy. The most recent 23 years of post-communist rebuilding of the medical care financing and the board framework have prompted many changes in the little Balkan market, putting them under expanding strain to stay aware of moderate globalization.

For a really long time after the conflict, neighborhood legislatures looked to guarantee equivalent admittance to medical services for a wide scope of needy individuals. Most states have embraced the Semashko subsidizing model dependent on a concentrated arrangement that depends vigorously on long term care rather than essential care. [Healy, J., Mckee, M.: Health area change in

focal and eastern Europe: the expert aspect. Wellbeing Policy Plan 12(4), 286–295 (1997)] Finally, the objective of giving essential clinical consideration was accomplished, which altogether decreased newborn child mortality and expanded the future upon entering the world. A portion of the wellbeing strategy procedures used to accomplish these objectives have become one of the greatest on the planet, expanding the degree of instruction of clinical experts and quickly expanding the quantity of enormous medical clinics of halfway and progressing levels, bringing about a normal number of specialists and medical clinic beds per capita.

*Table 2*

**Western Balkans countries, World Bank (WB) and World Health Organization (WHO) estimates on key parameters for 2010; additional sources: official national statistics and legislative framework in local languages”**

Country	SRB	CRO	BIH	ALB	MKD	KOS <sup>a</sup>	MNE
GDP per capita PPP 2010 (USD)	11,349	19,330	8,690	8,592	11,311	2,535/2011	12,861
Health care expenditure (% from GDP) 2010	10.4	7.8	11.1	6.5	7.1	2.3/2009	9.1
Health care expenditure (PPP) per capita 2010 (USD)	546	1,067	499	241	317	108/2009	578
Formal/informal HTA agency role	Informal Quality assurance unit, Ministry of Health Commission on pharmacoconomics—the republic fund of health insurance Serbia	Formal Agency for quality and accreditation in health care, Department for Development, Research and Health Technology assessment Croatian Branch of the Italian Cochrane Center	Absence of HTA bodies in both entities—capacity building taking place in Federation BiH	Absence of HTA body—capacity building taking place	Absence of HTA body	Absence of HTA body	Absence of HTA body—HTA proposed in national health policy strategy
National Health Economics Associations	ISPOR, Pharmaco economics section of Serbian pharmaceutical society	ISPOR, Croatian Society for Pharmaco Economics and Health Economics (HDFEZ)	ISPOR	None	ISPOR	None	None
Cost-effectiveness evidence requirement in industrial submissions for marketing approval of new drugs/medical technologies	Recommended	Recommended	Not requested	Not requested	Recommended	Not requested	Not requested

Health system funding pattern	Bismark	Bismark	Bismark	Bismark	Bismark	Bismark	Bismark
Budget impact analysis evidence for reimbursement decisions	Requested	Requested	Requested	Recommended	Recommended	Not requested	Requested
Cost effectiveness evidence for reimbursement deaccessions	Required as mandatory	Recommended	Not required	Not required	Recommended	Not required	Not required
Explicitly defined willingness to pay threshold or range	None	None	None	None	None	None	None
Presence of national HTA and/or pharmacoeconomics guidelines	Guidelines for pharmacoeconomic evaluation for Serbia	Croatian guideline for health technology assessment process and reporting	None	None	Pharmacoeconomics guidelines—currently under development	None	None

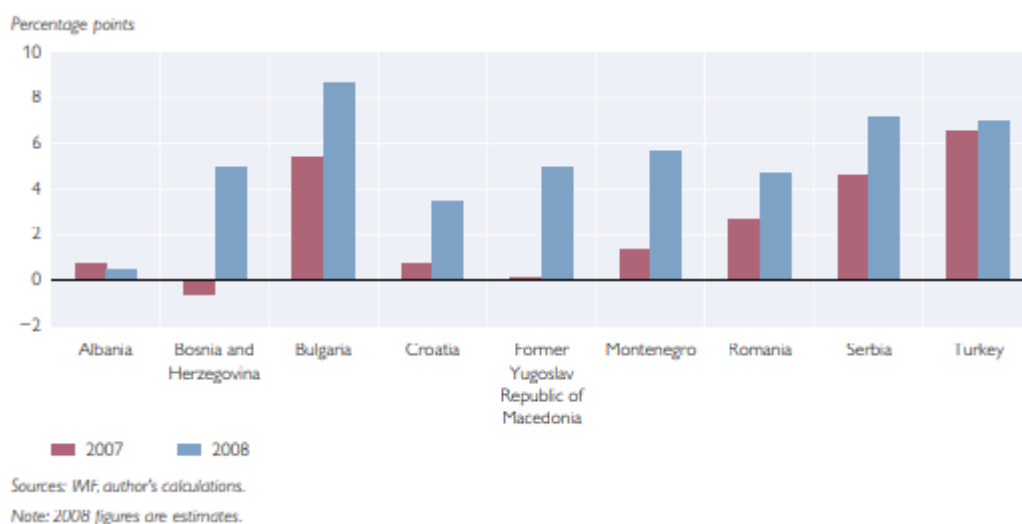
Source: Jakovljevic, M. B. (2012, November 10). Resource allocation strategies in Southeastern European health policy. Retrieved from <https://link.springer.com/article/10.1007/s10198-012-0439-y>

As of late, the quantity of nations neighboring the EU locale has crumbled because of the monetary slump and is confronting genuine troubles in financing medical care. World Bank nations have shown some trademark normal shortcomings in monetary maintainability in the medical care framework. Nearby policy makers ought to perceive the need to bring issues to light of the wellbeing economy and carry out limit building measures. By depending on coral reefs in the evaluating and discount process, it will be feasible to offer better benefits for cash to the people who pay for administrations (Thierry Debrand, Paul Dourgnon, 2014). The improvement of the clinical economy and its generous interest in functional use prompts outlandish expense reducing and massive expense control. These reserve funds could prompt alleviation of current troubles in medical care arrangement and financing in Balkan nations if these temporary wellbeing frameworks are made with proposed changes that expand reasonableness and give more pleasant admittance to medical services to defenseless and principally maturing populaces.

Over recent years, rapid financial deepening has been observed in Southeastern Europe, the research “*Southeastern Europe: financial deepening, foreign banks and sudden stops in capital flows. Focus on European Economic*

Integration." (Winkler, A. (2009). Southeastern European nations have seemed, by all accounts, to be confronting an abrupt stop in capital streams, making a comparative situation to the Asian emergency. This appears to affirm the notice that the extending of money is taking an unreasonable course, however the decrease in capital streams is a sad remnant of monetary unrest in mature business sectors. Against this foundation, late occasions show that a monetary advancement support procedure dependent on proper and suitable unfamiliar banks doesn't consequently ensure monetary strength.

In the mid 2000s, monetary development was joined by solid development, low expansion - except for nations with more adaptable trade rates, specifically Turkey, Romania and Serbia - and current record shortfalls, which were as yet unassuming given the normal scope of 5% of GDP. Yet, until the late spring of 2008, inflationary tensions escalated, restricting the advancement of the battle against swelling or expanding the expansion rate in nations with somewhat low expansion rates in earlier years. Moreover, the quickly developing current record shortfall shows that the elements of homegrown interest has become unnecessary (Chart 1)



**Chart N°1. Inflation Differential to the Euro Area**

Source: Southeastern Europe: Financial Deepening, Foreign Banks and Sudden Stops in Capital Flows, p. 86

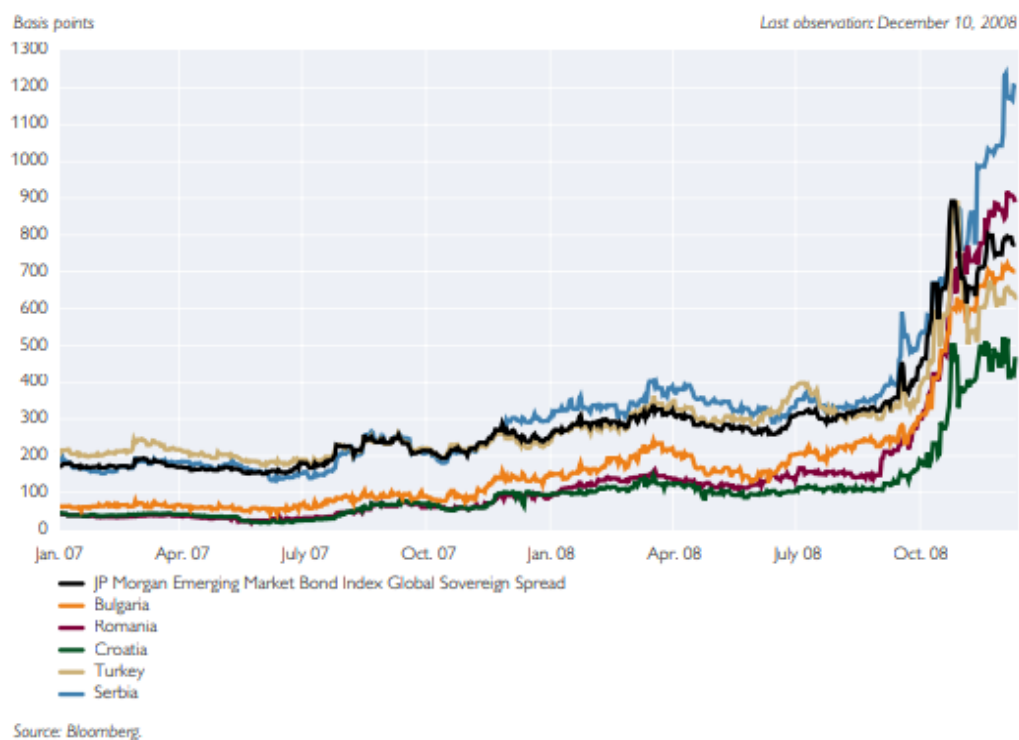


The specialists responded by opening their monetary area to unfamiliar financial backers. As the possibility of EU participation turned out to be more explicit, unfamiliar banks fundamentally in the EU made the most of this chance, and rapidly to pretty much every country in the locale the portion of the absolute resources of the auxiliary or branch in the financial area toward the finish of 2007 surpassed the degree of 70% in all nations with the exception of Turkey.

In many arising and non-industrial nations, the unfamiliar banks presence in the homegrown financial area has ascended lately (Mihaljek, 2006; Claessens et al., 2008). Be that as it may, the effect of unfamiliar banks on monetary area advancement has been a long way from uniform. Subsequently, the Southeastern European experience of monetary improvement dependent on unfamiliar banks from the euro region appears to mirror the positive conditions for monetary incorporation in Europe (Herrmann and Winkler, 2008). Auxiliaries and parts of the parent kept money with central command in the euro region entered the district since they saw the host nations as an expansion of the single homegrown European market (Wiedner, 2005; Wimmer, 2005; Profumo, 2006). The most broadly utilized conflict recommending that the expanding presence of unfamiliar banks in the locale ought to have fortified monetary steadiness in the area depends on the view that frail and inadequately represented state-claimed and private banks were a most significant reason for the monetary and cash emergencies of the 1990s (Llewellyn, 2002). Contrary to this foundation, the very truth that trustworthy and experienced unfamiliar banks entered the market was deciphered as an improvement in monetary area quality and dissolvability (Mehl, Vespro and Winkler, 2005). The nature of monetary intermediation was additionally improved by considerable endeavors to overhaul the administrative and administrative structures. Once more, the drive toward better guidelines and management was to some extent part of the way persuaded by the European incorporation process and the need to take on EU principles. Regardless of

whether the presence of unfamiliar banks might have a positive bearing on monetary steadiness, for example on pointers estimating acknowledge quality just as banking area capitalization, benefit and liquidity, it doesn't make up for frail macroeconomic essentials, like rising swelling, high current record shortfalls and rising outer obligation. In this manner, unfamiliar proprietorship without help from anyone else doesn't appear to lighten significant dangers of monetary and swapping scale emergencies considered in practically any early admonition framework model (Berg, Borenzstein and Pattilo, 2005).

Summarizing, it ought to be noticed that unfamiliar banks in the eurozone have turned into a significant component in monetary development in Southeastern Europe, since as of late parent banks have given a critical portion of assets for continuous credit extension. Solid capital streams and credit development invigorated a development cycle dependent on homegrown interest, speculation and utilization, which progressively gave indications of overheating, as proven by rising swelling and a huge current record shortfall. Simultaneously, notwithstanding, the danger of an abrupt stoppage of capital streams appeared to be low, since it was accepted that unfamiliar banks had done a genuinely decent investigation and credit hazard to the executives. Furthermore, the dangers of worldwide illiquidity have been contained because of interconnected possession structures. Against this foundation, it appeared to be that the district was setting out toward a delicate arrival, since the effect of disturbance on the monetary business sectors of created economies was recognizable, yet restricted. For sure, there were a few motivations to trust that the expanded hazard avoidance after the occasions of August 2007 would prompt a decline in the development pace of loaning, lighten the strain of overheating and push development and the current record shortfall to more steady levels.



**Chart N°2. Sovereign Bond Spreads of Selected Southeastern European Countries and JP Morgan Emerging Market Bond Index Global Sovereign Spread)**

*Source:* Southeastern Europe: Financial Deepening, Foreign Banks and Sudden Stops in Capital Flows, p. 93

The monetary emergency has arrived at Southeastern Europe in a manner anticipated by numerous spectators: inciting an unexpected end in capital inflows to the district. The emergency arrived at the area when the monetary disturbance that started to create economies in the late spring of 2007 became worldwide after the breakdown of Lehman Brothers. In such a manner, the case that each monetary emergency is not quite the same as the others has been affirmed once more. Considering that the emergency has become worldwide, it is likewise hard to survey whether the one of a kind monetary construction that describes the locale, to be specific the strength of unfamiliar banks situated in the euro region in the public financial areas, would truly influence the regulation of large scale monetary weaknesses and dangers related with the quick course of monetary extending lately. In any case, the current emergency shows that a

monetary improvement procedure dependent on the section of unfamiliar capital from the zone of the reference money isn't an assurance of a smooth course of financing and development. Additionally, considering that capital inflows, fast credit development and homegrown interest have added to development in the area, the results of the emergency might be more genuine than in other agricultural nations that have followed a commodity situated development system. The explanation is that an increment in financing costs and a log jam in development rates can prompt a huge weakening in the nature of the advance portfolio in the area, fueling the credit emergency brought about by disturbance in created economies.

Against this foundation, some type of monetary extension would be valuable to balance the normal decrease in popularity, as in mature economies. In any case, numerous nations in the locale botched the chance in the "blast years" to make a financial plan save that could be utilized if vital. Hence, it might turn out that a deficient level of financial fixing was the most genuine approach disappointment that happened during a time of fast monetary extending.

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