A R T I C L E  I N F O

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A B S T R A C T

In the global competition in agriculture, countries must allocate considerable financial resources in order to create preconditions for the continuous development of agriculture. Bearing in mind the unfavorable competitive position, the low investment rating, insufficient foreign direct investments, the Republic of Serbia can see its development opportunity in the application of public-private partnership in agriculture. Cooperation models are conditioned by investor plans and regulations created by the state. The mutually significant and complex relationship between the private and public partner beside economic and legal aspects, also acquires significant social and political dimensions. That is why through public-private partnership operations, there is an opportunity to improve the operations of economic entities. The authors conducted a survey of business entities in the territory of Srem, analyzed a successful case and concluded that the mentioned partnership can lead to an improvement in the competitiveness of business entities in the field of agriculture.

Keywords: socially responsible business, interest groups, state interest, effects of moral requirements, business success.

J E L : K12, K32, L11, L14

I n t r o d u c t i o n

Globally, governments cannot meet the ever-increasing need for public services by acting alone, especially in times of economic crisis. That is why the need to look for a solution in other sectors and sources of financing was imposed. During periods of slow growth, government revenues are often insufficient to meet all market needs, requiring
budget cuts to reduce spending or unpopular increases in taxes and other levies on business entities (Altuzarra, et al., 2023). The partnership can ensure the continuation of the provision or improvement of the level of services, with reduced costs for both contracting parties (Garelli, 2009).

The modern economy is faced with ever-increasing competition. Strong and permanent competition threatens markets that are unable to adapt, that is, to be innovative, creative, productive and able to respond to competitive pressures (Kačer, H., et al, 2008; Altuzarra, et al., 2023).

Due to the increasing need for building new public infrastructure, investing in goods of general interest as well as providing services of public importance in the Republic of Serbia (RS), it was necessary to create a legal and institutional framework for attracting private investments (Bela knjiga, 2022).

Therefore, in November 2011, the Republic of Serbia adopted the Law on Public-Private Partnerships and Concessions (Law on Public-Private Partnerships - ZJP, 2011), which is of great importance, because at the same time there were reduced opportunities for obtaining favorable loans from international financial organizations. These are the reasons why there is a need to engage private capital for numerous significant investments necessary for all economic entities, regardless of what activity they are engaged in, such as: the construction of road networks, schools, water supply, landfills and all those projects for which they do not have funds from the traditional budget financing (Bogdanov, et al, 2011). The essence of the introduction of the private sector is the reduction of fiscal pressure on the local budget, the acceleration of infrastructure investments, the improvement of services and the reduction of their prices.

With the Law on Public-Private Partnership, the concept of public-private partnership (PPP) was introduced into the legal system of the Republic of Serbia for the first time, and for the first time state and local authorities were in a position to realize their needs for infrastructure and public services according to this model with a clear established rules of conduct (Rajnović, 2023).

The nature of PPP is reflected in the fact that public and private business entities achieve cooperation for mutual benefit and share the risk of joint cooperation, i.e. responsibility for the achievement of set goals, which is why they have a common interest in the project being successful in the long term (Ivanović, et al., 2009). Partners are assigned, on a contractual basis, clearly defined tasks, as well as risks, and the public sector has the role of supervisor, and the private sector the role of executive body. Risk sharing and the long-term nature of the arrangement are two elements that distinguish PPP from other, similar arrangements (Milovanović, 2006). Cooperation between the private and public sectors on this basis usually lasts between 10 and 30 years. PPP participants retain their own legal personality.

The goal of this cooperation is to make the knowledge and resources of the private sector available to the public sector in order to create additional value in this way,
while increasing the efficiency in the provision of public services, but also encouraging innovation (Brdarević, 2012). Each of the partners has different goals that they want to achieve through cooperation - the public partner wants to achieve social satisfaction, shorten the time needed for investments in large projects, gain social trust, while the private partner achieves its interest, primarily economically, by charging for services from the users of facilities through a concession or some other form of payment (Persoli, 2010; Vuković, 2014; Žeglen, 2011).

Realization of public-private partnership can be implemented in practice through two bases:

- on the basis of a contract, in which case the private business entity is most often in charge of designing, building, financing and managing the service or good (Rajnović, 2021). In this case, the partnership between the public and private sectors is based on contractual ties. It can be regulated through the commonly known Guidelines (European Directives on Public Procurement). Some of the pure contractual PPP models are characterized by a direct connection between the private partner and the end user: the private partner provides a direct service to the end users, under the control of the public partner, such as concession (Todorović, 2003). The characteristic of this form implies the method of compensation for the private party, which consists of the charged service to the end users.

- institutional partnership, in which case a new legal entity is established that is owned by both partners. The direct connection of the public and private partner through legal subjectivity enables the public partner to maintain a relatively high degree of control over the development of projects through its presence in the bodies that make decisions on behalf of the joint venture (Marenjak, et al., 2007). In this way, the public partner can develop its own service delivery experience, using the resources and experience of the private partner.

The Law on Public-Private Partnership of the RS regulates: the conditions and manner of drafting, proposing and approving public-private partnership projects; determine the competent entities, i.e. authorized to propose and implement public-private partnership projects; rights and obligations of public and private partners; form and content of public-private partnership contracts with or without concession elements and legal protection in public contract awarding procedures; conditions and method of granting concession, subject of concession, entities competent, i.e. authorized for the procedure of granting concession, termination of concession; protection of rights of participants in procedures for awarding public contracts; establishment, position and competence of the Commission for Public Private Partnership, as well as other matters of importance for public-private partnership (PPP).

The law is aligned with the legal acquis of the European Union, with the aim of improving the control of financial implications and risks of public-private partnership projects and alignment with international standards and best international practice.
The law allows the Government, the province and local self-governments, each within their jurisdiction, to independently make a decision on initiating the procedure for the realization of the PPP project and on cooperation with a private partner (Ivanović, et al., 2009). This must be preceded by an analysis of the economic efficiency of the proposed project, i.e., the public sector must prove that a specific project is better implemented through a partnership with the private sector and that it is profitable (greater value for the money invested) (Brdarević, 2012).

Public-private partnership in agriculture is in accordance with Treasury Regulation 16 (National treasury, Public Finance Management Act 1999, Treasury Regulation 16, 2002) and represents a public-private partnership that can be realized through commercial transactions between public institutions and a business entity in private ownership, who is engaged in agriculture. PPP in the field of agriculture in the RS is often based on a contractual basis, according to which the private company: performs an executive function, i.e. acquires the right to use state property for its own commercial purposes and very often assumes considerable financial, technical and operational risks in relation to the use state property, but also obtains benefits by performing functions and/or using state property through fees that the private partner collects from service users or provides services to users (Samardžić, 2011).

Public-private partnership in agriculture and rural tourism, which have a great influence on each other, has a significant role in countries where the development of tourism is at an early stage. In this sense, infrastructure projects are accompanied by high risk and a long time frame. In order to ensure against risks, the governments of these countries formulate basic principles that must be met before establishing a public-private partnership, which implies that the economic and social framework must be stable.

Multi-stakeholder business partnership is an important element in the promotion of agricultural products. It offers material and life opportunities for the local population, such as employment opportunities, development of tourism, diversification of activities of small economic entities into agriculture, especially family farms, and development of other service activities. The local population is also engaged in small businesses such as shops of local products, various craft shops and others (Milošev, 2023).

Agricultural development or sustainable agricultural development significantly depends on the growing cooperative attitude of the private and public sectors. The authorities responsible for the planning and promotion of agriculture and rural tourism at the local, regional and national levels have begun to include the private sector in the decision-making process (Leković, et al., 2013). The overarching goal of the public and private sectors is to create a positive image of the country as a producer of agricultural products.

**Material and methods**

The subject of research in this paper is public-private partnership in the function of raising the competitiveness of economic entities engaged in agriculture in the Republic of Serbia, that is, the successful placement of agricultural offers.
The goal of the research is to answer the question of how to choose and implement an optimal public-private partnership model that would serve to increase the competitiveness of economic entities engaged in agriculture in the Republic of Serbia, that is, to ensure the successful positioning of Serbia as a provider of quality agricultural products and the development of rural tourism.

Through the research, it will be possible to find out which model of public-private partnership can be applied in agriculture in Serbia and increase competitiveness, which should result in a recognizable agricultural product of high quality, prosperity and a better quality of life for citizens in rural areas.

The research was conceived as a theoretical-empirical one, which decided to apply the basic analytical and synthetic methods in the theoretical part, and in the empirical part the research method through a survey.

During the preparation of the theoretical part, numerous contemporary scientific and professional literature, as well as practical experiences, were consulted through the research of foreign and domestic literature that deals with issues of public-private partnership in agriculture: books, collections of works, textbooks, expert articles, as well as research that contains models public-private partnership.

In order to research this topic, the following was done:

- Case analysis of a public-private partnership based on a contractual basis in the territory of the municipality of Ruma, which gave good results for both contracting parties. In this case, the public partner handed over agricultural land, which was actually a lake, to the private partner for use, in order to build the facilities needed for the maintenance of the public structure, sport fishing and the provision of other supporting services to the users.

- A survey in which 30 representatives of companies and larger agricultural holdings in the territory of Srem participated, who have 5 or more employees and have been in business for more than 10 years, which implies that they have sufficient knowledge about the activity they are engaged in and the ability to follow events and news on market, which also includes concepts of public-private partnership. The aim of the survey was to determine the interest of the private sector in participating in PPP projects, what results they expect from the introduction of PPP and whether they think that public-private partnership can be used to increase the competitiveness of their business in Serbia.

All properties that have been reached through research have been classified, in order to point out important connections and relationships, and the method of comparison has been used to find out about the desired goals, ways and directions of cooperation of partners from different sectors. By applying the deductive method, the results of the research were formed in the form of a development model.
Bearing in mind the strategic importance of agriculture in RS and the fact that public-private partnership synergistically connects several components - economic, political, social, legal and environmental issues, the main hypothesis of this work is based on the assumption that public-private partnership can be in the function of raising competitiveness of agriculture in the Republic of Serbia.

**Results and discussion**

This work includes a scientific and social aspect.

The scientific aspect means the creation of knowledge that contributes to the theoretical development of the idea of improving agriculture through the development of a public-private partnership model.

The social aspect implies the application of research results that contribute to the creation of systemic solutions to improve the legal and financial framework, competitive positions in rural tourism and better quality of life in rural areas.

The authors present a case of a successful public-private partnership in which the public partner handed over to the private partner the land on which the lake is located in a village, in the territory of the municipality of Ruma, in order to maintain public infrastructure and build facilities designed for lake maintenance and sport fishing as well as provision of other supporting services to users. The lake was located in the immediate vicinity of the village and country roads that the population of that village and surrounding villages used daily. The lake was low-lying and often flooded large areas of farmland, roads, football pitches and farmhouses around the lake.

By definition, a lake is a natural depression on land filled with water, which is not directly connected to the sea, and which is relatively large in size. The regulations do not provide a minimum area that should be covered by the lake, but in practice it is considered that the lake should not have an area of less than 1 hectare. The public partner handed over the lake with the owning business facility to the private partner for use with the obligation of the private partner to maintain the lake and the surrounding infrastructure, build the necessary facilities for sport fishing and other facilities that can benefit the said activity.

The public partner allowed the private partner to carry out commercial activities and build other facilities within the framework of the PPP project implementation, because it was not possible to ensure the necessary level of profitability of the public-private partnership project implementation and the return of the private partner’s invested funds in any other way.

The private partner fulfilled his obligation, he built all the facilities needed for sport fishing, bought fish, maintained the lake and the surrounding area of over 2 ha in good condition for visitors, equipped a restaurant, built a parking place and built additional facilities for the all-day stay of the residents on the lake. The lake has become an interesting tourist attraction for numerous visitors from the wider area as well as
competitors in fishing. The private partner procured agricultural products and other foodstuffs needed for their business from the people of the village where the lake is located. Over time, he hired 5 new workers from the village and its surroundings.

The PPP established in this way fulfilled the mutual goal of both contracting parties:

- a public partner and an economic goal - the private partner’s investment contributed to the increase of the state’s public income, which contributes to the political and social function for which the state is responsible, through the employment of a certain number of people, the development of rural tourism and the improvement of the well-being of the population in the village and its surroundings (Brdarević, 2012) and, goals

- a private partner - who achieved/achieves his business goal, which is the return of invested funds and the acquisition of profit on invested funds (Rajnović, et al, 2023).

In order to check the views on public-private partnership related to a specific case, a survey was conducted of representatives of the private partner, public partner and users: tourists and rural residents (among whom there were 50% sellers of groceries to the private partner and 50% other residents of the village and the surrounding area), which referred to satisfaction with the completed project.

The answers offered were:

1. Yes
2. Mostly yes
3. Mostly not
4. No

Table 1. Satisfaction with the PPP project

<table>
<thead>
<tr>
<th>Question</th>
<th>Private partner</th>
<th>Public partner</th>
<th>Project beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Is the economic interest of partners and users satisfied?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2 Does the private partner provide good service?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3 Was there a need for a PPP?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4 Have the objectives of the PPP been achieved?</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Research of Authors.

The authors investigated the following with a survey of business entities:

- Willingness of the private partner to participate in PPP projects, as well as to plan, implement and monitor PPP projects.
- Is there a need for PPP?
• Are there any obstacles to the implementation of PPP?
• Is the private sector interested in participating in PPP projects?
• Can PPP be in the function of increasing competitiveness

The answers offered were:
• 1. Yes
• 2. Mostly yes
• 3. Mostly not
• 4. No

<table>
<thead>
<tr>
<th>Table 2. Attitudes of private business entities on PPP</th>
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<tbody>
<tr>
<td><strong>Question</strong></td>
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<tr>
<td>--------------------------------------------------------</td>
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<tr>
<td>1 Willingness of the private partner to participate in the PPP</td>
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<tr>
<td>2 Is there a need for PPP?</td>
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<tr>
<td>3 Are there any obstacles to the implementation of PPP?</td>
</tr>
<tr>
<td>4 Can PPP be in the function of increasing competitiveness?</td>
</tr>
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</table>

*Source: Research of Authors.*

The Republic of Serbia adopted the Law on PPP adopted in 2011, which was amended twice in 2016. The Commission for Public-Private Partnership approved 2241 public-private partnerships by the end of 2022, which does not represent a significant number of projects.

However, due to the COVID 19 pandemic, PPP projects stagnated further during that period. After that, a large number of new PPP projects were approved, the further realization and development of which has yet to be analyzed, so the effects are not yet known (White Book, 2022).

According to the Global Competitiveness Index - GCI, it is assumed that countries go through three stages of development (World Economic Forum, The Global Competitiveness Report 2012-2013):

• In the first phase, the basic factors of competitiveness are important for growth and productivity: good functioning of public and private institutions, developed infrastructure, stable macroeconomic trends, good and qualified workforce;

• With further development, countries enter the second phase where they achieve more efficient production processes and increasing product quality. In this phase, the growth of competitiveness is influenced by higher education and
training, a well-functioning labor market, goods, a developed financial market, a large domestic and foreign market, and the possibility of using existing technologies;

- Countries are moving into the third phase in which the growth of productivity and competitiveness is conditioned by factors of high business sophistication and innovation (Ivanović, et al, 2009).

There is no doubt that the geographical position of the Republic of Serbia, natural and anthropogenic resources represent a significant potential for the development of agriculture and rural tourism, which should be recognized and turned into a competitive advantage, for which there is an interest of the public and private sector in establishing a public-private partnership, as well as service users, especially in the country’s villages (Samardžić, 2011).

Each country, which opts for a public-private partnership, determines its own interest in choosing a public-private partnership model, which depends on the form of management and method of financing, and the choice is influenced by the following factors:

- PPP project,
- country regulations and administrative potential, cooperation between institutions dealing with PPP
- the level of decentralization of the country,
- the duration of the project should be in accordance with the proportion of the invested funds and the period required for the return of the investment and the realization of profit on the invested funds,
- the method and form of compensation to the private partner for participating in the project,
- percentage of participation and contribution to profit
- willingness and extent of risk taking by both contracting parties.

The specifics of the social and political environment also influence the contracting and establishment of public-private partnerships. Various forms of establishment of institutional partnership are encouraged by international institutions, especially those related to the financing of public investment projects, through direct financing or involvement through their advisory body for public-private infrastructure (Public-Private Infrastructure Advisory Facility - PPIAF).

Whether and to what extent public-private partnership will be accepted is also influenced by changes in the public’s attitude towards the participation of the private sector, that is, the level of awareness of the importance of partnership and the attitude towards privatization when it comes to countries that have gone through the transition process (Kunst, 2011).
Combining the resources and knowledge of the public and private sectors ensures efficiency in meeting the interests of both parties. This cooperation enables the state to obtain new sources of capital, accelerate the development of infrastructure, improve the quality of services used by citizens, that is, business entities of the country, and to put into use until then insufficiently used resources (Ivanović, et al., 2009). The introduction of PPP in public institutions in the Republic of Serbia resulted in the realization of significant savings of 17-20% compared to the management of those affairs only by the public sector (Vuković, 2014). On the other hand, the private sector/partner gets access to new markets, and increases its own credibility, and what is more important, PPP enables faster development of the local community.

There are numerous PPP models, but not all of them are applicable to all projects. When it comes to PPP projects that are feasible with a private partner in the field of agriculture, the following models are mainly possible:

- **Build-Operate (“BO”):** in which case the construction and management is carried out by the private sector. Ownership of the building is not transferred to the relevant public authorities.
- **Transfer of Operating Rights TOR (“Guidelines”):** This is a public-private partnership model where the relevant public partner transfers its operating rights to the private sector for a certain period of time and under certain conditions. Exclusive rights are not transferred. Only operational rights on a specific facility are granted/granted for use and use by a private partner.
- **Build-Lease model (“BL”):** in this model, the private partner finances and builds a facility on land owned by the public partner or the state and then, after the expiration of the PPP term, hands this facility over to the public sector.

It is obvious that public-private partnership is one of the most promising forms of cooperation between the public sector and private economic entities, that it is applicable in agriculture, while achieving the goals of both partners and satisfying the interests of users. It is based on the recognition that both public and private sectors can benefit from pooling their financial, administrative, human resources, knowledge and expertise to improve the provision of services to all users (Rajnović, 2023).

**Conclusion**

Public-private partnership is an economic model of long-term pooling of the potential of two sectors in which each of them brings the best of what they have into the partnership. Public-private partnership is the model of the future because it enables long-term investments in large projects.

The Republic of Serbia adopted the Law on Public-Private Partnerships and Concessions, and the reasons for its adoption are reflected in the increasing need for the construction of new or renovation of existing public infrastructure, investment in goods in general use, as well as in the efficient provision of public services and the ability to adequately respond to observed needs.
Due to the lack of public funding and insufficient resources of state authorities to develop and modernize projects of public interest, which is a prerequisite for the economic development of every country, there was a need to improve legal and economic mechanisms without delay in order to attract private investors.

The good geographical position of the Republic of Serbia, transit character and various natural and cultural-historical resources provide the possibility of development of transit as well as nautical, mountain, spa, recreational and cultural tourism. However, its development requires a developed and high-quality traffic infrastructure and other projects, the construction of which requires capital investments to enable the development of agriculture and rural tourism, which entails the purchase of other products and services.

The analysis of the conducted research indicates the existence of interest from both the public and private sectors in establishing a public-private partnership.

In order to overcome obstacles to achieving faster development of agriculture and rural tourism, through more intensive cooperation between the public and private sectors, it is necessary to implement and improve existing and create new forms of institutional, financial, coordination, and legislative support.

Therefore, Serbia has a task to position itself in a demanding market, valorize its potential, build attractive projects related to agriculture, develop tourist products with the largest possible scope of cooperation with the public partner.

By analyzing the results of the research in this work, certain guidelines and possible models for the successful implementation of the public-private partnership model with business entities in agriculture with possible sources of financing were defined and at the same time provided security to the project participants: private and public sector. In this way, public-private partnership projects would influence the improvement of the quantity and quality of agricultural products and, consequently, tourist products, which would certainly contribute to increasing the competitiveness of Serbian agriculture.

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**Conflict of interests**

The authors declare no conflict of interests.
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