

**LOCAL POLICY FOR NEUTRALIZATION OF CONFLICTS
IN THE PROJECT OF DEVELOPMENT OF PUBLIC-PRIVATE PARTNERSHIP**

**LOKALNA POLITIKA ZA NEUTRALISANJE KONFLIKATA U PROJEKTIMA RAZVOJA
JAVNO-PRIVATNOG PARTNERSTVA**

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Abstract: In this paper to work out a problem of neutralization of conflicts in the project of development public-private partnership in the domain of establishment, development and management of modern industrial infrastructure. The starting thesis is that of this conflicts to be necessary to treat a primarily as an internal (local) phenomenon while socio-economic rigidity of outside (regional, national and international) surroundings are dealt with as exogenous variables. In keeping with this, on the basis of analysis the experiences in the realization of a neo-liberal concept of a local strategy for overcoming consequences of transition depression in the community of Indija are presented on the grounds of creating favourable infrastructural conditions for (external) private investments in the new industries, to give the authors view for solution of this problem. Discussed materials are divided into four parts. In the first part is, an generalization the events in the community of Indija, to work the basic challenges and obstacles with which investment of private capital in the new industries in the conditions of high degree of institutional disorder in national socio-economic surroundings and vague and no transparent policy for protection of public interests. In the second part is, an analysis the experiences in the community of Indija, to prepare the model for functioning of urban governance and production of public goods in the regime of public service, as the only realistic decision for to exceed the consequence of high degree of institutional disorder and vague and no transparent policy for protection of public interests. In the third part a accent is an the analysis of causes, consequences and the manner for removing conflicts in the process of preparation and implementation of the local project for public-private partnership in the domain of establishment, development and management of modern industrial infrastructure. In the fourth part is to give the author's vision of the problem associated with the constitution and work of local regulatory institutions to be responsible for protection of the public interest in implemented projects of public-private partnership.

Key words: Local development policy, Public-private partnership, Industrial infrastructure, Public interest, Policy for neutralization of conflicts

Apstrakt: U radu je obrađen problem neutralisanja konflikata u lokalnim projektima razvoja javno-privatnog partnerstva u domenu osnivanja, razvoja i upravljanja savremenom industrijskom infrastrukturom. Polazna teza je da ove konflikte treba tretirati, pre svega, kao unutrašnji (lokalni) fenomen, dok se društveno ekonomske rigidnosti spoljnog (regionalnog, nacionalnog i međunarodnog) okruženja tretiraju kao egzogene varijable. U skladu sa tim, dato je autorsko viđenje rešavanja ovog problema na osnovu analize iskustava realizacije neo-liberalnog koncepta lokalne strategije prevazilaženja posledice tranzicione depresije u opštini Indija na osnovama stvaranja povoljnih infrastrukturnih uslova za (eksterne) privatne investicije u nove industrije. Obradena građa je podeljena u četiri dela. U prvom delu su, na osnovu analize događanja u opštini Indija, obrađeni osnovni izazovi i prepreke sa kojim se suočava ulaganje privatnog kapitala u nove industrije u uslovima visokog stepena institucionalne neuređenosti nacionalnog društveno-ekonomskog okruženja i neodredene i netransparentne politike zaštite javnog interesa. U drugom delu je, na osnovu uopštavanja iskustava u opštini Indija, obrađen model funkcionisanja lokalne uprave i proizvodnje javnih dobara u režimu javnog servisa u funkciji podsticanja privatnih investicija, kao jedinog realnog rešenja za prevazilaženje posledica neuređenog institucionalnog okruženja i neodredene i netransparentne politike zaštite javnog interesa. U trećem delu, naglasak je stavljen na analizu uzroka, posledica i načina otklanjanja konflikata u procesu pripreme i realizacije lokalnih projekata javno-privatnog partnerstva u domenu osnivanja, razvoja i upravljanja savremenom industrijskom infrastrukturom. U četvrtom delu dato je autorsko viđenje problema konstituisanja i rada lokalnih regulatornih institucija zaduženih za zaštitu javnog interesa u izvedenim projektima javno-privatnog partnerstva.

Ključne reči: Lokalna razvojna politika, Javno privatno partnerstvo, Industrijska infrastruktura, Javni interes, Politika otklanjanja konflikata

1. Introduction

In this paper is, an the study of the case the community of Indija, to work out a the experiences in to eliminate the conflicts in implementation of the model of public-private partnership in realization of the local development policy in the period from 2001 to 2008 years. The accent is an research of mechanism for protection of the public interest in the implemented projects of public-private partnership in the conditions of high degree of institutional disorder in national socio-economic surroundings and vague and no transparent policy for protection of public interests javno-privatnog partnerstva u domenu osnivanja, razvoja i upravljanja savremenom industrijskom infrastrukturom u uslovima neuređenog (nacionalnog) institucionalnog okruženja and large socio-economic distortions which have occurred as the product of transitional depression and restoration of capitalism.

In the community of Indija be that in the period from 1965 to 1989, in the framework of socialist economic system, development of considerable small (private) industry for processing of metals and plastic materials. The basis for development this industries be that the synergy effects of factors such as the proximity of large poles of development such as the capital city (former Socialist Federal Republic of Yugoslavia) Belgrade (at the distance of 45 kilometres from the centre of the Municipality), suitable location at the crossroads of two key traffic corridors of (former) Socialist Federal Republic of Yugoslavia (the river Danube and road-railway corridor: Southern State Border – Niš – Belgrade – Zagreb – Ljubljana – Northwest State Border), as well as the presence of large market niches particularly in the domain of intermediary products manufacturing for the needs of automobile industry which occurred as the result of defects of applied economic development model (the socialistic industrialization based on the model of import substitution). After the restoration of capitalism in 1989 – 1991, due to the failure of national automobile industry, the majority of small industries collapsed and closed down and there was great fall of gross national product and employment. After 2000, by opening of Serbia towards European neighbours, thanks to exceptionally large and well devised commitments of urban governance in the development of public-private partnership in the domain of revitalization, new building and management of industrial infrastructure, the dynamic expansion of private investments into production activities has occurred (in the last three years, contracts for investments worth around 350 million EUR have been signed, on the basis to open 2000 labour place in the new industries - in the community has slightly above 50,000 inhabitants). The top commitment of urban governance in the development of public-private partnership is the agreement with the Indian company Embassy Group in September 2007 for joint building of a technological park in the domain of high IT-

technology in which the fist stage anticipated 60 million dollars worth investments.

Presentation in this paper is divided into four parts. In the first part is, an generalization the events in the community of Indija, to work the basic challenges and obstacles with which investment of private capital in the new industries in the conditions of high degree of institutional disorder in national socio-economic surroundings and vague and no transparent policy for protection of public interests. In the second part is, an analysis the experiences in the community of Indija, to prepare the model for functioning of urban governance and production of public goods in the regime of public service, as the only realistic decision for to exceed the consequence of high degree of institutional disorder and vague and no transparent policy for protection of public interests. In the third part a accent is an the analysis of causes, consequences and the manner for removing conflicts in the process of preparation and implementation of the local project for public-private partnership in the domain of establishment, development and management of modern industrial infrastructure. In the fourth part is to give the author's vision of the problem associated with the constitution and work of local regulatory institutions to be responsible for protection of the public interest in implemented projects of public-private partnership.

2. Specificities of the local transitional depression and their impact on determining the model for active local policy to urge for private investments in the new industries

Specific features of local transition in the community of Indija are as follows:

Firstly, relatively high degree of economic, particularly, (especially) industrial and agricultural development¹ in which declining production prevails due to the collapse of industry outside local surroundings (primarily automobile industry² and meat processing industry). The decline of basic local industry has been reflected unfavourably on the development of complementary activities including tertiary sector. Because of their cumulative effects, there has been dynamic growth of unemployment capacities and labour

¹ The community of Indija has somewhat more than 0.6 hectares (three times more than the average of the European Union!) of first-rate arable land per capita with relatively favourable climatic conditions for different and high quality agricultural production.

² At the end of eighties of the last century, Serbia had the largest automobile industry of all (post) socialist countries in the Central and South-East Europe and very developed business – technical cooperation with western and eastern European manufacturers including also (negative) experiences with an attempt to emerge individually with small and cheap cars at the market of SAD. The collapse of national automobile industry is primarily the result of weak (national) transitional macro-management and in the meantime in other (post) socialist countries, thanks to the introduction of new technological procedures into existing capacities and new building through direct foreign investments, relevant automobile industry has been revitalized or built.

force, decline of new value added and relative economic underdevelopment.

Secondly, outdated inherited production capacities and great difficulties related to their revitalization and modernization in line with requirements and tempo imposed by emersion at outside markets as the only realistic solution for overcoming problems of insufficient demand for existing (intermediary) products. Indeed, large expenditures into modernization would not be able to justify the significant portion of such investments but there are no doubts that they did not happen at all and those sparse which have been implemented are committed to the re-conversion of existing capacities.

Thirdly, the existing (local) entrepreneurship, by volume and qualification structure of labour force, is mainly related to declining activities. The problems of local transitional depression are reflected in three domains. Firstly, there has been a discontinuity in the development of local entrepreneurship. Older entrepreneurs have been mostly withdrawn from existing businesses and have not attempted to find alternative solutions either due to difficulties of individual adaptation to new capitalist conditions for doing business, or even more, because of the fact that (post) socialist transition does not favour their vocation and available financial resources – production entrepreneurship at the level of craftsmanship production. Younger entrepreneurs have mostly emigrated to large urban centres (in the direction of Belgrade and Novi Sad) which have shown more dynamism in the development of tertiary and quarterly sectors and the best ones and those most willing to take up risks have left aboard. Finally, younger qualified labour force through prequalification (transfer from metal processing sector to services) and internal and external emigration has sought solutions for their vital problems of life and older labour force (presently over the age of 35) has passed into the sphere of permanently unemployed or has returned to natural agriculture.

In line with the conducted analysis, the community of Indija belongs to locale surrounding with the relatively high level of economic development for which standard indicators of economic underdevelopment cannot be used as criteria for establishing contents of public intervention. Namely, these criteria are mostly based on static parameters, i.e., existing conditions and structure of the economy and production capacities. However, here it concerns the need to coordinate public and private activities in order to launch the process of structural customizing local economy primarily by intensifying investment activities for introducing new businesses in the form of integrated package consisting of fresh capital, technologies, management, marketing, organizational knowledge and additional training of (local) labour force in the function of utilizing potentials of the market in closer and wider surroundings.

Now, we have approached the core of public intervention aimed at resolving problems of local transitional depression. This refers to determining factors affecting orientation of private investments in the sense of: (1) development of new micro, small and medium size production enterprises oriented towards dynamic segments of the national market and markets in user friendly and distant (international) surrounding, (2) reallocation of available (local) production capital, particularly production infrastructure towards more propulsive activities and (3) stimulating additional investments for revitalization and modernization of inherited capacities in order to put them back into production and economic function based on placements at new segments of the internal market or exports. In this context, the (scientifically valid) task of urban governance is to establish, in compliance with other factors (in this case regional, central and international public and private institutions for regulation of the economy and economic development), institutionally regulated surrounding in which the management of business investment undertakings in the conditions of open market economy will be given its full swing.

In that respect, the essential task of a public factor is to seek answers for complex questions:

- “What are basic features of overall (national, regional, local) institutional (de)regulation which restricts private investing in the new industries?”
- “What should be done in order to improve performances of (local) institutions and overcome unfavourable business climate for private investing in the new industries at the higher level of government organization?”
- “How to provide more intelligent action of local governance in the sphere of improving their performances?”

It has been proved, in this case as well, that the establishment of a good (local) institutional surrounding for private investing is primarily the result of combined individual or group entrepreneurship ventures aimed at the development of concrete productions in the domain of more dynamic industries and intelligent public regulation of the economy and economic development which is, first and foremost, determined by well conceived contents of local institutional reforms and local economic, educational, urban, communal and social policy. Indeed, in so doing, it is necessary to take into considerations that a local institutional surrounding is only the part of a wider framework in which its economy operates with a very complex and conflict related contents (for example, in our case, European, national and regional laws, rule books and other regulations, international, European and national production – technological standards, institutions of regional, national and European representations, executive and judicial authorities, regional, national, European and global political and economic organizations and their institutions, regional, national and European administrative, financial, STIEOT (**S**cience – **T**echnology – **I**nformation - **E**ducation - **O**rganization – **T**elecommunication) infrastructure, various international, national, regional and local associations of interest, syndicates, etc.) which define behaviour of all stakeholders. Each element of institutional

surrounding, which have been so broadly defined, reflects the position of a concrete interest group which is either directly or indirectly involved into financial and real economy and the creation of local institutions and contents of objectives and goals of (local) development, economic, educational, urban, communal and social policy.

However, the development of any good (national, regional, local) institutional surrounding for private investing depends much more on internal factors than on external background. In this context, firstly we are going to provide comparative analysis between theoretically valid contents of a good institutional surrounding for private investing in new industries and factual situation in Serbia:

| <i>Theoretical model for the regulation of institutional surrounding for private investing in the new industries:</i> | <i>Factual state of the regulation of institutional surrounding for private investing in the new industries in Serbia:</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Open national market economy without sectoral and territorial barriers for free circulation of development and production factors. | Closed national economy. Minor sectoral and territorial mobility of development and production factors. |
| Dynamic national economic structure with high economic growth rates. | Unequally distributed transitional depression (per sectors, activities, urban centres and rural areas). |
| High efficiency in resources utilization. | Low productivity in the utilization of resources. |
| Developed, efficient and decentralized system oriented towards financing of entrepreneurs and export reproduction projects. | Underdeveloped, centralized and inefficient financial system oriented towards financing exports and citizens. |
| Legal state established on the respect of human rights and economic freedoms. | Underdeveloped legal state. |
| Clear political and economic development concept of modern market economy founded on general consensus of all relevant political options and confirmed through comprehensive support of citizens relevant to its objectives and targets. | Unclear political and economic concept burdened by interests of numerous distribution-oriented coalitions. |
| Efficient and professional system of public administration and services oriented towards beneficiaries (enterprises, managers, entrepreneurs and expert teams in the real economy). | Politicised and bureaucratized system of public administration and services. Staff structure in the public sector and public administration does not meet minimum standards of the European Union (particularly in the public (government) administration for the regulation of economy and economic development and education). |

Note: In the presented methodological approach - the term institutional infrastructure is defined as the set of active elements of the national surrounding in which economic subjects operate as autonomous actors in managing investment undertakings.

In the above context, there is one question that can be raised: "What is the starting point for determining the role of local governance in the sphere of stimulation and coordination of private investments?" Certainly, it is crucial to accept an attitude that – the creation of stimulating and institutional surrounding for the development of productive entrepreneurship economy is complex and evolving process which includes overcoming numerous barriers in political, economic and social sphere and redistribution of economic and social powers but which does not have an alternative if it is desired to renew (in this case - local) economic development and improve conditions of living and work. Within this context, it is also possible to generalize experience in the community of Indija and determine the contents of scientifically valid approach in order to establish the role of local governance in the creation of stimulating ambience for private investing in the conditions of overall national institutional non-regulated surroundings. This primarily concerns precise identification of (local) comparative advantages and disadvantages, the manner and problems of their

transformation, i.e., elimination, and, in line with that, defining of adequate strategies, objectives and instruments for (local) institutional reforms and local economic, urban, communal, educational and social policies in order to provide the fulfilment of below specified requirements:

Firstly, the centre of activity of a local community should be on qualitative, wide and structural development and abilities to generate new activities rather than on quantitative development.

Secondly, it is necessary to execute reorientation in (local) development from the approach **upwards to downwards** to the approach **downwards to upwards** in order to emphasize endogenous feature of economic development on the grounds of entrepreneurship, i.e., available (local) human capital.

Thirdly, it is necessary to respect consistently the principle that modern development is based on differentiated processes and the diversity of social and economic conditions and interests.

Fourthly, it is necessary to accept an attitude that the local territory – is the basic focus of development processes and that the local economy is the basic set of potential

resources which should be deployed in the most efficient way. Therefore, the development of initiatives should provide clear local contents and represent realistic response to concrete problems and objectives for which incentives have been both started and implemented by local actors.

Fifthly, for the purpose of privatizing development and by means of local initiatives, it is necessary to achieve comprehensive coverage of different international, central regional and local actors (institutions, organizations and individuals) which create, develop and apply various policies and strategies and their integration into harmonious and functional operational structures.

Sixthly, it is necessary to provide conditions for partnership approach, cooperation and participation on the occasion of creating local development strategies and their implementation in order to provide consensus of various development actors and avoid overlapping of development efforts.

Seventhly, it is necessary to provide corresponding socio – economic framework for long term orientation not only in respect of objectives but also in respect of the creation and development of local capacities which are expected to launch initiatives, propose solutions and persistently pursue implementation of adopted strategies.

Eighthly, it is necessary to create self-sustainable development as the factor which maximizes wealth and provides solid economic, social and natural grounds for both present and future generations.

Ninth, it is necessary to create conditions for holistic approach to the resolution of problems associated with local development by respecting strategic aspects, operational structure aspects and business aspects. In the implementation of selected strategy, numerous operational structures should be deployed among which the key role will be given to local authorities, enterprises and economic associations (cambers and unions).

Tenth, activities on which local development strategy should be based are: (1) encouraging establishment and development of micro, small and medium size enterprises in the fields in which development dynamics is above national average, (2) revitalization, modernization and new building of physical local infrastructure – construction and repair of main access roads, construction and repair of industrial railways, construction and reconstruction of commercial buildings, construction and reconstruction of energy and utility infrastructure mostly within the existing industrial zones, (3) structural adaptation of local STIEOT infrastructure - introduction of new programmes and profiles in education and training, support for local efforts aimed at researching new jobs, construction or reconstruction of telecommunication infrastructure, (4) strengthening of local business infrastructure primarily by improving services of urban governance and by increasing efficiency of concrete

public wealth production, (5) local strategies for upgrading the quality of life, increasing personal safety and decreasing criminal and the like.

If above stated is translated into an operational plan, it can be concluded that concrete solutions at the local level have been found in the application of public – private partnership in the development (more precisely revitalization and modernization of existing) and management of modern industrial infrastructure and translation of local governance and production of corresponding public goods from the regime of public administration into the regime of public service. The basic objective of the project for translating local governance and production of corresponding public goods into the regime of public service has been its transformation into an active partner in order to satisfy (which has mostly been attained the community of Indija) beneficiaries' needs (in this case, private investors – the author's comment) in the manner which has objectively surpassed their expectations but it has also been an attempt to realize legitimate interests of local population in respect of creating conditions for full employment (so that all those who want to work can get a job with an earning sufficient to at least cover the costs of simple reproduction), development of entrepreneurship economy and sustainable growth – due to a short time distance, it will be possible to assess relevant achievements only in the forthcoming future periods.

3. The analysis of effects the translating local governance and production of public goods into the regime of public service

The analysis of effects the translating local governance and production of public goods into the regime of public service (aimed at stimulating private investments in the new industries – the author's comment) in the community of Indija is in line with basic theoretical assumptions, i.e., in line with basic axioms for functioning of any human organization. The results of analysis indicates that the key for their successful translation into the regime of public service has been precisely defined vision - in what way it functions and what and how it is necessary to do in order to get from it what the purpose of their existence is – and in this case, this refers to concrete services of public administration and corresponding public wealth, in whose process of reproduction concurrently with the system of economic criteria which are primary for private investors, there are some wider, social, socio political factors which set up volume, quality, prices and expenses for their production and the dynamics of public investments.

Possession and utilization of: (1) specific knowledge and skills, (2) abilities for veracious problem understanding and orientation in complex and uncertain circumstances and in particular (3) specific abilities to create solutions and perseverance in their realization, have enabled successful establishing of the vision and implementation of the strategy for their translation into the regime of public service. It has also been proved in this case, particularly in comparison with much economically stronger local milieus and better combinations of resources, that efficient production of

services of public administration and public goods in the function of scheduling private investments in the new industries is first of all the result of competent (political) management. By generalization, it is possible to derive a conclusion that the essence of managing (local) production of services of public administration and public goods in the function of scheduling private investments in the regime of public service provides: (1) conditions for efficient planning and decision making, (2) good organization, (3) good motivation of employees, (4) efficient control of work process and especially (5) development of positive culture and image in local, national and targeted international surrounding. Let us see now what their concrete content is.

Firstly, planning in the theoretical sense means coordination of resources (material, financial, human, temporal and the like) which ensures: (1) desired (optimal) efficiency which is in our case measured by the accomplishment of economic growth rates and the development of capacities in the propulsive activities relevant to average ones within required dynamics and (2) effective use of limited resources which are primarily the prices of public administration services and production of public goods on the one side and the degree of commitment of public finances for participation in costs for their production and expanded reproduction on the other side. In this respect, planning essentially means an attempt to introduce determinism into the process of development (in this case stimulating milieu for private investment in the new industries – the author's remark). However, since the reality never has all data which can influence the realization of the plan, its execution contains some elements of chaos. In this context, decision making can be regarded dually. From one side, planning should be treated primarily as an attempt to set up a goal which to pursue and as a starting point it has the past and the presence. From other side, planning determination of contents of any objective must be accepted as fluid and the way of its accomplishment as the process liable to corrections in which determinism and stochastic are overlapping.

Secondly, any organization for the production of services of public administration and production of public goods in the function of scheduling private investments in the regime of public service should be observed, first of all, within the context of a phenomenon that any organizational structure which is formed with an intention to serve in the realization of some concrete strategy invariably deviates, more or less, from normative regulation and starts producing by itself its own strategy. Such an attitude is in line with axioms of the so called economy of bureaucracy, i.e., any public institution and its managers and employees: (1) behave as maximizers of local budget (2) strive to convert into money their position and role in the process of realization of functions of the production of services of public administration and public wealth in the function of scheduling private investments. For that

reason, it is necessary to reduce the number of hierarchical levels but it should be also insisted on the formation of a so called missionary organizational structure which has its stronghold in the phenomena of cultural development and a corresponding image in the public and among beneficiaries.

Thirdly, in case of the production of services of public administration and public goods in the function of scheduling private investments in the new industries particularly within small communities, special problem is associated with the motivation of employees to improve efficiency in their work in respect of above mentioned paradigms – to satisfy beneficiaries' needs which should be conducted at the level surpassing their expectations and in the way which will make them strive to accomplish their own strategy in compliance with their interests. There are no ready made recipes for resolving these problems, however, each institution must be supported by external surrounding (private investors, local population and entrepreneurs) and seek adequate responses to the following triads: (1) "What is the main purpose of production management of (concrete) services of public administration and public goods in the function of scheduling private investments in the regime of public service?", (2) "How to improve efficiency by producing (concrete) services of public administration and public goods in the function of scheduling private investments in the regime of public service?" and (3) "How to minimize social, economic and political conflicts arising from contradictory interests of private investors, population and local entrepreneurs?"

Fourthly, the basic purpose of control is to establish what stimulates and what restrains accomplishment of set up norms in order to provide corrections if required – their implementation or, if it is necessary or acceptable, to provide changes in the contents. This is the most controversial topic in establishing contents for managing the production of services of public administration and public goods in the function of scheduling private investments in the regime of public service. Valuation of success in the production of services of public administration and public goods is primarily subjective and comparative procedure. Subjectivity of valuation arises from the fact that any estimate can be rejected if a norm it is established on is given up (for example, in case holders of political powers have been replaced – which due to the manner in which normative regulation of local self-government has been organized in Serbia does not need to be caused by local political events). The analysis indicates that the solution should be sought in consistent implementation of total quality concept and orientation towards the fulfilment of beneficiaries' needs (not only private investors but also citizens and local entrepreneurs).

Fifthly, the culture of organization represents basic infrastructure for managing the production of services of public administration and public wealth in the function of scheduling private investments in the regime of public service. Its basic elements are: (1) manner of communication with external surrounding particularly with beneficiaries (private investors), citizens and other (local) entrepreneurs, (2) manner of communication with commanding bodies at

regional, central and international levels, (3) level of knowledge and competence of employees and relations towards beneficiaries (private investors), citizens and other entrepreneurs, and (4) main symbols. Indeed, the basic measure of successful communication with the surrounding and commanding bodies at higher levels of government and international organization - an image, i.e., a picture or depiction in public about each concrete (local) organization for the production of services of public administration and public goods in the function of scheduling private investments.

4. Modelling the local policy for neutralization of conflicts in projects for the development of public-private partnership

The main condition for success and sustainability of any public – private partnership is the creation of rules of the game in which all participants win, which means that some sort of compensation has to be provided for those who lose. In line with that, the process of (practical) implementation of local policy for public – private partnership in the domain of establishment, development and management of modern industrial infrastructure must be treated as the system of cooperation among various actors in economic, administrative, political and social spheres on the basis of principles for the establishment of balance (of interests). The key of the problem associated with the implementation of the system defined in such a manner is in previously mentioned set of economic, social and political restrictions, which is synthetically marked as institutionally unregulated surrounding. In such a surrounding, there is practically no way for regular expression of interests of external actors in the projects for development of public-private partnership: (1) local economy, (2) local population, (3) regional governance and (4) central governance. Since the development of public-private partnership in the domain of establishment, development and management of modern industrial infrastructure is a long term process with uncertain outcomes in the future sooner or later a problem will arise related with conflict at crucial relations: *Urban governance – Local economy*, *Urban governance – Local population*, *Urban governance – Regional governance* i *Urban governance – Central governance*.

In this context, it seems justified to define the process of articulating attributes (goals and actions) of local policy for neutralization of conflicts in the development of public-private partnership as ill structured problem. The methodology for modelling attributes of local policy for neutralization of conflicts in the development of public-private partnership as ill structured problem in the opinion of the author will enable in a theoretically valid manner to effect the treatment of vagueness and diffusion, which are inherent in subjective preferences, by goals and restrictions in conditions in which science, practice and

tradition of respecting formal institutional structures do not exist.

Accordingly to the methodology for soft systems - defining contents of attributes of local policy for neutralization of conflicts in the development of public-private partnership is problematic in itself. Therefore, the diversity of viewpoint, goals and ways for their harmonization must be comprehended and investigated in the context of a decision making process. Systemic thinking is, thus, used for orderly abstract deliberation about reality in which differently created cultures and attitudes overlap in line with the conflict of interests of some participants. The main objective of operationalization of proposed methodology is efficient and systemic use of paradigms: *competition*, *cooperation* and *learning* as substitutes for institutional disorder. In this way, in the author's opinion, it will be possible to provide: (1) more exact mapping of basic economic goal – restructuring of local economy and institutions in the function of creating business surroundings, which provides transfer of responsibilities for efficient economic development to (private) economic subjects and (2) undertaking corrective actions in case of negative results in the previous step of applying chosen attributes of local policy for neutralization of conflicts in the development of public-private partnership.

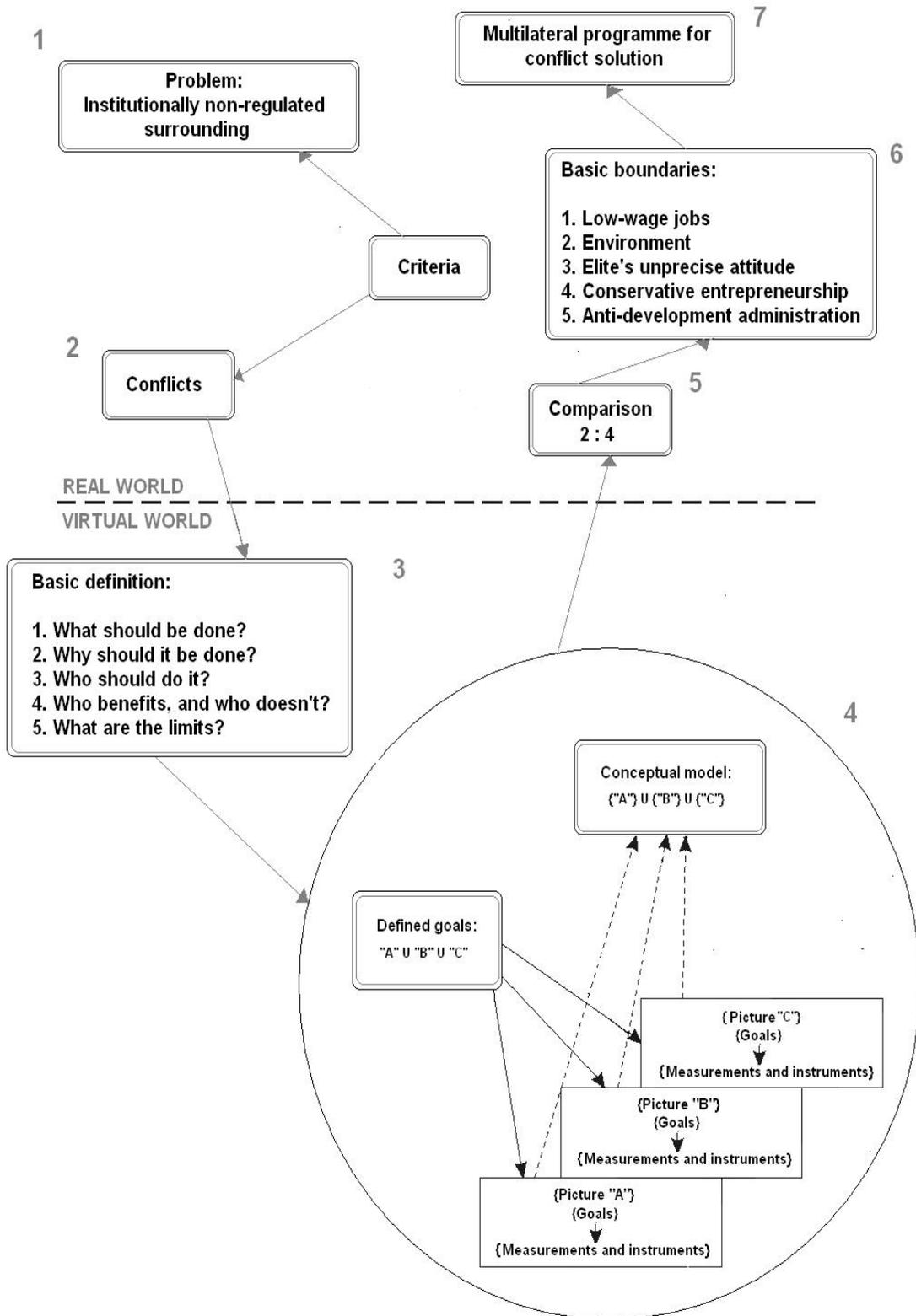
In compliance with the problem structure, the authors are of the opinion that the shaping of concrete contents of the local policy for neutralization of conflicts in the development of public-private partnership should employ the results of the theory for multi-variance planning in combination with multi-criteria compromise decision making. The high level of subjectivity and indeterminateness in this model for profiling attributes of the local policy for the neutralization of conflicts in the development of public-private partnership does not belittle its value provided that the process of formulation and evaluation includes the paradigm *learning* in order to enable timely and efficient corrective action on the basis of additional information from the surrounding and experiences in other depressed local milieus (particularly at the level of the European Union).

As the methodological basis for establishing and evaluation of contents for attributes of multi-variance version of the local policy for the neutralization of conflicts in the development of public-private partnership, the authors propose the Checkland's methodology for soft systems (Scheme 1).

Defined as seven stages analytical process, this methodology enables flexible problem resolving³ through corresponding system of learning by means of principal mental processes: *perception*, *comparison*, *declaration* and *decision making*.

³ Adžić, S. (1998), *Razvoj privredne sistemske regulativne infrastrukture kao slabo struktuirani problem*, "Ekonomski anali", April-jun broj 137, ss. 99-117.

Scheme 1. Checkland's methodology for defining and evaluating (contents of attributes the local policy for neutralization of conflicts in the development of public-private partnership in the domain of establishment, development and management of modern industrial infrastructure



In the first and in the second stages of implementation, it is necessary to gather information with an aim to establish the structure and intensity of basic barriers which prevent or slow down the development of public-private partnership in the domain of establishment, development and management of modern industrial infrastructure. In line with this, it is necessary to make an investigation for the topic: "What are the active elements of local, regional and national economic, administrative, political and social organization which block the development of public-private partnership (in the domain of establishment, development and management of modern industrial infrastructure – the author's comment)?" Gathered and systematically arranged knowledge should define the picture in which it is necessary to specify all relevant:

1. **Problems**, in the form of a vague assembly: *{Perceptions and reactions of local population}* (unclear and imprecise – in respect of confidence in renewed development propulsion on the basis of active public-private partnership), *Perceptions and reactions of regional and national economic, administrative and political elite* (unclear and imprecise), *Regional and national institutions* (without credibility and anti-development oriented), *Regional and national economic structure* (outdated), *Regional and national financial system* (not interested for investments in real economy and financing of material production), *Local, regional and national entrepreneurship and managerial knowledge* (outdated and oriented towards distribution oriented coalitions).

2 **Actors**, in the form of a vague assembly: *{Local population, Local political elite, Local institutions, Regional institutions, National institutions, Institutions of the European Union, Local entrepreneurs and managers}*.

3. **Aggregates**, in the form of a vague assembly: *{Local administration, Regional administration, National administration, Local regulation, Regional regulation, National regulation, European regulation, Local capital, Regional capital, National capital, Foreign capital}*.

Various topics arise from the established picture and generate corresponding standpoints in the form of relevant (vague) assembly:

$$\{Problems, Actors, Aggregates\}_{Public-Private Partnership} = \{Problems, Actors, Aggregates\}_{Project 1} \cup \{Problems, Actors, Aggregates\}_{Project 2} \cup \{Problems, Actors, Aggregates\}_{Project 3} \cup \{Problems, Actors, Aggregates\}_{Project 4}$$

In the third stage, based on overall comprehensive investigations presented in the form of vague assembly *{Problems, Actors, Aggregates}* _{Public-Private Partnership}, a vague assembly should be formed *{Abstract Figure: Development of public-private partnership in the domain of establishment, development and management of modern industrial infrastructure}* which would produce original definition for an observed problem in the form of revised verbal statements.

The main objective is to specify: (1) What should be done? (2) Why should it be done? (3) Who should do it? (4) Who benefits, and who doesn't? and (5) What are limits?

In our case, when specifying the contents of a vague assembly *{Abstract figure: Development of public-private partnership in the domain of establishment, development and management of modern industrial infrastructure}* we should be concentrated on the following:

1. Principal national economic, administrative, political and social groups and organizations and their (inability) ability to realize programmes of revitalization, modernization and new building of development infrastructure (modernization of local physical infrastructure in the function of joining regional, national and European milieus, modernization of regional and national administration for the regulation of economy, incorporation of multinational enterprises, business networks and alliances and export clusters into projects for building research-development, service and production capacities, structural adapting of local industry).

2. Internal and external factors of surroundings which support maintenance of actual (anti-development oriented) local economic and political climate.

3. Looking for potential actors who are ready and motivated to intensify development of public-private partnership in the domain of establishment, development and management of modern industrial infrastructure (foreign and domestic capital, entrepreneurs, managers, regional institutions, national institutions, European institutions, etc).

In the fourth stage, it is necessary to transform in the vague assembly *{Abstract Figure: Development of public-private partnership in the domain of establishment, development and management of modern industrial infrastructure}* into main activities in the form of a vague assembly *{Local policy for neutralization of conflicts in the development of public-private partnership in the domain of establishment, development and management of modern industrial infrastructure}*. Due to the above stated overall institutional disorder, it is necessary to form an abstract picture in the form of a vague assembly in which there will be parallel existence of various local policies for neutralization of conflicts in the development of public-private partnership devised for the purpose of developing cross border regional (economic) cooperation, for example:

Figure "A" = {Optimistic version of the local policy for neutralization of conflicts in the development of public-private partnership}

Figure "B" = {Pessimistic version of the local policy for neutralization of conflicts in the development of public-private partnership}

Figure "C" = {Realistic version of the local policy for neutralization of conflicts in the development of public-private partnership}

whose structures and contents will be partially overlapping and therefore:

{Local policy for neutralization of conflicts in the development of public-private partnership} = {Figure

“A”: *Measures and instruments of the local policy for neutralization of conflicts*} U {**Figure “B”**: *Measures and instruments of the local policy for neutralization of conflicts*} U {**Figure “C”**: *Measures and instruments of the local policy for neutralization of conflicts*}

As a final result of the fourth stage of applying the Checkland’s Methodology for soft systems, we obtain the model:

{**Local policy for neutralization of conflicts in the development of public-private partnership**}

with the structure which contains several parallel levels for the realization of partial (local) policies in the function of development of self-sustainable public-private partnership in the domain of establishment, development and management of modern industrial infrastructure.

In the fifth stage, the structured model is compared:

{**Local policy for neutralization of conflicts in the development of public-private partnership**}

with reality in respect of the way in which the selected structure will behave in the future and actors are {**Actors**} specified with respect to those who could influence the efficiency of resolving conflicts. In this context, the transformation produces the vague assembly:

{**Multilateral program for neutralization of conflicts in the development of public-private partnership**}

comprised of the wide combination of measures and instruments of various local policies in the function of realization of a common objective (renewal of development propulsion in the function of the growth of the standard of living and improvement of conditions of life and work for the local population).

By relying on such a structure of action contents for a multilateral programme in the sixth stage in comparison to the reality, it is necessary to perform the analysis of limitations as a final framework for local overcoming of conflicts. In the concrete case, the following is of particular importance: (1) insufficient number of well paid jobs and putting an emphasis on recruiting for temporary and low paid jobs, (2) jeopardizing local environment and its implications on living conditions of local population, (3) unclear and imprecise perception and reaction of regional and national economic and political elites regarding the problem of local development, (4) conservative and passive local entrepreneurship and management, (5) anti-development orientation in the actions of regional and national administration. Therefore, it is possible to form a vague assembly:

{**Limitations**} = {**Low-wage Jobs**} U {**Institutionally non-regulated surrounding**} U {**Unclear and imprecise perceptions and reactions of regional and national elites**} U {**Passive and conservative local entrepreneurship and**

management} U {**Anti-development oriented administration**}

Based on that, comparisons are made relevant to changes desirability and feasibility:

{**Multilateral programme for neutralization of conflicts in the development of public-private partnership**} U {**Limitations**} = {**Multilateral programme for neutralization of conflicts in the development of public-private partnership**}

The implementation stage (the seventh stage) is relied on the wide spectrum of measures and instruments of local policy adapted to various structures of limitations.

The methodology proposed for the creation of local policy for neutralization of conflicts in the process of developing public-private partnership is based on the principle that the real world, in which modelling of contents is performed, is problematic while the methodology and the process of its implementation is systematic.

5. Institutional and IT support for urban governance and protection of public interests in implemented projects of public-private partnership

Performed analysis indicates that the protection of public interest in implemented projects for public-private partnership is most efficiently carried out within the framework of intelligently devised institutional and IT support for achieving the economic policy of local governance on the basis of consistent implementation of a concept for managing the production of local public goods⁴. Professional units within integrated information system and on the basis of functioning in the above mentioned regime of public service represent the grounds and must perform below specified activities on the basis of certain combinations of public-private partnership and specialized organizations:

Firstly, preparation, passing and implementation of local spatial and urban development plan.

Secondly, preparation, general standards for establishing conditions for the construction of facilities.

Thirdly, guidance and development of the local space information system.

Fourthly, preparation, passing and implementation of the local strategy for utilization, production, distribution and saving of energy and general guidelines for its compliance with strategies aimed at the development of large systems.

Fifthly, preparation, passing and implementation of the local strategy for the development of traffic networks and the complex of macro-logistic hubs, including general guidelines for its conformity with strategies of traffic network development at regional, national and international levels.

Sixthly, preparation, passing and implementation of the local development strategy of STIEOT – infrastru-

⁴ Adžić, S. (2002), *Ekonomaska politika lokalne samouprave i njene institucije*, Zbornik radova sa Međunarodne naučne konferencije “Institucionalna rešenja i tranzicioni procesi u Srbiji”, ss. 288–307, Ekonomski fakultet, Kragujevac.

cture, including general guidelines for its conformity with strategies for developing STIEOT infra-structure at regional, national and international levels.

Seventhly, preparation, passing and implementation of the local strategy for utilizing and protecting waters, construction and maintenance of water management infrastructure, including general guidelines for cooperation with neighbouring countries at this levels.

Eighthly, preparation, passing and implementation of the local strategy for protection of environment and improvement, including general guidelines for cooperation with neighbouring countries at this level.

Ninth, preparation, passing and implementation of the local strategy for the development of administrative infrastructure, including general guidelines for its conformity with strategies for developing administrative infrastructure at regional, national and international levels.

Tenthly, preparation, passing and implementation of the local strategy for the development of physical and other non-productive infrastructure, including general guidelines for its conformity with strategies for developing physical and other non-productive infrastructure at regional, national and international levels.

6. Conclusion

Presented concept of local policy for neutralization of conflicts in the project of development public-private partnership in the domain of establishment, development and management of modern industrial infrastructure is based on the concept of intelligent public regulation in which the emphasis is on creating good local infrastructural conditions for private investing in the new industries from external sources into: (1) new business in the form of integrated packages comprised of fresh capital, technologies, management, marketing, organizational knowledge and additional training if (local) labour force aimed at deploying market potentials available in wide or close proximity and (2) development of high technology industries of in cite generations of technical innovations. In this contest, the presented concept of local policy for neutralization of conflicts in the project of development public-private partnership in the domain of establishment, development and management of modern industrial infrastructure is based on the systemic integration of paradigms: *learning* and *supportive cooperation* – which, based on experience, have been identified as the result of massive and, to a great extent non-formal, communication between actors in local government and individuals, economic and non-economic subjects at various levels of government an international organization in order to, based on division of labour, corresponding information flows and exchange of experience, provide timely and (economically and socially) efficient actions for the operationalization of

their individual and group preferences in the conditions of severe, open and unequal internal and external market competition.

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