

Nemanja Cocic (S0214639)
Public Administration/Public Governance
School of Management and Governance
Supervisors: Dr. Pieter-Jan Klok & Dr. Piet de Vries

University of Twente

Master thesis

Failure of the Public Private Partnership in Serbia

-Horgos-Pozega PPP case-

Contents

Introduction	
1. Introduction to the problem	5
2. Brief introduction to the chapters	6
Chapter I	
1. The research question and the research hypothesis	7
2. Holistic Governance – theory concept	8
3. Key terms of the Holistic Governance	9
3.1. Goals and Means	9
3.2. Joint-up Governance and Holistic Governance	10
3.3. Fragmented governance, Incremental Governance and Baronial governance	11
3.4. Integration and Coordination	12
4. Observable features of governance failure.....	14
Chapter II	
1. Objectives of the Horgos-Pozega PPP contract	15
2. Main Horgos-Pozega PPP invents	16
Chapter III	
1. The Application of the Holistic Governance Concept on the Horgos-Pozega Case and the Research Strategy	18
2. The Two Categories of Possible Relationships Between Agencies	18
2.1 Coordination-relationships	19
2.2 Integration relationships	20
3. The Research sub-questions	22
Chapter IV	
1. Research of the Category ‘Holistic Coordination Relationships’ in the Horgos-Pozega Case	24
2. Coordination relationship ‘Taking into account’	23
2.1. Expose of the Prime minister	25
2.2. Serbian Reform Plan	27
2.3. National Strategy of Serbia for EU accession of Serbia and Montenegro	27
2.4. Strategy for Economy Development	28
2.5. Strategy for improving trade	28
2.6. Strategy for increasing export-trade	29
3. Conclusion about ‘taking into account’ as coordination relationship	30

4. Coordination relationship 'Exchanging information and the dialogue between agencies'	31
4.1. Common informational system	33
4.2. The institutional design of the relationship for exchanging information	33
4.3. Conflicts between agencies.....	37
5. Conclusion about 'Exchanging information' and the dialogue between agencies' as the coordination relationship	41
 Chapter V	
1. Research of the Category 'Holistic Integration Relationships' Related to Horgos-Pozega case.....	42
2. Conclusion about integration relationships	45
 Chapter VI	
1. Linkage between the presence/absence of holistic working and failure of the Horgos-Pozega PPP	46
2. Reasons of the Horgos-Pozega PPP failure	47
 Chapter VII	
Conclusions	49
 Appendix	
List of References	53
Data sources	53

Introduction to the problem

The construction of a reliable transport system is of a crucial importance for every post socialist - transitional country. According to the World Bank, the quality of physical infrastructure clearly affects the country's productivity, competitiveness in export markets, and ability to attract foreign investment (Akitoby et al 1996). For Serbia, the reconstruction of the current roads and highways, as well as creating new transport routes, is a necessity as well, in order to attract new investments and boost the domestic production which will help country's economic recovery.

In January 2007, the Serbian Ministry of Infrastructure and Capital Investments, (in further text – The Ministry of Infrastructure), on behalf of the government of Serbia, signed a concession contract with the private company-consortium “Alpina” for building the Horgos-Pozega highway. Not long before the private company started with its first given tasks, the Horgos-Pozega contract between the government of Serbia and the “Alpina” company fell through.

A sudden turn in the Horgos-Pozega PPP case emerged when the concessioner proposed new terms which were not originally put in the Horgos-Pozega contract. Although the public in Serbia did not know what the new terms were all about, the government of Serbia has rejected the new terms, announcing that it will withdraw from the Horgos-Pozega PPP if concessioner does not proceed with their duties according to the original Horgos-Pozega contract. As a response to that, the ‘Alpina’ concessioner announced that the new terms were proposed because of the failure of the Serbian government to fulfill certain Horgos-Pozega contract provisions. The result of the dispute, which was not transparent to the Serbian public, was cancelation of the Horgos-Pozega contract, initiated by the ‘Alpina’ concessioner in July 2008.¹

There were a few alleged reasons, discussed in the Serbian media, for what could cause the breaking up the Horgos-Pozega contract. In the last part of the thesis all the possible reasons which could be hold as responsible for failure of Horgos-Pozega PPP, will be presented in more details and discussed in the light of the research which follows.

The thesis tries to enlighten the Horgos-Pozega PPP failure from the Holistic governance theoretical perspective.

2. Brief introduction to thesis chapters

In the first chapter I will introduce the main research question and the hypothesis of the thesis. In this chapter the reader will also find the basis of the Holistic governance theoretical concept which is used as the theoretical framework of the thesis.

Chapter two aims at getting the reader acquainted with the Horgos-Pozega project by presenting the Horgos-Pozega contract – objectives as they are given in the Horgos-Pozega contract itself. Also the main events related to the Horgos-Pozega PPP will be briefly presented in this chapter.

Chapter three demonstrates the operationalization of the holistic governance theory and furthermore, how the theory operationalization is applied in the research of the Horgos-Pozega failure. The reader can also find in this chapter six sub-questions which will help in answering the main research question.

Chapters four and five are related to the practical application of the Holistic governance theory. These chapters are the core of the research of the Horgos-Pozega failure. Chapter four analyzes the coordination relationship categories of the Horgos-Pozega failure, while the chapter five analyzes the integration relationships categories of the Horgos-Pozega failure.

Chapter six deals with the answers on all six-sub questions and tests the hypothesis. In other words this chapter tries to set up the relation between the possible absence of the holistic working of the Serbian government agencies and the failure of the Horgos-Pozega PPP.

Chapter seven is a final chapter of the thesis and it aims at answering the main research question. Additionally the chapter seven offers the short criticism about the Holistic governance approach and author's finale comment on the Failure Public Private Partnership in Serbia.

Chapter I

1. The Research Question and the Hypothesis

Failure of the public private partnership in Serbia is unexplored topic in the Serbia's academic world. One of the most infamous failures of the Serbian government in recent years is the fiasco of the Horgos-Pozega PPP.

In searching for the theoretical view-point for the assessment of the Horgos-Pozega failure I have chosen the Holistic governance theoretical perspective. At the first glance what can be noticed about the failure of the Horgos-Pozega PPP, is that there was no clear distinction of the roles and the relationships between the government agencies in the Horgos-Pozega case. Since the Holistic governance perspective is concerned about the relationship between the government agencies and how these relationships may contribute either to the failure or to the success of specific policy (Perri, Leat, Seltzer, Stoker,. 2002.), I distinguished two problems related to the Horgos-Pozega PPP failure which are closely associated with the Holistic governance theoretical perspective. First problem which should be revealed is 'what the roles of the government agencies involved in the Horgos-Pozega PPP failure were' and consequently 'whether the relationship between these roles caused the failure of Horgos-Pozega PPP'.

The Holistic governance claims that government agencies will reach desirable policy outcomes if they (agencies) integrate and coordinate their work related to the specific policy case. Integration and coordination are the two key terms of the Holistic governance perspective and they will be explained in more details later in the text. Advocates of the holistic governance argue that policy tends to fail if the government agencies do not coordinate and integrate their work in the specific matter. This leads us to the formulation of the main research question, which is:

Is the breakdown of the Horgos-Pozega PPP caused by the failure of the Serbian government to work holistically?

The main research question arises from the following hypothesis: The failure of the Horgos-Pozega PPP is caused by the lack of holistic coordination and integration of the Serbian government.

2. Holistic Governance – theory concept

Failure of the state to respond to the financial disarray of the public sector in the 1980s and the 1990s induced a shift toward the market orientation, globalization, and emergence of the New Public Management and increasing complexities of public affairs. This transformation has contributed to the creation of a new style of government also known as governance (Pierre, 2007). Also, the changes have taken place in the forms and mechanisms of governance, the location of governance, governing capacities and styles of governance (Kersbergen K. & van Waarden 2004. p143). As a result, a great number of governance perspectives try, not only to explain but also to understand the changes that modern governments are going through. On the other hand, reflection of changes in society and economy hits back the theory itself. Theoretical perspectives are constantly struggling to explain the reasons for failure in public sector while at the same time providing theoretical solutions and recommendations for overcoming these problems.

Theoretical work on governance reflects the interest of the social science community in shifting patterns in styles of governing (Stoker, 1998). Following 'the need' to explain the problem and to overcome it, both in theory and praxis, Holistic governance perspective emerged as a relatively new theoretical view-point which argues for more coordination and integration between the government agencies when working on the specific policy problems (Perri, Leat, Seltzer, Stoker, 2002).

Central point of the Holistic governance perspective is that in praxis 'holistic government emerges where government agencies share reinforcing goals¹ and can

¹ By reinforcing goals, Holistic governance perspective means consistency between sub-functional goals adopted by the agencies and their consistency to the main common (shared) policy goal. (Leat, Seltzer, Stoker, 2002.pp.32).

identify a shared commitment to a range of mutually supportive tools² to achieve those objectives' (Perri, Leat, Seltzer, Stoker, 2002, p2.) Otherwise, government will fail to deliver wanted policy.

The following text will go further and deeper into key terms of the Holistic governance.

3. Key term of the Holistic Governance

3.1 Goals and means

'Holistic governance argues that government agencies will reach desirable/wanted policy outcomes if they (agencies) integrate and coordinate their work in the specific policy-case. So, what exactly has to be integrated and coordinated? These two terms (integration and coordination) in the Holistic governance perspective can not be understood without explaining the two other terms which are a) goals and b) means.

In the Holistic perspective 'goals' are policy goals (objectives) and by the term 'means' Holistic perspective indicates the way, practical arrangements and policy instruments, (tools) by which agencies pursue their goals (Perri, Leat, Seltzer, Stoker, 2002, p.30).

In practice goals which different agencies want to pursue may take following relationships: a) goals may be in outright conflict, b) goals may be consistent to one another, and finally c) goals may be mutually reinforcing. Equally the relationship between the means and the different goals can take the same relationships.

Holistic governance is making the difference between the consistency of the policy goals employed by government agencies (same is applicable to the policy means) and the situation where policy goals are mutually reinforcing to one another. Mutual reinforcement of goals indicates that agencies do not only share one final policy goal which they want to pursue, but also sub-goals, or as holistic theory says 'functional goals (Perri, Leat, Seltzer, Stoker, 2002). For example, holistic policy of rebuilding the infrastructure in Serbia would require not only one consistent goal which is defined as

'the improvement of the infrastructure' but also consistency of the other 'functional goals' (more concrete goals) employed by government and its agencies. In other words 'functional consistency' brings mutual reinforcement. When goals are in relationship of the mutual reinforcement they support each other in achieving the main policy goal. Otherwise one government's agency may employ one specific policy goal which is not in accordance with the general policy goals of the government but it conflicts the other policy sub-goals adopted by different agencies. For example, while general goal of the government may be 'improving the road infrastructure in the country' one ministry may develop the policy goal which could be 'constructing the highway between two cities', while other ministry may develop the strategy where policy goal is the 'reconstruction of the current road-network in the country. The same situation may occur with policy means (policy arrangements and instruments) of how to achieve the policy goal.

The central aspect for understanding Holistic governance theory is the holistic claim that policy goals and policy means may become more 'mutually supportive' only if agencies which are concerned for the specific policy matter, coordinate and integrate their work.

3.2. Joint-up governance and Holistic Governance

Holistic governance requires not only collaboration between government's agencies but also formulation of ranking of functional goals in order to give appropriate and mutual consistent priorities (Perri, Leat, Seltzer, Stoker, 2002, p.32). The same is required for the policy instruments (or in holistic terms 'means').

We can see a clear distinction between, what Holistic governance perspective calls 'Joint up' governance and 'holistic governance'. In the 'joint up governance' goals and means are consistent, but do not actually reinforce each other. In the case of 'Joint-up' governance there is consistency between policy goals and means only at the general policy level but not at the functional levels. According to the Holistic governance perspective consistency of policy goals and means in the 'Joint-up governance' does not require coordination and integration as explained in the Holistic theory.

The holistic governance is “working back from a clear and mutually reinforcing set of goals to identify a set of instruments which have the same happy relationship to one another”(Perri, Leat, Seltzer, Stoker, 2002, p.32). Holistic governance advocates are aware that defined Holistic governance is hard to achieve but their belief is that agencies will be more successful in reaching policy goals if they (agencies) adopt holistic governance approach as described above.

According to the Holistic governance perspective when ‘Holistic governance’ is hard to achieve than ‘Joint-up’ governance is second best solution.

3.3 Fragmented governance, Incremental Governance and Baronial governance

The opposite of the Holistic governance is the fragmented governance. In the fragmented governance goals are mutually reinforcing but policy instruments are in a stage of ‘destructive competition’ (Perri, Leat, Seltzer, Stoker, 2002, p.33). In the example, where general goal of the government is road-infrastructural improvement, there can be one general goal which other ministries will adopt and which will be consistent to goals of each ministry. However in the fragmented governance every ministry may enforce their own policy instruments which in a given example (road-infrastructure) may lead to destructive competition between government’s agencies. The problem may occur, when different ministries have different conceptions of the content of policy goals or what policy instruments/arrangements (means) to use. Holistic governance is even more concrete and argues that “different financial arrangements, and perverse incentives, the professional rivalries, the local scarcities are also constant threat to holistic governance and cause for the fragmented governance” (Perri, Leat, Seltzer, Stoker, 2002, p.33).

Holistic perspective looks at the fragmented governance as the biggest problem, greater even than ‘incremental governance’ where goals may not be mutually reinforcing but policy arrangements/policy instruments do not conflict each other. In incremental governance “it is possible to set day-to-day tolerable agreements on what

to do in practical terms, despite the fact that each side in a relationship hopes for quite different outcomes from the agreed activities'' (Perri, Leat, Seltzer, Stoker, 2002, p.33).

At last, there is a situation when both policy goals and means may be in conflict and Holistic perspective names it 'baronial governance' which is equal to 'non-governance'. In other words 'baronial governance' is simply a total absence of governance and is not further discussed in the Holistic governance theory.

It is important to note that Holistic governance perspective looks at the incremental, fragmented and baronial governance to be at least best disappointing and worst unacceptable (Perri, Leat, Seltzer, Stoker, 2002.) What is acceptable for the holistic perspective, apart from holistic governance is only joint-up governance which may be also successful in accomplishing policy goals.

3.4 Integration and Coordination

Integration and coordination play the key role in understanding the Holistic governance theory. So what do they mean?

By coordination, holistic governance perspective entails the development of ideas about joint working, joint informational systems and dialogue between agencies, while integration is concerned with their actual execution and implementation through the development of common organizational structures (Perri, Leat, Seltzer, Stoker, 2002, p.33.) Holistic governance argues that by coordination, agencies can develop a common mutually supportive policy ideas, arrangements and instruments. Consequently, the integration between agencies as results has development of common organization structures which enable agencies to implement their fully supportive and harmonized policies or as holistic governance perspective calls them 'fully seamless programmes with seamless goals and means'.

Understanding the integration and coordination, as mentioned in the previous paragraph, is important in constituting a practical conceptualization for the holistic assessment because without coordinated and integrated relationships between agencies, policy goals and policy means can not come to the state of mutual

reinforcement. That is why the Holistic governance perspective presents the range of possible relationships of coordination and integration between agencies. From the point of view of the Holistic governance these relationships are needed if government's agencies want to be successful in implementing policies and achieving policy goals. Those relationships are:

For coordination:

- a) 'Taking into account' – strategies consider the impact of/on one another; seamless policy goals.
- b) 'Dialogue' – sharing and exchanging information.

For integration:

- a) 'Strategic alliance' – long term joint working; is a joint entity which operates for a long period of time in the field of interest shared by two or more government agencies.
- b) 'Satellite' – separate entity jointly owned and created to serve as integrative mechanism. Example for Satellite can be the 'ad-hoc' entity formed to serve only one specific policy goal or to solve one specific problem in the process of policy implementation.
- c) Union – formal administrative unification, maintaining some distinct identities. This entity resembles the joint working which takes place within the permanently established bodies, committees, groups etc.

All three forms of integration serve as entities which are jointly enforcing and executing policies, harmonized in policy (Perri, Leat, Seltzer, Stoker, 2002)

4. Observable features of governance failure

At the 'surface' of the relationships between the government's agencies, we can identify following observable features, which are caused by the lack of integration and coordination (Perri, Leat, Seltzer, Stoker, 2002, p.37):

- a) Dumping problems and costs by one agency on another – It is a case when agency is focused only on its own priorities leaving others to work on what has

been left. Problems which were left behind can come and strike back at the policy in a harmful way.

- b) Conflicting programs – when two or more agencies serve conflicting policy goals or when their interventions can undermine each other.
- c) Duplication – causes waste and frustration to agencies or service users.
- d) Conflicting goals – different aspirations of different agencies
- e) Lack of poor sequencing – failure in communications between agencies
- f) Narrow exclusivity in responding to need – where individual services assume they can provide complete solution, without reference to other agencies, and end up failing to meet real needs.

These six features will contribute to the very last part of the holistic inquiry by trying to link them to the reasons of the Horgos-Pozega failure. If the lack of the coordination and integration really took place in the Horgos-Pozega case and if we can identify one or more of the given six features and link them to the known reasons for Horgos-Pozega PPP failure then the hypothesis will be proven as true.

Chapter II

1. Objectives of the Horgos-Pozega PPP contract²

Following objectives of the Horgos-Pozega PPP contract are presented on this page as they are actually given in the Horgos-Pozega contract itself. The main idea behind this presentation of Horgos-Pozega objectives is to get the reader of the thesis acquainted with the Horgos-Pozega PPP.

The three objectives stated in the Horgos-Pozega contract are:

- 1) Beograd – Pozega: financing, designing, building, maintenance and gathering income on the part of High-way E-763, from Belgrade to Pozega – total length 148km.
- 2) Horgos - Novi Sad: financing, designing, building, maintenance and gathering income of the part of the High-way E-75 from Horgos km1+100 to Novi Sad km 108+000 – total length 106.9km, more precisely:
 - a) Financing, designing, building, maintenance and gathering income of the left High-way track (in the direction to the north) – from Horgos to Novi Sad - length 106.9km,
 - b) Gathering income, reconstruction, and maintenance of already existing right High-way track (in the direction to the south), from Horgos to Novi Sad - length 106.9km.
- 3) Novi Sad – Beograd: gathering income and maintenance of the part of the High-way from Novi Sad km 108+000 to Belgrade km 176+000- total length 68km.
 - a) Gathering income until the end of the 2008, where maintenance duties will be given to the public company 'Roads of Serbia'.
 - b) Gathering incomes and maintenance from 2009.

Apart from helping the reader to better understand what is Horgos-Pozega PPP all about, three objectives of the contract are also necessary to present in order to

understand the conflict between the Ministry of Infrastructure and Autonomous Province of Vojvodina, which will be described later.

2. Main Horgos-Pozega PPP events

In the lines below, the reader can find the most important events related to the Horgos-Pozega PPP. This brief summary of the Horgos-Pozega PPP failure is entirely written based on the daily newspapers archived news.

June 2005, the government of Serbia acquainted the National Parliament of Serbia with the proposal for a tender procedure for Horgos-Pozega high-way project.³

15. June 2005, the government of Serbia announced public tender for giving concession over building Horgos-Pozega high-way.⁴

15. September 2005, the government of Serbia made the Decision over giving concession for building, gathering income and maintaining the high-way path from the city of Horgos to the city of Pozega.⁵

11. January 2007, the government of Serbia publicly announced that Spanish-Austrian Company FCC Alpina has won the tender for building, gathering income and maintaining the Horgos-Pozega high-way.⁶ The government has also adopted the text of the Contract and appointed the Minister of Infrastructure responsible for the procedure over concession.⁷

2. April 2007 the President of the AP Vojvodina Parliament publicly proclaimed that the Autonomous Province of Vojvodina is for the revoking of the Horgos-Pozega PPP contract.⁸

7. March 2007. First press writings appeared about the government delaying to deliver on time to the concessioner the documentation regarding land expropriation⁹

1. September 2007 Minister for the economy suggests to the government that the PPP contract should be revoked, because concessioner's failure to prove that he has bank guarantees for the whole project.¹⁰

6. September 2007. The Government of Serbia rejects the request from the concessioner for the agreement cancelation of the Horgos-Pozega PPP contract.¹¹

16. December 2008 Concessioner is canceling the Horgos-Pozega PPP Contract¹²

22. December 2008. The Concessioner publicly accused the Government of Serbia for violation of the Horgos-Pozega contract provisions.

Chapter III

1. The application of the Holistic governance concept on the Horgos-Pozega case and the research strategy

In the case when rebuilding country's road-infrastructure system is set-up as the general policy goal of the government, then according to the Holistic governance theory, government's agencies which are involved in that particular policy, should coordinate and integrate their work and craft their policy goals and policy arrangements to be mutually reinforcing. In other words, agencies which are involved should work through common informational system and through dialogue in order to develop seamless policy ideas and policy instruments which could be: financial arrangements, organization of work, solving arising policy problems and others. At the same time agencies which are involved in one specific policy should create common bodies/entities through which they can implement results of the coordinated work and execute policy.

With the absence of coordination and absence of the integration, government agencies' work will not be characterized as holistic. In that case, if we want to determine whether certain government performance was holistic, then our investigation should look for existence of the holistic relationships in the Horgos-Pozega case both for coordination and integration.

2. The two categories of possible relationships between agencies

First category of possible relationships between agencies is Coordination relationships – According to the Holistic governance theory, coordination is a process in which government agencies develop the ideas about joint working. The outcome of this process is the agreement about common policy arrangements and policy tools (instruments). Without presence of coordination relationships between agencies we can be sure that holistic working did not take place. Coordination relationships between agencies can take two forms: a) 'taking into account' and b) 'dialogue'.

2. Second category is Integration relationships which show to us whether agencies developed common (joint) organizational structures, entities through which they can jointly implement their harmonized policies.

In the Horgos-Pozega case I will identify the absence or the presence of the possible relationships between government agencies for both coordination and integration. The presence, of both coordination and integration relationships between agencies, will mean that the Serbian government agencies, in the Horgos-Pozega case, worked as holistic government.

2.1 Coordination relationships

1) In the case of COORDINATION relationship I will be looking for:

A) 'Taking into account' (ideas about joint working) – which in holistic governance means programme (strategy) agreement about 'what are the policy goals and how to achieve them'.

In the Holistic government, strategies about any policy field should be the results of 'taking into account'-coordination where government has to show consistency of policy goals and means when developing strategies. Only with 'taking into account' the government can develop, what holistic governance calls 'seamless strategies' (programmes) where policy goals and means are mutually reinforcing (consistency of general and functional goals).

According to the Holistic governance theory, consistency between functional goals can be also observed through ranking in which goals are presented in strategies. For example, if we can detect that strategies of the Serbian government related to the road-infrastructure, rank different functional goals as priorities it will suggest the failure of 'taking into account' as coordination relationship.

In the inquiry of the Horgos-Pozega case, I will compare all the available strategies to one another, starting from the Expose (2007) of the Prime Minister, whose government was undertaking the Horgos-Pozega project and consequently handling Horgos-Pozega PPP.

The government strategies will be defined as seamless if general and functional policy goals and policy arrangements, related to the road infrastructure policy field, correspond and comply with one another. Detecting the presence of seamless policy programmes, where policy goals and means are mutually reinforcing, should be the clear sign that 'taking into account' –coordination relationship took place. Consequently the absence of seamless strategies will support the argument that 'taking into account' coordination relationship did not happen.

B) 'The Dialogue', – which stands for the exchanging of information about the specific issue in which agencies are involved. Holistic governance concept is not specifying what form of the dialogue represents as the wanted holistic relationship between agencies. Though, Holistic theory identifies 'exchanging information' between agencies as the main characteristic of this category.

Therefore, tasks here are:

- Firstly, to detect presence or the absence of the common informational system which was (or could have been) used between agencies involved in the Horgos-Pozega case. The criterion for the inquiry is presence or the absence of the common formal/institutionalized informational system which was exploited by the agencies involved in the Horgos-Pozega case.
- Second task is to describe the 'organizational design' for communication between the agencies. Holistic theory is particularly interested in the 'organizational design' of relationships between agencies and overcoming 'poor design' of the relationship which disables holistic coordination (Perri, Leat, Seltzer, Stoker, 2002, p.33.). The 'organizational design' in holistic governance theory stands for the organizational features of agencies which enable and support communication between agencies. Therefore the research of the 'organizational design' for communication between the agencies involved in the Horgos-Pozega, should enlighten the potentials for holistic coordination between government's agencies in Serbia. The aim of this research is to show whether the

government's agencies in Serbia have institutionalized design to get involved in the direct communication and exchanging information with other government agencies which share the same policy problem. The criterion in this part of the research is, 'whether specific government agency has the department(s) (or any other part of its organizational structure) whose responsibility and duty is to proceed direct communication and exchanging information with other government's agencies.

- Thirdly, since Holistic governance theory argues that existence of any conflicts between agencies which are involved in the specific policy issue drastically lowers chances for holistic coordination. Criteria in this case will be the presence of the statements which prove existence of conflicting policy goals or conflicting policy means between agencies engaged in the Horgos-Pozega case.

Possible conflicts in communication between government agencies (agencies involved in the Horgos-Pozega case), in the combination with nonexistence common informational system would lead to the conclusion that holistic coordination between the agencies in the Horgos-Pozega case did not take place.

2.2. Integration relationships

For the INTEGRATION relationships, and related to the Horgos-Pozega case I will be looking for:

- a) Strategic alliance - long term joint working related to the specific policy issue such as Horgos-Pozega.
- b) Satellite – separate entity jointly owned, created to serve as integrative mechanism.
- c) Union – formal administrative unification, maintaining some distinct identities.

According to the Holistic perspective Integration between agencies (in holistic working) can take one of these three forms: a, b or c. Presence of at least one of these

three relationships (presence of entities) would mean that there was holistic effort for integration in the Horgos-Pozega case.

Since, Holistic governance perspective argues that it is more important to ask 'who needs to get involved', than 'what has to be done' (Perri, Leat, Seltzer, Stoker, 2002), inquiry of the Horgos-Pozega failure will have to take in account what was the policy theme of joint working (within the one specific entity) and who was participating in it.

Only if all relevant agencies took participation in one of the three possible forms of the joint entity then conclusion may be that integrated work took place.

3. The research sub questions

Sub questions, which will help in answering the main research question, arise from the defined coordination and integration relationships between agencies.

- 1) First sub question is related to the possible coordination relationship of 'taking into account': Are the strategies adopted by the Serbian government seamless in policy goals and policy means when it comes to Horgos-Pozega as a policy idea? It is important to note again that 'Seamless' as a term in the Holistic governance is more than a simple compliance between 'goals' and 'means' (policy goals and policy instruments). One policy goal, in the one particular strategy, may comply to the general policy goal of the government in certain policy field. However, specific (functional) policy goals and policy arrangements in one particular strategy may conflict the other specific policy goals and policy arrangements in other strategies although they comply the general policy goal in common policy field. These specific policy goals which are more concrete are also called functional policy goals. According to the holistic governance perspective seamless goals and means are taking place only when functional policy goals and policy arrangements for those goals are in a state of compliance. Only in that way policies can be described as mutually supportive.

- 2) Second sub question refers to the coordination relationship of 'exchanging information'. – Did the agencies, involved in the Horgos-Pozega case, have institutionalized mechanism (departments) through which they could communicate and exchange information to one another?
- 3) Third sub question concerns the 'nature' of the Dialogue associated to the Horgos-Pozega case - Was there a communication conflict between governments agencies which were involved in Horgos-Pozega case?
- 4) Fourth sub question is : Did the government of Serbia agencies formed entities which would integrate the work of all involved agencies and implement policies related to the Horgos-Pozega?
- 5) Fifth question unites research on all previous questions and wants to know: 'Did the Serbian government's agencies work as 'Holistic government' in the case of the Horgos-Pozega?
- 6) The Sixth question will test the relationship between fifth question and main research question - Is there a causal relationship between the failure of the Horgos-Pozega PPP and the possible failure of the Serbian government to work as holistic governance in the Horgos Pozega case.

Chapter IV

1. The research of the category 'holistic coordination relationships' in the Horgos-Pozega case

In the research of the Horgos-Pozega PPP failure I am applying the operationalization of the Holistic governance theory which will guide the whole inquiry of the Horgos-Pozega PPP failure. The inquiry starts with detecting the existence of possible coordination relationships between agencies in the Horgos-Pozega case.

2. Coordination relationship: 'Taking into account'

(Absence/presence of seamless government strategies)

First part of the coordination relationship research is a category 'taking into account' of holistic category of coordination relationship. Here, all available government strategies will be compared with the Expose of the Prime Minister Vojislav Kostunica in 2007.

Since the Holistic governance perspective argues that successful holistic governance is characterized by seamless policy strategies (programmes), then we should look for the comparison between government's strategies related to the road-infrastructure policy in Serbia and proofs of consistency between policy 'goals' and 'means'. The task here is to detect whether policy strategies of the Serbian government are consistent both in general and functional (specific, concrete) policy goals and means. Only the consistency between general and functional goals and means in the government strategies will be the proof of the seamless strategies.

Therefore, in the inquiry of the Horgos-Pozega case, I will compare all the available strategies to one another, starting from the Expose of the Prime Minister, whose government was undertaking the Horgos-Pozega project and consequently handling Horgos-Pozega PPP. The relevance of the Expose, although it may not be considered as a formal policy document, is in the fact that it answers to: 'What the

government of Serbia saw as the general and functional policy goal(s) and means in the road-infrastructure in the year 2007 when Horgos-Pozega contract was signed'. By applying holistic concept in this particular case I will look for the consistency of policy goals and other policy arrangements between the Expose (2007) and other available government strategies adopted years before and at the time of the Horgos-Pozega PPP. Absence or presence of seamless strategies will be detected depending on whether we can identify consistency of goals and means in all other strategies when it comes to the road-infrastructure policy. What the Holistic governance would expect to discover is not only the consistency in strategies, where 'the road-infrastructure improvements' is set up as a policy goal, but also the consistency between other functional, more specific goals and policy instruments related to that.

Indicator for judging whether there is a presence or absence of seamless strategies is the detection of presence or absence of mutually supportive goals (as policy objectives) and mutually supportive means (as policy arrangements or instruments). In other words strategies should be clear about 'what are the functional (concrete) policy goals in road infrastructure policy field and how to achieve them.

Before starting the presentation of the most critical parts in the Serbian government's strategies about Horgos-Pozega it is important to mention that all the presented strategies have as a common general goal 'the improvement of the road infrastructure'.

2.1. Expose of the Prime minister – 2007

The new Serbian Government was elected in March 2007. In a manner of a democratic tradition newly elected Prime minister has to announce to the public, a policy guidelines which his government will follow in the future. This announcement, which is called 'The Expose of the Prime minister', is typically in a form of a written speech and it is delivered in front of the members of the national parliament and broadcasted via TV signal to the public.

In 2007 Vojislav Kostunica³ was elected to form a new cabinet. He delivered his Expose¹³ in the national parliament. Expose, as it has been said previously, sets goals that future government officially wants to achieve or at least to publicly promote. Besides the major goal, the expose offers second rank goals and sometimes policy instruments of how to accomplish set up goals.

Since the Expose is the most general government plan we should not expect to find detailed policy strategy regarding road infrastructure policy. However, it is reasonable to expect that Expose should reveal guidelines on how government sees development in road infrastructure and what will be the general approach in accomplishing it.

In the entire document, one whole paragraph is related to the road infrastructure topic. In this paragraph we can find following key points:

- a) Government promises that Corridor 10 (see the map 2. in the Appendix) and Horgos-Pozega (see the map 1. in the Appendix) highway will be finished before 2010;
- b) Government will finance these two projects in two ways:
 - With a help of National Investment Plan (NIP)⁴, and
 - Concessions

Although it is not specified it can be understood that concessions as model of financing relates to Horgos-Pozega highway project, because the Horgos-Pozega concession PPP was already signed at the time.

From the Holistic governance point of view the policy ideas and arrangements stated in the Expose related to the Horgos-Pozega project should be found in the other government's strategies which were adopted before signing of the Horgos-Pozega contract.

³ Vojislav Kostunica is a leader of the Democratic Party of Serbia. He was elected president of SR Yugoslavia (later Serbia and Montenegro) from 2000 -2003 and Prime Minister of Serbia from 2004 until 2007 and again from 15.May 2007 until 07.July 2008.

⁴ National Investment Plan (NIP) is created by the State's income gathered from the privatization of public companies in Serbia.

2.2. Serbian Reform Plan – 2001¹⁴

The Government of the Republic of Serbia, in the document named 'Serbian Reform Plan, adopted in the year 2001, presents the programme for the reforms in the country after overthrowing Milosevic regime in 2000. This particular document was created before The International Donors Conference where the government of Serbia wanted to present the guidelines for structural changes in the country and bank loans to Serbia were offered. At that time Serbia was heavily depending on foreign financial help.

The Serbia Reform Plan does not include any intentions related to building new high-way paths. However as a priority of the country 'The Plan' mentions rehabilitation of roads as the highest policy priority in the country. This is particularly interesting because seven years later at one of the experts meetings, organized by the Vojvodina government, one of the conclusions made by the experts will be that priority of the country should be rehabilitation of the existing road system in the country, not building a new highway paths.¹⁵

2.3. National Strategy of Serbia for EU accession of Serbia and Montenegro – 2005¹⁶

On June 27th 2005, the government of Serbia adopted the Strategy for EU accession. According to this Strategy Serbian government has to provide needed road infrastructure, but not specifying concrete goals.

The paragraph titled 'The Road Transport' stated that priority of the government should be finishing the unfinished parts of the high-way route E-75 and E-80. It is important to note that both of these two routes lay on the route of International Corridor 10 (see Appendix).

Another important point of this Strategy is that the southern part of Serbia is seen as a deficient in local roads, where present modern road infrastructure covers only

10-20% territory of the southern region. The strategy calls for investments in building better road system in southern region.

This strategy is also mentioning the need to renew the present road infrastructure system, especially on the mentioned international routes.

2.4. Strategy for Economy Development 2006-2012¹⁷

National strategy for economy development from 2006 to 2012 is the first and fully integral strategy of the Serbian government which sets up priorities and goals of the government in the six-year period.

Unfortunately this Strategy is not fully available to public nowadays. However, the summary of the Strategy exposes that the Government's objective should be finishing the Corridor 10 project and investments in repairing and maintaining existing road-infrastructure system. In undertaking these infrastructural projects the Strategy for Economy Development 2006-2012 counts on the international financial aid and the bank loans.

2.5. Strategy for improving trade -2007¹⁸

On the Serbian government web-presentation, where 'Strategy for improving trade' is posted for public, we can not find any information regarding when this Strategy was adopted. However judging only by the last two digits in the number of the documents which stand for the year when the specific document was adopted, we may assume that Strategy for improving trade was adopted in the 2007.

In the very beginning of the text itself, there are two policy goals stated which are relevant for our holistic assessment:

- a) Integration of Serbia in international transport and energy corridors and;
- b) Encouraging public private partnership as an instrument of the Government in undertaking projects in infrastructure.

According to the Strategy, these two, (among other sub-policy goals,) should positively contribute to the development of better general business environment. The strategy also recognizes undeveloped transport infrastructure as a one of the several obstacles for further development of the trade. However, Strategy doesn't mention Horgos-Pozega high-way path a part of the international transport integration policy.

2.6. Strategy for increasing export-trade¹⁹

Strategy for increasing exporting trade also does not mention Horgos-Pozega highway at all, although in one part this Strategy deals with the road infrastructure policy. Though strategy does not mention it in more details, it indicates that finalizing unfinished parts of the Corridor 10 high-way route should be the government's priority in achieving general policy goal of 'improving infrastructure'.

Table 1.

<u>Name of the document</u>	<u>Year</u>	<u>Policy goals</u>	<u>Policy means</u>
The Expose of the prime minister	2007	a) Horgos-Pozega high-way; b) Corridor 10	a) By concessions b) By bank loans
Serbian Reform plan	2001	Rehabilitation of roads	Foreign financial aid/loans
National Strategy of Serbia for EU accession of Serbia and Montenegro	2005	a)Corridor 10 and b)rehabilitation of roads	n/a
Strategy for Economy Development	2006	a)Corridor 10 and b)rehabilitation of roads	Foreign financial aid/loans
Strategy for improving trade	2007	Corridor 10	Public private partnership
Strategy for increasing exporting trade	2007	Corridor 10	n/a

Table 1 shows the title of the specific government strategy, the year when strategy was adopted, concrete policy goal and the policy arrangement for achieving that policy goal.

3. Conclusion about 'taking into account' coordination relationship

As it was mentioned, all the presented government's strategies have one common general policy goal which is the improvement of the road infrastructure in Serbia. However, the comparison of the strategies shows that specific policy goals are not confronting each other, both in terms of goals and means. We can notice at least three different policy goals which are preferred in different strategies as priorities in improving road infrastructure.

The government strategies are divided in two matters:

- a) What is the concrete priority in road infrastructure policy in Serbia; and
- b) Which policy arrangement should be chosen in order to accomplish policy project.

Policy strategies which were adopted by the government of Serbia and which deal with the road infrastructure policy are not seamless both in goals and means (policy goals and policy arrangements). Therefore the answer to the first sub question is that the Serbian government's strategies about road infrastructure policy are not seamless, not harmonized with one another. Especially this is obvious in the case of Horgos-Pozega as policy goal where we can identify clearly opposite policy goals related to the road infrastructure policies in other government strategies.

4. Coordination relationships: 'Dialogue and exchanging information between agencies''.

Following the application of the Holistic governance theory on the Horgos-Pozega case, we come to the second category of coordination relationship which has to be examined. The second coordination relationship between agencies is the 'Dialogue and Exchanging information' which includes:

a) The detection of the institutionalized informational system which agencies used in the Horgos-Pozega case; Indicator in this category is presence or absence of the observable system for communication between agencies, which is shared by the agencies involved in the Horgos-Pozega case.

b) The institutional design of the relationship between agencies which would enable/disable coordination (exchanging information) between agencies involved in the Horgos-Pozega case. The goal here is to detect, if possible, formal institutional arrangements of each agency (involved in the Horgos-Pozega case) enable direct communication with other government agencies. Indicator for this category is presence of the specialized office (department, section) which major task (or one of the task is to communicate with other government agencies on the common policy problems.

c) The last task in this part is to find possible evidence which would suggest the presence of the conflict between agencies involved in the Horgos-Pozega issue.

Indicator in this category is whether there was a conflict in communication (or not), in terms of how different agencies involved in the Horgos-Pozega case, perceive the policy problem itself and furthermore policy goals and policy means. Confronting policy ideas about Horgos-Pozega case, publicly announced by the agencies' representatives, will clearly indicate the existence of conflict between two or more agencies.

At the very beginning of the research of the institutional design for exchanging information between agencies, one problem is arising. It is very difficult to precisely identify which government agencies were involved in any way in the Horgos-Pozega

case. Today, data about the Horgos-Pozega case from 2007 are scattered and can be only found in the archives of the Serbian newspapers. On the other hand, the Ministry of Infrastructure and Capital Investments of the government of Serbia, which in the name of the Serbian government signed the Horgos-Pozega PPP in 2007, showed no openness related to Horgos-Pozega case.⁵ Therefore, special attention in the research will be given to the institutional design of the relationship for exchanging information.

The evidence of which agencies were involved in the Horgos-Pozega case we can find in the statement of Mr. Velimir Ilić⁶ who was at the time of signing the Horgos-Pozega contract at the position of the Minister of Infrastructure and Capital Investments. Ex-Minister of Infrastructure and Capital Investments stated in August 2007 that following agencies were involved in designing and organizing concession for Horgos-Pozega PPP²⁰:

- The Ministry of Infrastructure and Capital Investments
- Ministry of Finance
- Ministry for public administration and local-self government
- Autonomous Province of Vojvodina
- Local municipalities (local self-governances)

However, representatives of Autonomous Province of Vojvodina denied their involvement in designing the concession for Horgos-Pozega highway. Also few local municipalities have also denied that they were involved in any way. In addition to this it is impossible to find the evidence which would support what the ex-Minister claimed. On the other hand, Mr. Ilić's statement is the only leading clue toward the question which agencies were involved in the Horgos-Pozega case.

⁵ I sent Several e-mail letters to the Ministry for Infrastructure with the same questions related to the Horgos-Pozega case, however there was no reply from the Ministry of Infrastructure.

⁶ Velimir Ilić (Velimir Ilić) is the leader of the political party 'New Serbia' (Nova Srbija). He was the Minister of Capital Investments from 2003 until 2007. In 2007 Ilić became the Minister of Infrastructure and Capital Investments.

Therefore listed agencies (government institutions will be targeted by holistic assessment on design of the relationships about communication and exchanging information.

4.1. Common informational system

Unfortunately there are no available and reliable data sources which would suggest that the Serbian government's agencies were communicating and exchanging information about the Horgos-Pozega case through one shared – institutionalized informational system.

4.2. The institutional design of the relationship for exchanging information

Research on whether agencies' possess an organizational design and mechanisms (departments) which would enable direct communication and exchanging information with other agencies (departments for communication and exchanging information with other agencies).

a) The Ministry of Infrastructure and Capital Investment

Organizational structure of the Ministry for Capital Investments which is presented at the Ministry's web page²¹ doesn't show explicitly which department within the Ministry should be responsible for the communication and exchanging information with other government agencies, neither how this interaction should look like.

b) The Ministry of Finance

The organizational structure of the Ministry of Finance²² shows that the Ministry has the 'Department for Coordination Internal Units and Cooperation with other Government Bodies and Organizations'. This department has several duties among which we can identify:

- Providing opinions on draft laws and other documents proposed by other bodies of public administration; and
- 'Cooperation with the General Secretariat of the Government and participation in the work of the Government's standing bodies (committees) in line with the Government's Rules of Procedure'.

These two duties unquestionably indicate that the Ministry's department is responsible for communication with other ministries in the Serbian government. Also, the same department is responsible for following the information flow between other ministries. Both duties are suggesting that the 'Department for Coordination Internal Units and Cooperation with other Government Bodies and Organizations' within Ministry of Finance has a responsibility to communicate and exchange information with other government agencies.

c) The Ministry for Administration and Local-self government

There are two departments within the Ministry for Administration and Local-self government, which are responsible for the communication and exchanging information with other government agencies²³. They are:

- The Department (Sector) for public administration, which is responsible for cooperation and communication with other ministries in the government of Serbia
- The Department for local-self government, which is responsible for cooperation and communication with municipalities in Serbia.

d) The Autonomous Province of Vojvodina

Vojvodina is the region in the northern Serbia which has a status of autonomous region (province) within the Serbian state. Autonomous status implies that Vojvodina has The Executive Council, The Parliament and the secretaries. The Executive Council is executive body of the province and it is divided into secretaries which are actually playing the role of the ministries in the central government. Every secretary has its own

specific duties. In questioning which of the secretaries should be responsible for the communication and exchanging information with the other government agencies and possibly with the Ministry of Infrastructure and Capital Investments, the following has been found:

- APV's Secretariat for information;
- APV's Secretariat for regional and international cooperation;
- APV Secretariat for the architecture, urbanism and civil engineering.

1) APV's Secretariat for information²⁴

One of the responsibilities of the APV's Secretariat for information is to maintain cooperation with related central government entities and to do other delegated duties. This secretariat is split on four departments: public relations, analysis, information systems and electronic media, law and economy matters. Unexpectedly none of these departments has as its specific duty to cooperate and to exchange information with the central government institutions. Therefore, it is unclear how the secretariat maintains cooperation with central government agencies when none of its departments has cooperation with the central institutions as a mission.

2) APV's Secretariat for regional and international cooperation²⁵

The main duties of the APV's are duties related to:

- a) Supporting regional and international cooperation,
- b) Collecting data and creating the data base related to possibilities for establishing cooperative relationship with the Euro-regions and non-government organizations.
- c) Coordination between the APV's government and municipalities on accomplishing regional and international cooperation.

One of the specific duties of this Secretariat is to cooperate with the Ministry for foreign affairs of Serbia on establishing and improving relations with the regional and international political entities. Specific duties of the Secretariat show possibility to precisely define the relationship between one specific department of APV and central

government agency, in this case Ministry for foreign affairs of Serbia. However, this Secretariat is not appointed to communicate with any other particular institution.

APV Secretariat for the architecture, urbanism and civil engineering²⁶

Data are not available.

One of the reasons why it is not possible for AP Vojvodina to establish organizational arrangement for exchanging information in field of road infrastructure between them and other agencies is the fact that the whole jurisdiction over road network in Serbia is given to the Central government. More precisely, managing of the road network including research, data gathering and analysis about the road system of Serbia is responsibility of the public company named 'Roads of Serbia' which has a status of a government agency.

e) Municipalities

Municipalities have three possible ways for direct communication and exchanging information with the other government agencies.

- a) Directly – direct communication between the municipality and the central government agencies is regulated by the Public Administration Law²⁷ and Law about local-self government.²⁸ However laws simply leave a legal possibility for exchanging information not specifying the exact way for it. Whether single municipality will have specific department that will be responsible for interaction with the central government depends solely on the municipalities.
- b) Through the Ministry for public administration and local self government which is responsible for representing all municipalities on behalf of the government of Serbia. The Ministry for administration and local self government has two specialized bodies which work closely to the issues related to the local self-government.²⁹
- c) Third way for possible interaction between the municipalities and the central government is via 'Standing Conference of Towns and Municipalities'³⁰ which is

the national association of local authorities in Serbia. The government of Serbia has its own representatives at the Conference depending on the issues discussed at the time.

These three possible ways with which Serbian municipalities can communicate and exchange information with the central government and ministries within the government, give the impression that there should be no organization barriers for municipalities to exercise and initiate any communication and exchanging information with other agencies.

Table2.

Name of the Agency	The presence of the Department (or the other Office) responsible for communication and exchanging information with other agencies
The Ministry of Infrastructure and Capital Investment	No
The Ministry of Finance	Yes
The Ministry for Administration and Local-self government	Yes
The Autonomous Province of Vojvodina	No
Municipalities	Yes

Table2. Shows the government agencies and the presence or absence of the departments responsible for communication and exchanging information with other government agencies

4.3 Conflicts between agencies

The discovery of the potential conflicts in communication between agencies relies completely on the statements given by the representatives of government agencies. The criterion of 'how to judge whether there is a conflict in communication

between agencies or not', is actually a presence of the opposing (conflicting) ideas about Horgos-Pozega project.

The research of the news archives, led me to the isolation of two conflicting communications between government agencies related to the Horgos-Pozega case. It is important to note that the research targeted communication between all five involved agencies: The Ministry of Infrastructure and Capital Investments, Ministry of Finance, Ministry for public administration and local-self government, Autonomous Province of Vojvodina and several local self-governances.

First communicational conflict was between the representatives of the Autonomous Province of Vojvodina and the Ministry of Infrastructure and Capital Investment. The second conflict is identified between the several Serbian municipalities and the Ministry of Infrastructure and Capital Investment.

a) AP Vojvodina vs Ministry of Infrastructure

In researching archive news about the Horgos-Pozega project and the failure of Horgos-Pozega public-private partnership it is the dialogue between the Minister of Infrastructure and AP Vojvodina's officials that gets the eye of attention because of tough mutual accusations.

According to the president of the Parliament of the Autonomous Province of Vojvodina (Mr. Bojan Kostereš) signed Horgos-Pozega PPP contract was against the interest of the Province because the contract determines that building the route from Belgrade to Pozega (Map 1. in the Appendix) will be financed by the concessioner who will collect the profit from the highway tolls which already exist in Vojvodina (from Horgos to Beograd). The AP Vojvodina government was against such solution because of the fact that high-way through the Province (from Horgos to Beograd) was partially finished. Only one high-way track in length of approximately 100km (from Horgos to Novi Sad) was not built and according to the Horgos-Pozega contract it is meant to be built and exploited by the concessioner. The Provincial government of Vojvodina stood at the position that the concessioner was given opportunity to exploit already existing

high-way track and by collecting the incomes concessioner can finance building the high-way part from Belgrade to Pozega. Authorities of Vojvodina felt that the Horgos-Pozega Contract was a huge deception and unfair deal because of the already existing high-way through Vojvodina was financed by the citizens of Vojvodina and Vojvodina government was still paying off bank international bank loans.³¹

Another point in the quarrel between the authorities of Vojvodina and the Ministry for Capital Investments was the split over the issue of data about traffic frequency in between Horgos and Belgrade. The Vojvodina government stated that the central government estimation about the traffic frequency and consequently the benefit out of concession is overrated. Unfortunately, there are no available data about the traffic frequency measurement in the year 2007 or before that, but surprisingly there were obvious different departments at the provincial and central-government level, which were responsible for measuring and analyzing data about the traffic frequency from Horgos to Beograd³². 'The Roads of Serbia' is a state owned company whose responsibility is to measure the traffic frequency on all roads in Serbia. On the other hand, the Vojvodina government has its own departments for gathering and data analysis in field of traffic and transportation.³³ According to the president of the Vojvodinia parliament (Bojan Kostres⁷), if the Horgos-Pozega PPP come into force Province of Vojvodina will lose 520.125.000 € for the time of the concession which is 25years.³⁴

The described conflict between the Ministry of Infrastructure and AP Vojvodina representatives is characterized by the dispute over different policy ideas related to the constructing Horgos-Pozega and giving it under the concession. This dispute may have roots in a deeper political conflict which may be related to the 'battle' over 'who will get more political authority'. Nevertheless, the collision of two ideas is obvious. If the confrontation over policy goals is questionable, since we do not know what was the AP

⁷ Bojan Kostres (Bojan Kosterš) is the former president of the assembly of the Autonomous Serbian Province of Vojvodina, Serbia. He is a vice-president of the League of Vojvodina Social Democrats. He has served as the president of the Assembly of Vojvodina, Serbia between October 2004 and July 2008.

Vojvodina's policy goal in the field of infrastructure, then confrontation over policy means (policy arrangement, instruments) is obvious. Vojvodinian government is against the Horgos-Pozega concession.

b) Municipalities vs Ministry of Infrastructure and Capital Investments

Another dispute which was possible to capture by researching the archives of the news magazines was the dispute between the several Serbian Municipalities and The Ministry of Infrastructure and Capital Investments.

The dispute between the two sides started when concessioner 'Alpina' accused the government of Serbia for not fulfilling certain Horgos-Pozega contract provisions.³⁵ According to the concessioner the government of Serbia apparently did not deliver on time documentation related to the land which should be expropriated in Horgos-Pozega high-way project. Concessioner stated that the lacking of these documents was one of the major reasons why concessioner was not able to 'close down' the financial aspect of the Horgos-Pozega project.³⁶ So called 'closing down' financial aspect means that concessioner was obliged by the Horgos-Pozega contract provisions to acquire bank guarantees for the whole project which would be seen as a proof that concessioner is in position to complete the whole project.

In April 2007, the Ministry for Capital Investments publicly announced that 'documentation for land expropriation' can be ready in matter of days³⁷. However at the same time several Serbian municipalities, in whose jurisdiction is to deal with the most of the necessary workload for land expropriation, openly admitted that they are at the very beginning of the expropriation process.³⁸

Unlike the 'open conflict' where Vojvodina authorities were opposing the Ministry of Infrastructure and Capital Investments, in the dispute between the municipalities and the Ministry the issue was whether 'expropriation documents are ready or not'. It appeared that land expropriation work is really at the very beginning.³⁹

The municipalities were accusing the government of Serbia for deceiving the public and the concessioner.⁴⁰

The conflict in communication between the Ministry of Infrastructure and municipalities may be characterized as misunderstanding but in its essence it is a failure of policy means.

Table3. Conflict in communication

	The Ministry of Infrastructure	
Autonomous Province of Vojvodina	Conflict on policy goals (unknown)	Conflict in policy means (yes)
Municipalities	Conflict on policy goals (n/a)	Conflict in policy means (yes)

Table 3, shows that the conflict of policy means was present in the relationship between the Ministry of Infrastructure and two other agencies.

According to the Holistic governance theory conflict in policy means is a clear indication of 'fragmented governance' (Perri, Leat, Seltzer, Stoker, 2002, p.31).

5. Conclusion about 'Exchanging information and the dialogue between agencies' as coordination relationship

First conclusion about the investigation of the coordination relationship between agencies in connection to the Horgos-Pozega case is that policy strategies were not seamless, both in policy goals and policy arrangements. Second conclusion is that common system for exchanging information was not used although 'organizational design' of the agencies enabled them to do so.

Chapter V

1. Research of the category 'holistic integration relationships' related to Horgos-Pozega case

The aim of the integration relationships is that the government agencies can jointly work on the implementation and execution of certain policy. Holistic integration relationship, as it was presented in theoretical part of this work, can take one of these three forms:

- a) Strategic alliance – separate joint entity which operates for a long period of time in the field of interest shared by agencies. Agencies who share the common policy are founders of this entity and joint work of agencies within this entity may continue even after ending of one particular policy.
- b) Satellite – is separate entity, jointly owned, created to serve as integrative mechanism (example ad-hoc entity). This kind of entity is usually formed to solve one common problem in policy implementation and may quit joint functioning once the policy problem is solved or policy executed.
- c) Union – formal administrative unification. It resembles the joint working of agencies which takes place within the permanently established bodies, comities, groups.

By applying presented integration relationships as the frame for the research, we have to look for the possible presence of at least one of these entities in the Horgos-Pozega case. As it is defined in the theoretical chapter, integration relationships serve to the government's agencies in implementation of seamless policy programmes, developed in the 'coordination relationships'. In other words by founding and working through one of the three mentioned entities, the government agencies are able to jointly work on the implementation and execution of the mutually supportive goals and means.

The absence of all three integration entities (a, b and c) in the Horgos-pozega case, will lead us to the obvious conclusion that 'integration relationships' between the

Serbian government agencies did not take place in the case of Horgos-Pozega. Consequently, without integration relationships between agencies in the Horgos-Pozega case, there could be no Holistic governance.

The research effort for identifying integrated entities of the Serbian government linked to the Horgos-Pozega case was hindered from the very beginning.

Firstly the empirical research could not be executed due to the lack of openness of the Serbian government institutions when it came to the Horgos-Pozega PPP case. During the phone interview with the chief of the cabinet of the Ministry of Infrastructure Mrs. Snezana Zekovic, questions related to integrated work of the Ministry with other government agencies were considered. Unfortunately the data gathered by the interview were quite disappointing.⁸

One circumstantial evidence that the Ministry of Infrastructure was not working alone on the implementation of the policy related to Horgos-Pozega high-way, is hiding in one of the statements which the Ex-Minister Ilic gave to the press. He stressed that The Minister of Infrastructure has organized, meetings with other ministries and their departments several times, in order to work together and to solve problems related to Horgos-Pozega.⁴¹ However, from this statement we can only conclude that The Ministry of Infrastructure was initiator of meetings related to the Horgo-Pozega case but we can not make any further conclusion since we do not know who took participation at meetings, apart from the Ministry of Infrastructure.

Based on this indirect evidence, those meetings can not be identified as part of any joint entity as defined in the Holistic perspective. It may look as mentioned meetings were part of the Satellite joint working entity. However we have no evidence who participated in it (from other government's agencies) and more important we have no evidence that such entity was 'jointly owned' since it was organized by only one ministry.

⁸ Mrs. Zekovic stated that she believes that the Ministry for Capital Investment had numerous meetings with other government agencies related to Horgos-Pozega project and after that Horgos-Pozega concession but she could not tell more about it since she was not involved in the matter.

We have indirect proofs for integrated work from the side of the Autonomous Province of Vojvodina. The authorities of AP Vojvodina formed their own working group⁴² within the Parliament of Vojvodina. This working group had a mission to investigate the concession contract and although it involved representatives of AP Vojvodina and experts, Serbian government officials did not participate. There is no available information whether the central government officials were invited to participate. This working group met several times.

Based on the Holistic governance integration relationships models it is not hard to conclude that even in this case we can not identify either one of possible three holistic integration relationships –entities. Vojvodina authorities organized a working group with one specific goal (investigation of the Horgos-Pozega contract), but with obvious lack of participation of other agencies which, by the nature of the Horgos-Pozega case, should be involved.

It is important to note that joint entity which would fulfill the criteria of holistic integrated joint entity, was formed and took place only shortly after the formal cancelation of the Horgos-Pozega case. On 14 July 2008 the National Council for Infrastructure was formed.⁴³ This entity, by giving characteristics, is similar to holistic entity of the 'Strategic Alliance'. The main duty of the National Council for Infrastructure is managing the projects in field of infrastructure. Among members of the councils are: President of the Republic (president of the Council), Vice-president of the government responsible for economy development, Vice-president for European integrations, seven other ministries, president of the Executive Council of Vojvodina and the Major of Belgrade. One of the first decisions the National Council for Infrastructure agreed upon is the cancelation of the Horgos-Pozega concession.

Since the first session in April 2008, the National Council for Infrastructure was meeting regularly and so far successfully guiding infrastructural projects in the country. Among projects which The Council guides today are:

- a) Belgrade Pozega high-way
- b) Corridor 10

The National Council for Infrastructure can be also analyzed through holistic lenses but of course it would take another, independent inquiry. What is relevant for this paper is the fact that the government of Serbia was capable of creating entity such as the National Council for Infrastructure which became responsible for guiding infrastructural policy by integrating the work and duties of different levels and layers of the Serbian government. No explanation can be found why the government did not form such entity as the National Council for Infrastructure at the time of the Horgos-Pozega concession signing.

2. Conclusion about integration relationships

As the conclusion of the research on the integration relationships of the Horgos-Pozega case, we have to express the high level of uncertainty regarding what was detected as indirect evidences about integration relationships between the Serbian government agencies regarding Horgos-Pozega case. However, the indirect evidences are going in the favor of the conclusion that none of the three holistic integration relationships models took place in the Serbian government working related to the Horgos-Pozega case.

Chapter VI

1. Linkage between the presence/absence of holistic working and failure of the Horgos-Pozega PPP

Title of this Chapter unites the fifth and the sixth sub-question of this research. In order to answer the two last sub questions:

- a) Did the Serbian government's agencies work as 'Holistic government' in the case of the Horgos-Pozega? And
- b) Is there a causal relationship between the failure of the Horgos-Pozega PPP and the possible lack in coordination and integration of the Serbian government in the case of Horgos-Pozega.

I will briefly present the findings on each sub question which are based in the results of the research on the coordination and integration relationships between government's agencies.

Firstly, in examining the coordination relationship between agencies in the Horgos-Pozega case we draw a conclusion that the government agencies' policy strategies are not mutually reinforcing (supportive). This conclusion has been made because concrete policy goals and policy means in the strategies do not comply to one another although the general policy goal of all strategies is the same and that is 'road infrastructural improvements'.

Secondly, we presented the evidence that three out of five government's agencies involved in the Horgos-Pozega case possess the organizational design ,(specific departments), which enable communication and exchanging the information with other agencies. However, since the policy goals and policy means were not harmonized, (as it was shown in the answer to the first sub-question) and it was not possible to detect a common informational system that was used by the agencies, the answer to the second sub question is somewhat conditional. Some of the government agencies involved in the Horgos-Pozega case had organizational design mechanisms

(departments) for communication and exchanging information but they were not used ,or at least it was not possible to detect it in this research.

Thirdly, I clearly identified the conflict between agencies. First conflict was detected between the Autonomous Province of Vojvodina and the Ministry of Infrastructure and Capital Investments and the second conflict erupted between several Serbia municipalities and the Ministry of Infrastructure and Capital Investments.

Fourthly, it was not possible to detect the presence of any of the three integration relationships entities.

Including all answers on the first four sub questions, it is easy to conclude that there was lack of coordination and absence of integration in the Serbian government performance over Horgos-Pozega policy. Meaning of that is that the Serbian government agencies, in the case of Horgos-Pozega, did not work as holistic governance.

For providing the answer to the sixth question we have to test the possible correlation between the visible features (provided by the Holistic Theory in the Chapter 1) of the government which is not working as holistic governance and official reasons of the Horgos-Pozega failure.

2. Reasons of the Horgos-Pozega PPP failure

There are three official reasons (stories) of how the Horgos-Pozega PPP contract breaks down.

First official reason for the Horgos-Pozega PPP contract failure was given by the concessioner 'Alpina' which argued that the main reason for failure is because the government failed to deliver on time the necessary documents regarding expropriation of the land⁴⁴ which cause problems for the concessioner to ensure bank guarantees.

Second official reason came from the Serbian government authorities which were persuading Serbian public that concessioner 'Alpina' was not capable of ensuring the bank guarantees.⁴⁵

Interestingly, the Deutch Bank which should provide the bank guarantees for the 'Alpina' concessioner also went publicly and stated that financial structure, specially part of the PPP contract which deals with transport frequency, does not guarantee that 'concessioner' will make any profit out of it.⁴⁶ In other words this statement questions data accuracy for transport frequency calculated by the Ministry of Infrastructure.

The representatives of the Autonomous Province of Vojvodina also stated that Horgos-Pozega case fell through due to the Serbian government's poor decision of giving it under concession.⁴⁷

All these problems may be linked to the problems in coordination which arise between The Ministry of Infrastructure on one side and Serbian municipalities and AP Vojvodina on the other side. Official reasons for the Horgos-Pozega PPP contract failure are possible to link with the following observable features of non-holistic governance:

- a) Conflicting programs – when two or more agencies serve conflicting policy goals or when their interventions can undermine each other;
- b) Lack of poor sequencing – failure in communications between agencies; and
- c) Narrow exclusivity in responding to need - where individual services assume they can provide complete solution, without reference to other agencies, and end up failing to meet real needs.

Therefore, the answer to the sixth and the last sub question is that it is possible to establish causal relationship between the failure of the Horgos-Pozega PPP and the possible lack in coordination and integration of the Serbian government in the case of Horgos-Pozega.

Chapter VII

Conclusions

The investigation of the Horgos-Pozega public-private partnership failure, from the Holistic governance point of view, brought the inquiry of 'how the Serbian government worked in the relation to the Horgos-Pozega policy-case. The main assumption of the Holistic governance perspective that 'the government policies tend to collapse if the government does not work holistically' was tested and conclusion is that it is possible to draw a line which links the failure of the Horgos-Pozega PPP and particular performance of the Serbian government related to the Horgos-Pozega case. It was clearly shown that the lack of coordination relationship between the government agencies in particular, could be the trigger and the main reason for the failure of the Horgos-Pozega PPP contract. Concerning integration relationship there are no reliable information which would suggest that at least one of the holistic integration relationships, between the Serbian government agencies, took place.

Of course, it is possible to doubt the official reasons for the Horgos-Pozega PPP failure. Allegations in the public were made about the possible case of corruption in the Serbian government regarding the Horgos-Pozega PPP. In other words it is impossible to be absolutely sure, what were the real reasons for the Horgos-Pozega PPP failure and therefore we can not be absolutely sure whether the non-holistic characteristics of the Serbian government contributed to the failure of the Horgos-Pozega PPP.

Failure of the public private partnership, as the research project, could be improved from several aspects. Firstly, other theoretical perspectives could help in explaining the Horgos-Pozega failure. I would specially like to mention the aspects such as transparency, accountability and conflict of interests which could be investigated in the Horgos-Pozega PPP case from the positions of other governance theoretical perspectives. Secondly, Holistic inquiry of the Horgos-Pozega failure could be also improved with a fine designed field research. Research of the 'Failure of the public private partnership-Horgos-pozega case' was heavily depending on the data which are

only available on the Internet. It is reasonable to believe that field research would bring some additional data and therefore strengthen the research itself.

Holistic governance advocates argue that it is possible to reconstruct the government organizational structures in a way which will enable holistic governance working. Once the holistic government is set up, its primary focus is on delivering integrated policies (Perri, Leat, Seltzer, Stoker, 2002, p1). Although Holistic governance theory claims that it is possible to reconstruct government institutions and make them more 'holistic' it is reasonable to assume that different governments in the World have different potential for this 'holistic change'. For example, it is questionable could the Serbian government work more 'holistically' without change of certain laws related to duties and organization of the government agencies.

The main accusation directed to the Holistic governance theory is that the aspiration which this theory sets up for the governments around the world is too idealistic. However, Holistic governance admits it, but it argues that governments should incline towards more holism in their working. In that respect, even the Serbian government with all the problems it holds can make an effort toward more Holistic working.

Appendix

Picture 1

Horgos- Pozega route, according to the PPP contract⁴⁸



Picture 2
Corridor 10 route ⁴⁹



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