

Implementation of the Tender by the Municipal Service Administration from the Aspect of Management in the Municipalities of the Republic of Serbia

JELENA VITOMIR, SONJA TOMAŠ-MISKIN, MLADEN IVIĆ & SLOBODAN POPOVIĆ

Abstract Local Affairs Administration established by local self-governments in the 2016-2019 period calls for tenders more and more frequently. Beside public utility companies founded by local self-government units there is an increasing number of the so called “other enterprises” taking part in the bidding. The aim of the authors was to determine at what prices the Local Affairs Administration concluded agreements with the said enterprises that participated in the public bidding. The authors came to relevant findings as they had an insight in the agreements concluded between the Local Affairs Administration and the bidders in the 2017-2019 period. Accordingly, the authors` contribution is in finding that following calling for tenders and tender procedures agreements between the Local Affairs Administration and bidders are concluded at prices that are lower than in case of direct bargaining between the Local Affairs Administration and public utility companies. That is, conducting tender procedures is beneficial to the Local Affairs Administration as less money of taxpayers is spent on the same public utility service.

Keywords: • tender • utility management • benefit • municipal service administration • Serbia

CORRESPONDENCE ADDRESS: Jelena Vitomir, Ph.D., Assistant Professor, University of Business Studies, Faculty of Business and Finance, Department of finance, Jovana Dučića 23a, 78 000 Banja Luka, Bosnia and Herzegovina, email: jelena.vitomir1@gmail.com. Sonja Tomaš-Miskin, Ph.D. Student, Economic School Banja Luka, Kralja Alfonsa XIII, No. 34, 78 000 Banja Luka, Bosnia and Herzegovina, sonjat984@gmail.com. Mladen Ivić, Ph.D., Associate Professor, PIM University of Banja Luka, Despota Stefana Lazarevića bb, 78 000 Banja Luka, Bosnia and Herzegovina, email: ivic.mm81@gmail.com. Slobodan Popović, Ph.D., Assistant Professor, Economic Academy Novi Sad, Faculty of Economics and Engineering Management, Cvećarska 2, 21000 Novi Sad, Serbia, email: slobodan.popovic49@gmail.com.

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1 Introduction

The functioning of local self-government should be such as to include a broad-based view of the right of citizens to freely and publicly dispose of public affairs of the immediate, common and general interest of the local population. On the other hand, local self-government has the right and obligation, in accordance with the law, to plan, regulate and manage public affairs within its jurisdiction, which are of interest to the local population, through local self-government bodies.

In this context, the issue of managing taxpayers' funds in accounts managed by local governments is increasingly being raised. Most often, local government is administrations carry out the tasks of organizing jobs within the jurisdiction for which they were established.

The authors put the focus on municipal utility management. They have conducted a survey analyzing the most important public administration formed by a local government unit. It is responsible for the day-to-day functioning of the population in local self-governments, and also takes care of the organization: the tasks of building land development, the operation of utility companies, and protection against natural disasters, providing information to citizens, councilors, state bodies, public procurement organization and more.

The research was only done in a transition country. This paper points to the importance of establishing a continuous analysis when disposing of taxpayers' money by local government bodies. Essentially, attention is drawn to the importance of disclosure of tendering procedures by the Utilities Administration established by local self-government units. That is, the authors point out the importance of transparent spending of taxpayers' funds through the announcement of a public tender by the municipal administration of local self-governments of municipalities and cities.

When designing the study, the authors fully respected the implementation of the applicable law (the Law on Public Procurement), based on which tenders are announced. The mentioned Law fully regulates the issue of tendering by both administrations formed by local self-government units and by public and public utility companies in the Republic of Serbia¹. In addition to the aforementioned Law, the authors also took into account the influence of the institution, the Public Procurement Administration², formed by the Government of the Republic of Serbia. The Public Procurement Administration was formed to supervise the implementation of the Public Procurement Law. The authors point out that in the practical functioning of the implementation of the tender, whether conducted by local governments or public companies, the Public Procurement Administration is essentially responsible for conducting all procurement procedures. It should be

emphasized that the above mentioned responsibility of the Public Procurement Directorate stems from the fact that its obligation is to continuously deal with the improvement of the public procurement system in the Republic of Serbia. Essential of its work depends on the economical, efficient and transparent use of public funds in public procurement procedures at the level of the Republic of Serbia.

The structure of the survey was as follows. At the beginning of the study, an analysis of the implementation of the tender for the administration for communal services of municipalities and cities in the Republic of Serbia was carried out through SWOT analysis. Subsequently, the authors conducted a representative survey that included surveys and sampling for the period 2017-2019, regarding the disclosure of the tender and its implementation by the municipal utility administration. Finally, the authors of the study statistically processed the results obtained after the survey, with the production of significant correlations presented in order to reach clear conclusions.

2 Analytical framework

Managing taxpayer funds in a broader context is linked to the need to establish continuous analysis at all levels of decision making (Perry & Shivdasani, 2005; Williams, 2010; Popovic, 2014; Baker at all, 2018; Alibegović at all, 2018; Auerbach, 2019).

Management based on analysis is of great importance as numerous decision-making failures in the work of municipal authorities can be identified. By correcting the perceived weaknesses, it is possible to directly influence the improvement of management and the correction of business results (Pernek, 2001; Vranješ, 2011; Majstorović, at al., 2015).

Numerous authors have cited the importance of applying general economic principles that can influence valid business and other decisions to achieve better business results (Svoboda, 2007; Popovic at all, 2015; Tackie at all, 2016), in particular when governance is tied to the use of taxpayer funds (Alesina & Ardagna, 2013; Santos & Dias, 2014; Kukovič at all, 2016; Finžgar & Brezovnik, 2019).

Internal organizational factors are important for adopting valid business decisions of decision makers (Marston & Shrives, 1991; Williams & Rodgers, 1995; Blankley at all, 2012; Dražić-Lutitsky at all, 2012; Durocher & Gendron, 2014; Hribar at all, 2014; Ruhnke & Schmidt, 2014; Wang at all, 2014; Ege, 2015; Renyu & Kaishi, 2015; Han, 2017). This applies both to the functioning of the

real economy and to the functioning of public administration and public enterprises formed by local government units of municipalities and cities.

The authors of this study used the above-mentioned starting points published by the mentioned authors as the basis for making a representative survey, emphasizing the importance and universality of the application of tender disclosure in the context of making valid decisions of the municipal utility administration. This is consistent with the views of authors as such (Liu, 2010; Baybeck at all, 2011; Liang & Riedl, 2014; Wang, 2016; Scalera, 2016; Malone at all, 2016; Davis & Nicholson-Crotty, 2016; Liebman & Ramsey 2019).

2.1 Materials and methods

The authors of the study focused on the importance of disclosure of tenders by the municipal utility administration. This was done due to the need to discover the benefits that communal administration can gain, because instead of the established practice of awarding contracts to public utility companies set up by local government units, a much larger number of bidders appear after the disclosure of the tender. Substantial benefits can be expected for those public administrations that have had the courage, will and will to disclose the tender, thereby not directly favoring public utility companies whose founders are local government units.

To achieve this, the authors conducted a representative survey that covered approximately 20% of the total number of completed municipal administration services of the second largest city in the Republic of Serbia, covering the period January 2017, end June 2019 years. An analysis of 162 individual cases of awarding work by the Utilities Directorate as a contracting authority to the aforementioned companies in the period 2017-2019.

The authors used the method of personally acquiring assurance through insight into the contractual agreements between public utilities and other companies, on the one hand as a bidder, and on the other hand, the public utility administration as the contracting authority. It was the responsibility of the author not to disclose information by which the identity of the bidder and the contracting authority could be disclosed. The authors agreed that they could collect (relevant contractual provisions) the necessary data, statistically process it and use it for the purposes of study design and publication in scientific publications. Particular attention was paid to the monitoring of contract prices in case of non-disclosure of a tender for the provision of a certain utility. In the next step, the authors made a comparison of monetary values for the performed work by public utility companies and other companies (bidders) according to the Public Utilities Administration in cases when a tender was announced, or when a tender for the performance of public utilities was not published.

The study itself has two parts. In the first section, the authors presented a SWOT analysis regarding the disclosure of tenders by the Utilities Directorate for the period from the beginning of 2017 to the end of the first half of 2019. The SWOT analysis was done by the authors to highlight: the basic options available for the disclosure of tenders, weaknesses identified, chances to improve the conditions for the disclosure of tenders and the underlying threats that may arise in relation to the disclosure of tenders.

In the second part, the authors in five sections covered the monitoring of the legality regarding the performance of public utilities for the needs of public utilities management by public utilities and other companies or renderers in the disclosed tender. The first starting point was aimed at monitoring the number of public utility companies that perform tasks for the needs of the administration for public utilities. The second starting point was the monitoring of the number of other companies or providers. The third starting point was made with the aim of monitoring the cost of maintaining the utility service in public utility companies and other enterprises in relation to the actual contracted work with the utility administration. The author's fourth point of departure was to disclose monetary benefits in relation to the disclosure of tenders. The fifth and final point of the author was aimed at discovering the cost of performing certain utilities and benefits by years of observation for both forms of enterprise.

2.2 Hypotheses

In adopting the hypothesis framework, the study's authors took into account the specifics of public utility companies founded by the local government. Other companies appear as tenders as renderers, which the authors took into account as a factual situation. In formulating the hypotheses, the authors used available literature (Mijić & Popović 2016; Fusco & Ricci, 2019; Hafsa & Cohen, 2019) as well as previously published studies (Lee, 2016; Topcu & Çoban, 2017; Popović at all, 2017; Stojarová, 2019; Propheter, 2019; Jeongseok, 2019), but the author's intuitive expectations for the setting of five hypotheses are also embedded. To formulate the five hypotheses, the authors used previously published work on fiscal policy (Rădulescu. & Druica, 2014) as well as the work of authors that covered regional observation of development (Rašić-Bakarić, 2012; Setnikar-Cankar at all, 2014). but also the works of the authors, who also included the points of view of the importance of problems that arise in transition countries (Lančarič at all, 2015; Mikušová & Horváthová, 2019; Dobroszek at all, 2019). The authors' previously published views formed by the basis of formulating the underlying hypotheses.

H: 1, there is no change in the number of public utility companies that have concluded a contract with the Utilities Administration by year for which the study is defined.

H: 2, there is no change in the number of other public utility companies that have concluded a contract with the Public Utilities Administration by year, for which the study is defined.

H: 3, there is no change in the value of the utility service (maintenance costs per unit area m²) in the concluded contracts between public utility companies and other enterprises.

H: 4, there is no change in the realized monetary benefits of the municipal utility administration based on the provision of public utility services by public utilities and other enterprises, which is visible on the basis of concluded contracts between the municipal utility administration and public utility companies and others companies.

H: 5, there is no correlation between the provision of public utility services (the cost of maintaining urban greenery per unit area m²) and the realized monetary benefits of the municipal utility administration, which was monitored through the concluded contracts between the utility administration and public utility companies and other enterprises.

2.3 Statistical analyses

The author's data processing was done using the SPSS IBM statistical software. Descriptive statistics were made as initial insight into the data, more precisely; the frequency of representation of the variables used in the sample was calculated (two types of different companies in contracts concluded between the municipal administration of local self-governments of municipalities and the mentioned enterprises in the observation period beginning 2017, end of first half of 2019). After that, the absence of extreme values and missing data were determined. In order to obtain reliable evidence for the stated views on the use of indicators, the Crosstabs option was created.

The authors made frequency transitions to determine the interrelationships of the variables (the form of the company and the trend of concluding contracts with the municipal utility directorate by years of observation). In order to obtain relevant conclusions (the third and fourth hypotheses), the authors performed a test of independent samples to detect possible differences between categorical variables (the cost of maintaining greenery per unit area, viewed as utilities in local government units of municipalities and cities) and continuous variables (form of business organization) type. Finally, for the purposes of the fifth hypothesis, the authors analyzed the relationship between the shape of the company and the utility and benefits achieved, and more precisely did the Pearson correlation coefficient

of the product (maintaining green spaces viewed as utilities and achieving monetary savings over the observation period).

3 Research

The structure of the study essentially includes two parts. In the first part of the research, the authors presented the situation regarding the tenders announced by the public utility service in the period 2017-2019. In Table 1, the authors highlighted the general significance of the implementation of the tender by the public administration for utility services through SWOT analysis, i.e. by highlighting: available options, weaknesses, chances and threats.

Table 1: SWOT analysis of the state of affairs regarding the implementation of the tenders announced by the public utility management office formed by the local self-government units in the period 2017-2019 in the Republic of Serbia

Available options	Weaknesses
<ul style="list-style-type: none"> ➤ Existence of legislation regulating the issue of tendering, ➤ The existence of positive attitudes regarding the use of tenders in the public sector, ➤ The approved tender procedures are compatible with the Ministry of Finance approved procedures, ➤ Many years of tradition in the application of tendering by the public sector. 	<ul style="list-style-type: none"> ➤ Increasing financial reporting security to the Public Utilities Commission established by local self-government units, ➤ Lack of complete information on the importance of full implementation of public procurement tendering, ➤ Lack of interest from local self-government units to significantly increase benefits for local budgets by applying the tender procedure, ➤ Insufficient interest of the company whose founder is a local self-government unit to participate in tenders outside the municipality and the cities in which it exists, ➤ A frequent change of leadership by the local government appoints a discontinuity in the performance of the initiated tenders and the termination of the work after the completed tender.

Chances	Threats
<ul style="list-style-type: none"> ➤ Increasing benefits for legal entities that implemented the tender institutes, ➤ Increasing the security of top management that has implemented the tender institutes in general management, ➤ Increasing financial reporting security to the Public Utilities Commission established by local self-government units, ➤ The internal control is facilitated. 	<ul style="list-style-type: none"> ➤ Insufficient sanctioning of companies established by the local self-government in terms of poor financial reporting on issues related to tenders, ➤ Insufficient sanctioning of public utility companies in deadlines for reporting by state authorities on tender issues, tender complaints by tender participants, etc.

Source: authors' calculation.

In the second part of the study, the authors presented the results of the survey after reviewing and analyzing 162 contracts concluded between the Public Utilities Administration and public utility companies, as well as other companies that responded to the announced tenders of the Public Utilities Administration in the period 2017-2019. During this period, the utility companies established by the local self-government unit for the performance of public utilities concluded between 130 and 147 contracts with the Public Utilities Administration, without tenders. In the same period, the number of other companies that concluded the contract after the tender was announced by the utility services ranged between 15 and 32.

The study included the author's insight into the contracts concluded by the municipal administration of the local government of the second largest city in the Republic of Serbia. The representativeness of the research is based on the analysis of the Public Utilities Administration, which performs public utilities for about 7% of the urban population of the Republic of Serbia.

The research period was done in the interval January 2017, June 2019. The authors had an insight into the important parts (especially the monetary amounts for the contracted jobs) of the concluded utilities contracts. It was the responsibility of the authors that, after processing the collected data, they would disclose the results

of the research only for scientific purposes in scientific journals, without mentioning the generals of the Public Utilities Administration, or the legal entities with which the management concluded contracts.

The authors then used standard statistical data processing methods using correlation procedures (Tables 2 to 9).

In Table 2, the authors present the results of the survey based on H: 1 and H: 2, taking into account the movement of the number of two forms of enterprise organization relative to the concluded contracts with public administration for communal activities of local self-governments and cities in the Republic of Serbia.

In Table 3, the study authors presented two forms of enterprise, with respect to which of the two forms of enterprise organization has a numerical increase based on the conclusion of the number of contracts with the utility management during the survey period (2017-2019).

Table 2: Contingency coefficient

		Contract 2017	Contract 2018	Contract 2019
Contract 2017	Correlation Coefficient	1.000	.851**	.644**
	Sig. (2-tailed)	.	.000	.000
	N	162	162	162
Contract 2018	Correlation Coefficient	.851**	1.000	.756**
	Sig. (2-tailed)	.000	.	.000
	N	162	162	162
Contract 2019	Correlation Coefficient	.644**	.756**	1.000
	Sig. (2-tailed)	.000	.000	.
	N	162	162	162

Source: authors' calculation.

Table 3: Frequency types of enterprises by years

Years of observation	Type of company	Frequency
2017	Other companies	147
	Public utility companies	15
2018	Other companies	142
	Public utility companies	20
2019	Other companies	130
	Public utility companies	32

Source: authors' calculation.

In the continuation of the research, based on the settings H: 3, which is based on the assumption that there is no change in the value of the utility (maintenance costs per unit area m²) in the concluded contracts between public utility companies and other companies, the authors presented the results of the research in the Table 4.

Table 4: T-test values for independent samples (maintenance of green areas)

Maintenance of green areas by age	t	df	Sig. (2-tailed)	Mean Difference
2017	16.012	14.525	.000	11.532
2018	148.450	160	.000	29.763
2019	366.573	160	.000	50.017

Source: authors' calculation.

Based on the previously given H: 4, i.e. that the municipal administration does not change the realized monetary benefits, based on the provision of public utility services by public utilities and other enterprises, which resulted from the insight and analysis of concluded contracts between the municipal administration of the municipality and public utility companies and other enterprises, the authors presented the results of the survey in Table 5. Table 5 shows the trends of realized financial savings (benefits) for the benefit of the municipal utility management in the period 2017-2019, which refers to the two mentioned the form of organization of the enterprise.

Table 5: Values of the t-test for independent samples (cash savings by public administrations for communal activities of municipalities and cities)

Saved savings by years	t	df	Sig. (2-tailed)	Mean Difference
2017	-163.533	159	.000	-50.344
2018	-603.752	20.328	.000	-190.442
2019	-2177.667	104.837	.000	-399.000

Source: authors' calculation.

Based on the H: 5 setting, i.e. that there is no correlation between the provision of utility services (the cost of maintaining urban greenery per unit area m²) and the realized monetary benefits of the municipal utility management, the authors presented the results of the research that showed the correlation between maintenance costs per unit area (m²) and realized monetary benefits, by years, for public utility companies and other enterprises. Representativeness is given through the presentation of Pearson's correlation coefficient in Table 6. In Tables

7, 8 and 9, the authors presented the final results of Pearson's correlation coefficient according to the years to which the results of the research relate, depending on the form of company analyzed.

Table 6: Pearson's product-moment coefficient of correlation between maintenance cost and realized savings

		Benefit 2019	Benefit 2017	Benefit 2018
Maintenance of green areas 2019	Pearson Correlation	-.999**	-.624**	-.755**
	Sig. (2-tailed)	.000	.000	.000
	N	162	161	162
Maintenance of green areas 2017	Pearson Correlation	-.596**	-.919**	-.792**
	Sig. (2-tailed)	.000	.000	.000
	N	162	161	162
Maintenance of green areas 2018	Pearson Correlation	-.751**	-.840**	-.996**
	Sig. (2-tailed)	.000	.000	.000
	N	162	161	162
	N	162	161	162

Source: authors' calculation.

Table 7: Pearson's correlation in 2017 Depending on the Form of the Enterprise

		Contract 2017	Maintenance of green areas 2017	Benefit 2017
Public utility companies	Maintenance of green areas 2017	Pearson Correlation	1	-.015
		Sig. (2-tailed)		.855
		N	147	147
	Benefit 2017	Pearson Correlation	-.015	1
		Sig. (2-tailed)	.855	
		N	147	147
Other companies	Maintenance of green areas 2017	Pearson Correlation	1	-.111
		Sig. (2-tailed)		.707
		N	15	14
	Benefit 2017	Pearson Correlation	-.111	1
		Sig. (2-tailed)	.707	
		N	14	14

Source: authors' calculation.

Table 8: Pearson's coefficient of correlation in 2018 depending on the form of enterprise

Contract 2018			Maintenance of green areas 2018	Benefit 2018
Public utility companies	Maintenance of green area 2018	Pearson Correlation	1	-.044
		Sig. (2-tailed)		.605
		N	142	142
	Benefit 2018	Pearson Correlation	-.044	1
		Sig. (2-tailed)	.605	
		N	142	142
Other companies	Maintenance of green area 2018	Pearson Correlation	1	-.085
		Sig. (2-tailed)		.723
		N	20	20
	Benefit 2018	Pearson Correlation	-.085	1
		Sig. (2-tailed)	.723	
		N	20	20

Source: authors' calculation.

Table 9: Pearson's coefficient of correlation in 2019 depending on the form of enterprise

Contract 2019			Maintenance of green areas 2019	Benefit 2019
Public utility companies	Maintenance of green area 2019	Pearson Correlation	1	-.058
		Sig. (2-tailed)		.512
		N	130	130
	Benefit 2019	Pearson Correlation	-.058	1
		Sig. (2-tailed)	.512	
		N	130	130
Other companies	Maintenance of green area 2019	Pearson Correlation	1	.283
		Sig. (2-tailed)		.116

		N	32	32
Benefit 2019		Pearson Correlation	.283	1
		Sig. (2-tailed)	.116	
		N	32	32

Source: authors' calculation.

4 Discussion

Based on the research findings obtained, authors with a high degree of certainty may point out that H: 1 and H: 2 can be rejected.

Considering the results of the survey presented in Table 2, the authors point out that there are visible changes in the number of both types of enterprises in the survey period, 2017-2019, compared to the concluded contracts on utilities with the municipal utility management?

The authors point out that there is a noticeable increase in the number of other companies that conclude contracts with the municipal utility directorate after the disclosure of the tender (Table 3), ie a decrease in the number of public utility companies that conclude a contract with the municipal utility directorate after the disclosure of the tender.

After presenting the survey results in Table 4, H: 3 it can be discarded because there is a noticeable difference in the cost of utilities measured on the basis of green area maintenance in the municipality, per unit area, in both forms of enterprise organization in 2017-2019. In addition, the authors point out that the results indicate that public utility companies conclude contracts with the utility management company unless a higher-priced tender than other companies has been disclosed. In addition, there is a trend of increasing the difference in the price of utilities, measured by the cost of maintaining green spaces (t for 2017 = 16,012, t for 2018 = 148,450, t for 2019 = 366,573), which is essentially the most pronounced in the last year of research, ie 2019.

After presenting the survey results in Table 5, H: 4 is discarded. Based on the value of the obtained results, the T test, one can see the existence of a statistically significant change in the realized monetary benefits in the form of savings of the administration for municipal services of the municipality, comparing the two forms of enterprises per year ($p = .000$). Each year, companies whose founders are not local governments (t for 2017 = -163.533, t for 2018 = -603.752, t for 2019 = -2.177.667) make greater savings, and this difference increases with age.

Based on the Pearson's coefficient of correlation values, which provided the authors with an insight into the relationship between the cost of utilities and the monetary benefits generated by utilities by years of research, regardless of the form of the enterprise (Table 6), there is a significant correlation. The significance level is, $p = .000$, and is the basis for further study of the relationship, depending on the form of organization of the enterprise. H_5 , however, must be accepted because when calculating the correlation between the amount of utility costs, measured by the cost of maintaining green space per unit area and the monetary benefits in terms of savings achieved by the municipal utility, depending on the custom of the enterprise, there is no statistically significant connection ($p > .05$).

More specifically, there is generally a link between the amount of green space maintenance costs and monetary benefits and negative correlations, but this does not depend on whether or not the company was formed by a local government unit.

5 Conclusions

Based on the findings from the study, the authors highlight several of the following conclusions.

The first conclusion is that there is a trend of increasing the number of "other companies" that after winning the tender have won the market competition and have concluded a contract with the municipal utility management. At the same time, the number of public utility companies that have concluded a contract with the utility management company after the announcement of the tender decreased, because they had higher prices at which they performed utility services.

The second conclusion is that there is a difference in the price of utilities in the two forms of organization of a company in 2017-2019. During this period, public utility companies were favored by the founders, or units of local self-government, because without disclosing the tender they concluded a contract with the utility management authority in a large number of cases, at higher prices for the provision of utility services than "other companies". The difference in the cost of maintaining utilities in 2017-2019 was constant. The biggest difference was in 2019, that is, the last year of research in the study.

The third conclusion is that there is a significant change in the realized monetary benefits realized by the Utilities Directorate in relation to the prominent two forms of enterprise in the period 2017-2019. The public utility in each year of the observed period 2017-2019 has achieved increasing monetary benefits which it announced in a tender. Other companies, i.e. companies whose founders are not local governments, have lower prices for performing the same or similar utility

services than public utility companies. The difference in prices is not gradually diminishing, on the contrary, the difference in utility prices between the two forms of enterprise increases year by year.

In presenting this study, the authors fulfilled the intuitive settings made from the beginning of the study. At the same time, they point out that representative research can continue and build on this study in the future, especially in the countries of the former Yugoslavia, as they have similar economic and social problems, which are the heritage of the former unified state. In addition, research can continue in a number of transition countries.

The study, in the opinion of the author, met the expectations and drew attention to the importance of price analysis at which utilities are contracted, as well as to the importance of disclosure of tenders, because only then, due to increased competition and lower prices offered, financial benefits can be realized in favor of the utility administration a municipality that allocates taxpayer funds for communal and other activities.

Notes:

The signed authors state that there is no conflict of interest in the workmanship.

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¹Law on Public Procurement of the Republic of Serbia, Official Gazette of the Republic of Serbia, No. 124/2012, 14/2015, 68/2015, available at: https://www.paragraf.rs/propisi/zakon_o_javnim_nabavkama.html (March, 12, 2020).

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