

When Goran Milosević recorded and provided evidence to the public and the Special Prosecution Office for Organized Crimes regarding the crimes of the “Road Mafia,” he was instantly declared to be an “enemy of the state” and fired from his job as a toll collector. Two years later, he is still unemployed.

His case represents the best example of the fate that faces the honest individual who reports on corruption in Serbia. Even though Serbia has signed The Council of Europe-GRECO agreement, which recommends that the state provide protection for whistle-blowers, the list of those who have nevertheless suffered persecution by the state for their efforts is very long and includes such names as Ljubiša Živić, a fishseller fired after reporting the poor quality of fish; Ivan Ninić, a student expelled after reporting corruption in his school; and Zorana Andrić, a teacher fired after reporting corruption.

Anti-Corruption Institutions at Risk

In addition to the government’s failure to protect whistle-blowers, another troubling development for Serbia is the likely dismissal of Verica Barać, the head of the Anti-Corruption Council (AC), an honest, dedicated fighter against corruption. To make matters worse, the government, in collaboration with the parliament, intends to adopt a law that will close down the Anti-Corruption Council and form new one, the Anti-Corruption Agency.

In addition, the government failed to process any of the dozen corruption cases that were presented by the AC, including a list of local scandals: the Konjarnik illegal housing project, the Sartid bankruptcy, the Jugoremedija and Veterinary Institute privatizations, the National Savings Bank affair and the Mobtel case. The AC has never received an official response from the government on any of these reports.

Another example of neglect is the March 3rd 2008 Report on Ownership Concentration at the Belgrade Port. This report presented evidence to show how Serbia’s richest business people used their connections to politicians and state institutions to make billions of Euros in profits from a so-called secondary privatization process that made use of foreign, off-shore shell companies to buy Belgrade Port. In the end, instead of buying a port, as promised by the Belgrade city government, the development plans for the land and surroundings were rezoned as residential and

business areas. The AC investigated and the media reported the findings, but no charges were ever filed.

The other important anti-corruption body, the Conflict of Interest Committee (CIC), also faces closure by the same law that was designed to close down the Anti-Corruption Council. Supposedly, a new and “better” functioning body, the Anti-Corruption Agency, will take its place, under the more direct control of the Government. The law to create the CIC was passed four years ago, yet it failed to help the Committee to effectively combat the very issue for which it was set up, because the law’s sanctions are limited to public announcements rather than meaningful penalties. Some ministers, like Predrag Bubalo, minister of Commerce, publicly condemned the law and the Committee after the CIC officially criticized one of his appointments.

In late September 2007, a full two years after the passage of the State Auditing Institution Law, the Parliament finally appointed staff to the State Auditing Institution (SAI), giving the country an agency to oversee all state spending. That was the good news. The bad news is that Serbia is such a poor country that, a year later in September 2008, the SAI still does not have an official address, equipment, or even official headquarters.

Inadequate working conditions and staff shortages are also a problem for departments such as the Commissioner for Information of Public Importance (*Poverenik za informacije od javnog značaja*), the Public Procurement Office (PPO — *Uprava za javne nabvake*), the National Ombudsman and the Commission for the Protection of Rights (CPR — *Komisija za zaštitu prava*). Some of the commissioners, like Rodoljub Šabić, the Commissioner for Information of Public Importance, had to fight the government to obtain decent working conditions. Šabić recently pointed out in an interview to Beta Press news agency that while new laws are obviously needed, the authorities have done a much more effective job of producing laws aimed at tackling corruption, rather than tangibly enforcing the laws they already have.

Slight Improvements, Major Setbacks

Some progress has been made through cooperation with The Hague-based International Criminal Tribunal for former Yugoslavia (ICTY) and in negotiations with the European Union. Charges were finally brought against the tobacco mafia in November, but the list of omissions and mistakes made by the government is very long.

The construction of the Horgoš-Požega highway and the deal with Austrian consortium Alpina Por — worth 1 billion Euros (US\$1.3 billion) — was the most crucial error. Reacting to strong public pressure, the Serbian government first decided to allow only journalists access to the key provisions of the contract while keeping them secret from the rest of the citizenry. In August, the government published the contract on its Web site, but crucial provisions regarding the right of the concessionaire to fund the construction of the Belgrade-Požega section with toll revenue collected on the road between Horgoš and Belgrade, plus provisions regarding construction deadlines, remain undisclosed to this day.

The role of Velimir Ilić, minister for Infrastructure and the leader of the New Serbia (NS — *Nova Srbija*) party, in this matter was obvious to the public. Many believe that the Horgoš-Požega highway was built solely for the benefit of Ilić's own constituency in Pozega, near his hometown of Čačak. While the building of this relatively unimportant highway was underway, the long awaited and much-needed Corridor 10, which will connect Turkey to the European Union (EU), was stalled waiting for financing.

In October 2007, the CIC launched proceedings against Ilić in another case. The committee suspected him of beginning construction of a private health clinic on his estate in the village of Kačulice, also near Čačak, without the necessary permits. Ilić was not removed from office, nor did he resign, but his "People's Coalition," formed together with the Democratic Party of Serbia (DSS — *Demokratska stranka Srbije*) of Prime Minister Vojislav Kostunica, lost the parliamentary elections in May. Ilić is now an MP, making him immune to further investigation.

However, before that, Serbia's pro-Western President Boris Tadić, the candidate of the Democratic Party (DS — *Demokratska stranka*), had won a second-round election run-off against nationalist challenger Tomislav Nikolić from the Serbian Radical Party (SRS — *Srpska radikalna stranka*). Tadić was re-elected by more than 50 percent of the voters in a contest that saw a high voter turnout, but it wasn't until June and the intervention of the Commissioner for Information that the financial reports of participants in the election campaign were made public. The Republic Electoral Commission first denied that it had the duty to open these documents to public inspection because the political parties preferred to keep the names of the largest donors secret.

At almost at the same time, Koštunica and Tadić sold 51 percent of The National Petrol Industry of Serbia (NIS — *Naftna industrija Srbije*) for 400 million Euros (US\$535

million) and 500 million Euros (US\$672 million) in investments for modernization to the Russian energy giant Gazprom without any public tender procedures. In exchange, “The Energy Agreement” between Serbia and Russia pledged Gazprom to construct a new “Southern Stream” gas pipeline through Serbia.

In all these deals, the hidden interests of the Serbian leaders was obvious — they sold NIS to Gazprom at a much lower price than its value, estimated by Deloitte accountants at more than 2 billion euros (US\$2.6 billion). Whether they made this deal in exchange for Russian support of Serbia in the battle for the independence of Kosovo or for their private interests remains unclear.

The Kosovo Albanians’ declaration of independence in February 2008 was widely seen in Serbia as a sad date in history. For the Serbian government, it became a welcome excuse. The official government response to any question asked about any of the scandals was along the lines of: “How you can ask that question now when the country is in danger? Our only focus must be on keeping Kosovo.” Several reporters were injured during the Kosovo-related protests in Belgrade, some because they were seen as pro-American. The assaults came after statements made by Minister Ilić claiming that “window breaking” could also be justified as a democratic act.

The Kosovo-mania lasted until the parliamentary elections in May, when the DS pro-western coalition won the majority. However, the party was forced to form a coalition government with the Serbian Socialist Party (SPS — *Socijalistička partija Srbije*) of the late Serbian dictator Slobodan Milošević.

Pervasive Corruption

Vladimir Goati, the president of Transparency Serbia, claimed in an October 2007 interview that, as happens with many other countries in transition, the Serbian political elite is at the center of all corruption. Because of this political mafia, other mafias that dominate fields such as medicine and education are able to exist and thrive. The political leaders are the main link that connects all these factions together.

Because of this, it is not so hard to understand why Serbian students are fond of saying that “everything has its own price,” from buying exam grades to buying their degrees. One of the latest cases of corruption took place when a teacher in the primary school in Velika Plana was

caught accepting a bribe of 200 euros (US\$288) in exchange for a grade of “excellent.”

Construction is another very profitable area of corruption: Regulators are commonly offered bribes in exchange for changing the regulatory plans for all kinds of projects, including industrial and residential. The bribes can account for up to 30 percent of the commercial price for the new flats, which are selling in Belgrade at prices ranging from 1,500 to 4,000 Euros (US\$2,020 to US\$5,380) per square meter.

No matter where corruption takes place, its level will never decrease as long as the causes remain unaddressed. As has happened during the past 50 years, there is still no real power sharing within the Serbian government. The legislature serves the interests of the cabinet rather than providing real oversight over the government. While many laws wait to be adopted, many more laws that are already on the books need to first be implemented.

