

## **A Diagnosis of Corruption in Serbia**

Lejla Sadiku

## Country

***How corrupt is this country? What type of corruption? How did it evolve during the years? Was it a period when it was more corrupted and what happened to change that?***

Serbia's recent social and political turmoil, are not the least causes of the widespread corruption found in Serbia. Today, Serbia ranks as one of the most corrupt nations in Europe. Looking at the Corruption Perception Index for 2009, Serbia is doing better than Albania and Bosnia and Herzegovina, but lagging behind Macedonia and Montenegro.<sup>1</sup>

Transition from communism, and the events that unfolded, have left heavy marks on Serbia's political, economic and social infrastructure. The beginning of 90s for Serbia meant the culmination of the political and economic crisis, beginning of a number of wars and the fallout of Yugoslavia. These conditions dictated the creation of a different economic system, hence the creation of different economic institutions.<sup>2</sup> In Serbia as one system collapsed, there was no alternative system to fall onto.<sup>3</sup> Since Serbia did not implement political and social reforms prior to transition, in the first years of transition it also lacked democratic and free-market institutions.

The communist regime attempted to obtain popular acceptance by breeding a culture of corruption.<sup>4</sup> Easy access to grants and loans allowed the regime to bribe a large spectrum of the society by subsidizing their consumption.<sup>5</sup> Following the break-out of Yugoslavia and the resulting wars, both the supply and demand for corruption increased. In 1992, the United Nations sanctions on Serbia gave rise not only to corruption in Serbia but also in the countries in the region. The sanctions caused a shortage in supply of basic staples, thus in order to satisfy the basic needs of its 10 million population illegal trade had to be organized at the highest level. Often, government officials of neighboring state were making lucrative deals for their own interest.<sup>6</sup> In this period, the official propaganda in Serbia created the impression that smuggling, bribing foreign officials and sometimes even theft from foreign executives were positive as they loosened the international's grip on Serbia.<sup>7</sup> Through employee buyout privatization schemes, government of the end of the 90s put the managers of socialist firms in a powerful position. The result was that many socialist managers

---

<sup>1</sup> Transparency International, CPI 2009

<sup>2</sup> Korupcija u Srbiji, V Uzorci Korupcije page 130

<sup>3</sup> Korupcija u Srbiji, V Uzorci Korupcije page 130

<sup>4</sup> Milovanovic, Milic. „Property Rights, Liberty and Corruption in Serbia“ page 222

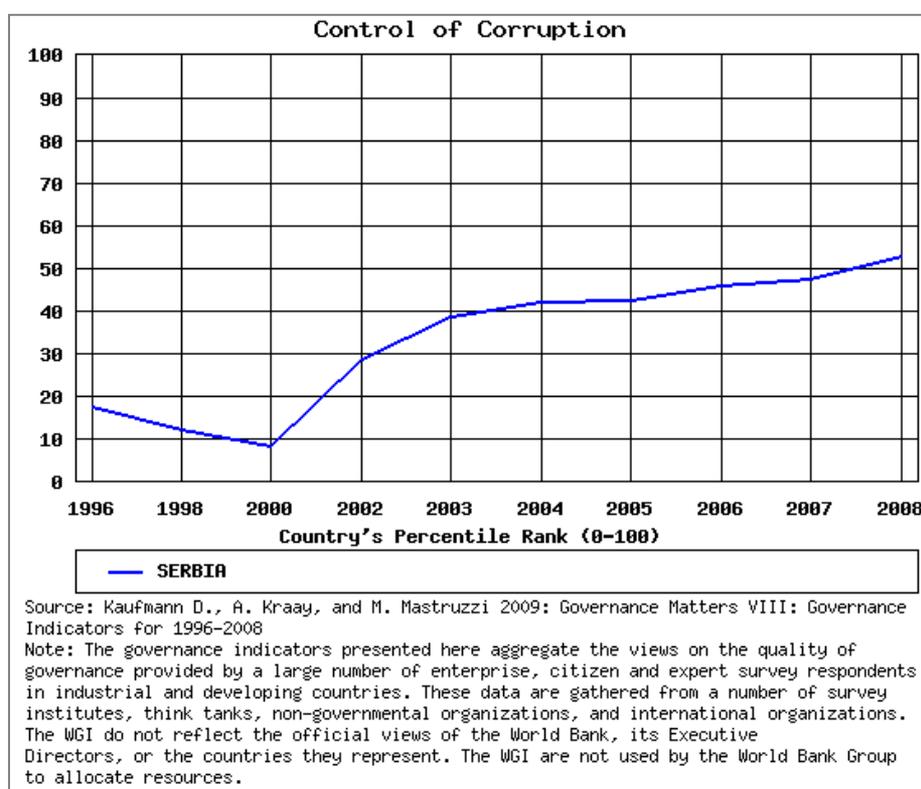
<sup>5</sup> Milovanovic, Milic. „Property Rights, Liberty and Corruption in Serbia“ page 222

<sup>6</sup> Milovanovic, Milic. „Property Rights, Liberty and Corruption in Serbia“ page 223

<sup>7</sup> Milovanovic, Milic. „Property Rights, Liberty and Corruption in Serbia“ page 223

were financing parties both in power and in opposition. Some analysts argue that the final years of socialist governance in Serbia were the most corrupt period.<sup>8</sup> Milosevic's regime in the 1990's created suitable conditions for breeding corruption. Economic hardship, wars in neighboring countries and UN sanctions have induced the spread of corruption to all parts of the society. Furthermore, pyramid-schemes of government backed banks, the instability of property rights and dubious privatization processes are systemic reasons for the deep rooted corruption found in Serbia today.

Year 2000 marks Serbia's separation with the past regime and the coming to power of democratic forces. With a change in government, Serbia's ranking in World Bank's control of corruption drastically improved. The reasons behind this are a combination of improved image of Serbia and better rule of law. Since the sharp increase between 2000 and 2002, Serbia's Control of Corruption score has seen a gradual improvement. However, the CPI score for Serbia does not reflect such major improvements, despite the frequent strong correlation between Transparency's CPI and World Bank's Control of Corruption, as the World Bank indicator in itself includes the CPI.



<sup>8</sup> Milovanovic, Milic. „Property Rights, Liberty and Corruption in Serbia“ page 224

In 2001, Zoran Djindjic came to power as a new democratic force of Serbia. To many, this was the period when Serbia was least corrupt. One of the first moves he made was to establish the Council for the Fight against Corruption within the government, signaling positive efforts to tackle this issue.<sup>9</sup> In the elections following his assassination, Vojislav Kostunica, was elected. A lawyer by training, Kostunica promised that his administration would focus on rule of law and would make corruption a priority. Nonetheless, it is difficult to evaluate the impact that these measures have had. Perceived corruption in Serbia remains very high, even though there have been improvements. Serbia's ranking in international indices has improved over the years, but rooting systemic corruption is not an easy task. The European Commission in its Progress Report for 2009 claims that the most vulnerable sectors are public procurement, privatization and other large budgetary expenditures, but also taxation, customs and licensing.<sup>10</sup>

## Civil Society

***How strong is civil society in this country? What is its reputation? Are notable anticorruption projects known without research? Are there any anticorruption heroes? What are they? Who are they?***

In more recent history, civil society "reappeared in Serbia in 80s and 90s in the period of formally proclaimed political plurality."<sup>11</sup> Especially following the break out of Yugoslavia, an increasing number of groups and associations formed to protest the language of hatred, to limit and put an end to violence and war, to assist its victims and to protect human rights.<sup>12</sup> In this respect, civil society in Serbia played a crucial role during the 90s when it organized itself as an opposition to the Milosevic regime. The period around October 5, 2000, saw the peak of civil society activism when CSO's played an important role in ousting the Milosevic regime and contributed to the establishment of democratic institutions.<sup>13</sup>

Between 1996 and 2004, membership in civil society organizations has more than tripled.<sup>14</sup> Nonetheless, the same research shows that active participation has in fact decreased. While before people mainly participated in protests and demonstrations, nowadays the most common form of

---

<sup>9</sup> Interview with Verica Barac, January 2010

<sup>10</sup> European Commission Progress Report 2009, page 13-14

<sup>11</sup> CIVICUS Report on Serbia, page 2

<sup>12</sup> CIVICUS Report on Serbia, page 2

<sup>13</sup> CIVICUS Report on Serbia, page 3

<sup>14</sup> CIVICUS Report on Serbia

participation is signing a petition at 21%.<sup>15</sup> The need to take a stance against Milosevic's regime in 2000 prompted very high active participation rates.

Since the break-up of the state union between Montenegro and Serbia in 2004, Serbia's Freedom House score on civil society has remained constant at 2.75.<sup>16</sup> USAID's NGO Sustainability Index, on the other hand, places Serbia in an early transition stage. The rating reflects Serbia's struggle with the "uncivil" society: extreme nationalist organizations and the difficulties that especially human rights organizations face in their operations. The rating has been improving over the last years; however, Serbia lags behind other countries in the region.

Nowadays, with a democratic government in place in Belgrade, the civil society sector is not the opposition, which is seen in the better relationship with the state. Civil society organizations are invited to participate in the implementation of many projects, as well as in discussion on legislation.<sup>17</sup> Government's readiness to cooperate is not viewed without skepticism and is often attributed to pressure from international organizations, donors and the EU.<sup>18</sup>

One of the criticisms directed towards the civil society is that, lacking a common enemy, cooperation within the sector has decreased. The civil society sector in Serbia faces human and financial resources constraints.<sup>19</sup> The common belief is that the civil sector has become weaker as the best qualified and educated personnel 'move to more financially stable sectors.'<sup>20</sup> Lack of candidates/personnel with expertise was one of the main issues identified by many of the interviewees, as well.

The crucial civil society organization involved in the fight against corruption in Serbia is Transparency Serbia (Transparentnost Srbija). Transparency has been operating successfully for almost a decade; meanwhile the achievements in the field are recognized by stakeholders at all levels.<sup>21</sup> The secret in Transparency's success in Serbia is good relations with all stakeholders. Even though (or maybe because) it is not aligned with any political party, it has good relations with all parties. On top of making substantiated claims and providing good quality research and recommendations, Transparency takes special care to organize its press conferences in periods

---

<sup>15</sup> CIVICUS Report on Serbia

<sup>16</sup> Freedom House report 2009, 447

<sup>17</sup> Freedom House report 2009, 450

<sup>18</sup> CIVICUS report 2009

<sup>19</sup> CIVICUS report 2009

<sup>20</sup> CIVICUS report 2009

<sup>21</sup> Interviews with Donors, Government officials, journalists January 2010

when it has higher chances of being headlined. One of its most successful endeavors has been having 9 recommended amendments passed in one legislation.<sup>22</sup>

Other organizations have contributed to increased transparency and accountability. Organizations such as LINET measure the extent to which public officials keep up their promises. A major success in establishing public accountability and government transparency has been achieved in the field of freedom of information, more specifically right to access official documents - a large part of which can be attributed to civil society contribution. A coalition of 19 civil society organizations was funded by the Fund for Open Society Serbia. Organizations sent requests for accessing documents to a variety of institutions in order to determine the problem in the system and accustom institutions to such requests. The coalition participated in drafting legislation on secret documents and amending existing legislation in the area of freedom of information. Nowadays, an independent government agency monitors the application of this law- Poverenik, which also has good cooperation with civil society organizations. The initial beneficiary and target group were journalists, but the right is now widely used by citizens. What sets this project apart is the high impact it has had on legislative, social and institutional culture. The impact of the program has been a changed institutional culture, where public officials and civil servants across all levels of institutions now respond to citizens' requests. Furthermore, the ever increasing number of requests sent by citizens demonstrates that citizens are increasingly learning to seek accountability from public institutions.

A similar coalition of 8 CSO-s and FOSS was formed in 2006 targeting fiscal transparency of local budgets. As Serbian government still uses linear budgets, the reading of budgets is rather difficult. Staff members were trained to read budgets and do comparative analysis of local budgets. In this context, coalitions have played an important role since as these projects were set in smaller cities it has removed individual connections and placed the monitoring on a larger perspective. The project has had legislative impact and raised public awareness about budgetary processes. In fact, the success of the project in meeting its objectives has led to its repetition at the central level. A positive externality of the project has been the increasing interest among donor organizations to target these areas. The tools used in both these projects funded by the OSI has been on identifying systematic failures in public institutions and addressing them through citizen empowerment, while naming and shaming has been de-emphasized, used only as cases to illustrate the systemic failures or as a confirmation.

As far as investigative journalism goes, it is largely neglected. Even though a number of attempts have been made at consolidating this field, the outcomes have been rather limited. Most media outlets are reluctant to fund investigative stories. B92, a major independent media company, has a

---

<sup>22</sup> Interview in Transparency, January 2010

show-Insajder- which has had considerable impact in shaping public opinion. The show has picked up taboo and sensitive topics for the Serbian society. The investigative nature of the show has resulted in a lot of popularity, but also serious attacks from radical fractions of the society. As a result, the journalist of the show has been guarded by the police.

Altogether, CIVICUS study finds that civil society in Serbia has had a rather limited impact on governance issues so far.<sup>23</sup> Yet, some variation appears: in empowering citizens and meeting societal needs, it is moderately developed; meanwhile, in playing the role of a watchdog of the state and private sector, civil society in Serbia is still perceived as weak.<sup>24</sup> Civil society organizations in Serbia shy away from tackling high level corruption, especially the one found in political parties. When talking about the Coalition for Clean Parliament, an originally Romanian project which has been reproduced in some countries in the Balkans, one of the interviewees said “Serbia is still not ready for it.”<sup>25</sup> By addressing sensitive issues, Brankica Stankovic, the editor of Insajder, has gained a reputation of being fearless. However, her work has not focused only on corruption, therefore calling her an anti-corruption hero is far-fetched.

## **Government and Political Society**

***Was the government anticorruption carried out in good will and effective? Make a stakeholder analysis of anticorruption; who, from government agencies, are the promoters, who the neutrals and who the resistant. How did this come about historically (through electoral cycles)? What about political parties? Are politicians elected on anticorruption tickets? Are corrupt politicians elected? Are some parties associated with more or less corruption?***

The National Strategy for the Fight against Corruption was adopted by the National Assembly in December 2005.<sup>26</sup> The Action Plan for its realization was adopted in November 2006. Yet, by 2009 the Action Plan had not been implemented yet.<sup>27</sup> The Law on the Anti-corruption Agency and its establishment in January 2010 are positive developments in establishing the necessary institutions to fight corruption. The area of focus for the agency is prevention of conflict of interest. A body which deals with the prevention of conflict of interest has existed before within the government of

---

<sup>23</sup> CIVICUS report 2004/2005

<sup>24</sup> CIVICUS report 2004/2005

<sup>25</sup> Interview Belgrade, January 2010

<sup>26</sup> Transparency International: Anti-Corruption Strategy and National Assembly

<sup>27</sup> European Commission Progress Report 2009

Serbia, but was dissolved to allow for the establishment of the Agency.<sup>28</sup> Verica Barac from the Anti-corruption Council has raised some concerns that frequent establishment and dissolution of bodies threatens institutional stability.<sup>29</sup> As the Agency is new, it is still very early to judge on the merits of its work.

Also, Serbia has ratified the United Nations Convention on Anti-corruption, but there are no measures in place which are needed for its implementation.<sup>30</sup> A review of the work of the National Assembly in 2007 after the adoption of the National Anti-corruption Strategy has found that not much progress has been made in the work of the Assembly.<sup>31</sup> As it is, the members of the National Assembly all have blank signed resignations in their political party headquarters.<sup>32</sup> Clearly, such measure is used to secure the obedience of public officials who hold political posts. As political parties remain closely tied to businesses and tycoons and the current law on political party financing leaves much to be desired, internal party practices hamper the work of the National Assembly.

In 2001, Zoran Djindjic established the Council for the Fight Against Corruption. The council is a Government “working body”, which does not guarantee institutional independence.<sup>33</sup> The Council has played an important role in raising awareness about the dealings in the government and published a couple of publications on the privatization process. The Council is located in the government building, depends on the government for the budget and has limited opportunities to hire permanent staff, conditions which cause it to operate under a great deal of uncertainty and pressure.<sup>34</sup>

Poverenik and the State Auditor are two independent institutions which are contributing to increased transparency of the government. Poverenik is an independent institution which deals with the right to access official documents. The increasing number of citizen’s request shows the rise in popularity of this institution. Poverenik has also had strong support from the government.<sup>35</sup> On the other hand, the State Audit Institution has faced major financial and human constraints in its work. It has only

---

<sup>28</sup> Interview with Verica Barac, AC Council, January 2010

<sup>29</sup> Interview with Verica Barac, AC Council

<sup>30</sup> European Commission Progress Report 2009

<sup>31</sup> Transparency International: Anti-Corruption Strategy and National Assembly

<sup>32</sup> Interview with journalist from Politika

<sup>33</sup> Anti-Corruption Paper Serbia, UNDP 2007, page 8

<sup>34</sup> Anti-Corruption Paper Serbia, UNDP 2007, page 9

<sup>35</sup> Interview with Director of Poverenik, Nevena

recently released a report for the year 2005.<sup>36</sup> The institution struggles with serious lack of staff and audit capacity, which questions the ability to supervise public expenditure.<sup>37</sup>

## Voters

***Is participation to corruption broad? Is the public losing because of corruption? How upset are they? Look for survey data in the countries and Gallup on Transparency Site (Bribe Index, Global Corruption Barometer).***

Despite having gained momentum as a governance issue only in the last several decades, corruption in practice has existed in societies for a long time. But, with the growth of the modern state and the rising awareness of citizens, more and more citizens are identifying it as an issue. In fact, Serbia's citizens nowadays identify corruption as the fourth most pressing issue.<sup>38</sup> More and more evidence suggests that corruption is a growing concern for citizens in Serbia.

A research conducted by Slobodan Vukovic of 1632 respondents in Serbia found that for most entrepreneurs it is not unusual to pay bribes. Based on their own experiences, 52.9 percent of entrepreneurs state that it is customary for companies and stores to give bribes, meanwhile 36.1 percent state that giving bribes to state employees is rather less customary- only 3.1% of interviewed said that they never gave bribes.<sup>39</sup> Even then, a paid bribe is no guarantee that the service will be performed. Over 50 percent of respondents say that they have to pay again for the same service usually, often or sometimes.<sup>40</sup>

On the other hand, a different opinion poll conducted annually by Gallup, called the Balkan Monitor has found that about 10% of respondents have had experience with corruption- which is significantly lower than the numbers presented above.<sup>41</sup> The Balkan Monitor also shows that perceived corruption is much higher among businesses than citizens. In that respect, fewer citizens thought that the government was corrupt in Serbia in 2009- relative to 2006.<sup>42</sup> However, despite relatively low experience with corruption, citizens' perception of corruption remains high. Such phenomena can be explained by perceived corruption in the highest levels. It is possible that

---

<sup>36</sup> Interview with Journalist from Politika

<sup>37</sup> European Commission Report page 13

<sup>38</sup> Anti-Corruption Paper Serbia, UNDP 2007, page 8

<sup>39</sup> Vukovic, Slobodan.

<sup>40</sup> Vukovic, Slobodan.

<sup>41</sup> Gallup Balkan Monitor 2009

<sup>42</sup> Gallup Balkan Monitor 2009, page 27

citizens when they are asked about the level of corruption in the government they do not think about bribery, but rather grand corruption and state capture.

Citizen satisfaction with the government remains low in Serbia. In fact, Serbian citizens feel disappointed and rather pessimistic about their future prospects. In standard Gallup polls over the last three years, satisfaction with living standards in Serbia has been decreasing from an already low point. Whereas in 2006, 36% of the population was satisfied with the living standards, in 2009 only 31% declared so.<sup>43</sup> Both confidence and satisfaction in the government has decreased by 13 percentage points.<sup>44</sup> Furthermore, the proportion of people who thought that the country was moving in a bad direction has increased for 27% reaching now 72%.<sup>45</sup>

### **Interviewees**

Verica Barac, Head of the Council for the Fight against Corruption

Katarina Jozic, Legal Advisor, YUCOM

Nemanja Nenadic, Programme Director, Transparency Serbia

Danilo Pejovic, Financial Director, Transparency Serbia

Pavlina Filipova, Program Officer, Balkan Trust for Democracy

Nathan Koeshall, Program Officer, Balkan Trust for Democracy

Dusan Jordovic, Program Director, LINET

Miodrag Milosavljevic, Project Coordinator, Fund for Open Society

Nevena Ruzic, Chief of Cabinet, Poverenik

---

<sup>43</sup> Gallup Balkan Monitor 2009, page 14

<sup>44</sup> Gallup Balkan Monitor 2009, page 14

<sup>45</sup> Gallup Balkan Monitor 2009, page 14