Serbia

by Aleksandra Nenadović

Capital: Belgrade  
Population: 7.3 million  
GNI/capita, PPP: US$11,090

Source: The data above were provided by The World Bank, World Development Indicators 2012.

### Nations in Transit Ratings and Averaged Scores

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* Starting with the 2005 edition, Freedom House introduced separate analysis and ratings for national democratic governance and local democratic governance to provide readers with more detailed and nuanced analysis of these two important subjects.

NOTES: The ratings reflect the consensus of Freedom House, its academic advisers, and the author(s) of this report. The opinions expressed in this report are those of the author(s). The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The Democracy Score is an average of ratings for the categories tracked in a given year.
The Republic of Serbia made progress on its path to European Union (EU) integration in 2011 with the arrest of well-known war criminals Ratko Mladić and Goran Hadžić. In other areas identified as priorities for EU accession, reform and diplomatic efforts were only partly successful. EU-brokered bilateral trade negotiations with Kosovo broke down during the year, resulting in the postponement of a European Commission vote on Serbia’s EU membership. Dialogue with Kosovo—an important accession prerequisite—remains problematic and politically dangerous for Serbian politicians, as refusal to recognize Kosovo’s secession remains one of the few things on which all of Serbia’s political parties can agree.

An ongoing conflict between President Boris Tadić’s Democratic Party (DS) and the G17 Plus party led by former minister of economic and local development, Mlađan Dinkić, challenged the stability of the government in early 2011, causing several members of parliament (MPs) to resign. Dinkić himself left the government in February after repeated clashes with the finance minister and other members of the DS. To resolve the issue, parliament approved a reshuffle in March, reducing the size of the cabinet, but keeping the G17 Plus party in government.

Living standards continued to decline in 2011, though inflation stabilized after the exchange rate shocks of late 2010 subsided and is expected to remain in the single digits in 2012. In September, the International Monetary Fund (IMF) granted Serbia a substantial loan to protect its economy against market instability.

In 2011 authorities adopted a law to increase transparency in the financing of political parties and election campaigns and amended key electoral legislation. The judiciary pushed to correct errors made after a 2009 decision on court reappointments. However, the review process was controversial and heavily criticized by civil society groups.

National Democratic Governance. The ruling coalition continued key EU reforms and held its mandate despite a cabinet reshuffle and the opposition’s calls for early elections. The first-ever EU-backed bilateral talks between Priština and Belgrade began in March, but had largely broken down by year’s end. Though still suffering a protracted economic crisis, Serbia concluded a sizeable loan agreement with the IMF in September. Serbia’s national democratic governance rating remains at 3.75.

Electoral Process. The Law on Financing of Political Activities was adopted in 2011 with the aim of improving the transparency of political party and campaign financing in advance of the spring 2012 elections. However, it is unclear whether
parties will be obliged to respond to questions by nongovernmental organizations and the Anticorruption Agency regarding the sources of previous years’ funding. The new Law on Conflict of Interest aims at ending the established practice of awarding Serbian political leaders multiple elected and non-elected positions. Pending evidence that new legislation will lead to greater transparency in political party financing, Serbia’s electoral process rating remains at 3.25.

Civil Society. Serbian civil society organizations have a solid record of promoting human rights and anticorruption efforts, but extremist organizations remain an ongoing issue for security in the country. In 2011, the government felt compelled to cancel not only the October Gay Pride parade but all other public gatherings, following alarming security reports from law enforcement officials that indicated nationalists and neo-Nazi extremists were planning disturbances in several parts of Belgrade. Roma continue to face frequent discrimination and attacks. Serbia’s civil society rating remains at 2.25.

Independent Media. Media ownership in Serbia is generally nontransparent, and the largest outlets are government-owned. Media frequently rely on financing from political parties. Journalists face harassment and physical attack, though incidents of the latter have declined in recent years. Several outstanding cases of attacks on journalists remain unsolved. No changes were made to improve media regulations by supporting journalistic independence and professionalism. Therefore, Serbia’s independent media rating remains unchanged at 4.00.

Local Democratic Governance. Serbian authorities adopted the Law on Financing of Local Government to strengthen local governance and increase financing, though some observers fear it could exacerbate the state budget deficit. Most Serbians believe crucial decisions are not made by local authorities, but rather by top party leadership and local tycoons. Disagreements between local and central governments over minority representation in the local national council led minorities to boycott the 2011 census, significantly skewing its results. Serbia’s local democratic governance rating remains at 3.50.

Judicial Framework and Independence. Judicial reform continued in 2011 with the adoption of new civil and criminal procedure codes aimed at improving efficiency. The High Judicial Council reviewed the controversial 2009 reappointment procedures for judges and prosecutors amidst strong criticism from the Judges Association of Serbia. During the process, many of the original decisions were revoked. One year after the court restructuring, case backlogs remain high, and civil proceedings remain slow despite attempts to improve efficiency. A lack of standard policies on sentencing in criminal cases is believed to have led to a rise in repeat offenses. Serbia’s judicial framework and independence rating remains at 4.50.
Corruption. Efforts to combat corruption remained comparable to the previous year, with continued large-scale investigations into corruption scandals in the construction and healthcare sectors. However, political will to make use of existing anticorruption frameworks remains weak. Graft and misconduct remain serious problems in the healthcare sector and the judiciary. In December, the government backed controversial amendments to the Law on Public Procurement that ignore relevant EU directives. The government refuses to investigate several corruption cases referred by its own Anticorruption Council. With no significant gains in anticorruption efforts, Serbia’s corruption rating remains at 4.25.

Outlook for 2012. The Kosovo issue and the domestic economic crisis will continue to dominate Serbian politics in 2012. The second wave of the global economic downturn is expected to further stunt the country’s economy, though short-term reform measures will likely be introduced, mainly in the banking sector. The 2012 elections will be a critical test for the country’s anticorruption efforts, as the 2011 Law on Political Party Financing comes into force. The ongoing economic crisis, the necessity for public sector and pension reform, and endemic corruption will pose long-term challenges for the new government.
Serbia’s government managed to hold onto power throughout 2011, despite a crisis within the governing coalition. Conflict between the ruling Democratic Party (DS) of President Boris Tadić and coalition partner G17 Plus escalated in the beginning of the year, causing several members of parliament (MPs) to resign, including G17 Plus leader and Deputy Prime Minister/Minister of Economy Mlađan Dinkić, who left in mid-February after repeated clashes with the minister of finance and other DS members. Dinkić resigned on 14 February, one day after his removal was recommended to parliament by Prime Minister Mirko Cvetković. To avoid the collapse of the coalition and the need for early elections, the government reshuffled the members of its cabinet in March, restoring balance in the distribution of ministerial posts for each party, including G17 Plus. No previous Serbian government in the past decade has governed for a full, four-year term.

Throughout the year, the ruling coalition pushed to harmonize national laws with European Union (EU) directives in hopes of obtaining a positive recommendation from the European Commission (EC) on Serbia’s membership bid before the end of October. Undermined by special interest lobbying and pandering to specific electoral groups (notably public administration employees and retirees), and overshadowed by renewed unrest in northern Kosovo, these efforts did not achieve their short-term goal: the recommendation of the EC was rejected on 9 December, further postponing a decision on EU membership for Serbia until March 2012. Nevertheless, policymaking procedures moved faster than normal in 2011, with the ruling coalition passing some key, EU-mandated legislation.

In September, the DS pushed through a long-awaited and controversial law regulating the restitution of property nationalized by the post-World War II Yugoslav regime. Based on claims submitted by former owners or their heirs, restitution of farmland, houses, apartments and forests is to begin “where possible” in 2014. In cases where the confiscated land is in public use (by libraries or educational institutions, for example) government bonds will be issued to former owners or heirs as compensation, up to a maximum value of US$672,000. Critics of the law objected to limits on the amount of property restitution, accusing the government of having already sold most valuable nationalized assets to business owners with political connections, and alleging that the law merely served to legalize past deals.

Another important step taken in the direction of EU accession was the capture of Serbia’s last two remaining war crimes fugitives, Ratko Mladić and Goran Hadžić. Bosnian Serb ex-army chief Mladić, a leading figure in the Srebrenica massacre, had been on the run for 16 years. Hadžić, a Croatian Serb wartime leader was indicted
by The Hague in 2004, but fled immediately, tipped off by nationalist hardliners in Serbia’s security services. The arrest and surrender of these well-known figures in 2011 demonstrated Serbia’s willingness to cooperate with the United Nations’ (UN) war crimes tribunal, the International Criminal Tribunal for the former Yugoslavia (ICTY), a heavily emphasized precondition for EU membership.

Serbia’s troubled relationship with Kosovo—another pivotal factor in EU membership—took small steps forward before once again unraveling in 2011. In March, Belgrade and Priština began their first-ever, EU-backed dialogue, addressing technical topics like the free movement of people, telecommunications, and customs, while steering away from the key issue of Kosovo’s independence. The talks were repeatedly disrupted by a border dispute in ethnic Serb-majority northern Kosovo, where Belgrade still funds so-called “parallel” governance structures1 and Priština has little influence. A conflict broke out in July after Kosovo’s prime minister, Hashim Thaçi, sent police forces to take control of the northern border and enforce an effective embargo of Serbian goods. The initial violence was followed by months of unrest, demonstrations and blockades by local Serbs many of whom reject Kosovo institutions. By summer’s end, Kosovo Force (KFOR), the international peacekeeping force led by the North Atlantic Treaty Organization (NATO), had become involved in clashes with local Serbs.

During a visit to Belgrade in August, German chancellor Angela Merkel strongly urged Serbia to accommodate Kosovo’s demands for recognition, quite bluntly linking the question to Serbia’s EU membership bid. At a press conference with President Tadić, Merkel said she interpreted progress in the bilateral talks as the dissolution of the parallel governance structures in northern Kosovo and permission for Kosovo to participate in regional and international association meetings. Merkel made no reference to UN Resolution 1244, which upholds Serbia’s sovereignty over the province. In response, Tadić reiterated that Serbia does not recognize Kosovo’s independence. The meeting with Chancellor Merkel highlighted a deep contradiction between two of the ruling coalition’s most important campaign promises: EU membership candidacy and the preservation of Serbian governance structures within Kosovo.

On 12 October, the EC proposed Serbia for candidate status on the condition that negotiations with Kosovo continued, existing agreements were implemented, and the EU Rule of Law Mission in Kosovo (EULEX) was allowed to operate in the north. However, due to a lack of demonstrated progress in improving relations with Kosovo, the European Council took the unprecendented step of rejecting the EC’s recommendation on 9 December, postponing the decision on candidate status to March 2012. The decision was seen as a victory for Chancellor Merkel’s interpretation of “progress” on Kosovo. The European Council also demanded a resolution of the integrated border management, or joint management of the Kosovo-Serbia border, and freedom of movement for EULEX.

Living standards continued to decline in 2011 due to a prolonged economic crisis. Slow economic recovery will present a challenge for the incumbent government in the runup to 2012 parliamentary elections. Inflation, however, did stabilize in
2011 after the exchange rate shocks of late 2010 subsided; National Bank Governor Dejan Šoškić said he expected inflation to remain within the planned limits of up to 6 percent. In September, the government also signed a new Stand-By-Arrangement with the International Monetary Fund (IMF) worth €1 billion in loans. Under the agreement, the IMF allows Serbia to increase its budget deficit slightly, while encouraging public sector, labor market, and pension reform. The IMF predicted that the agreement would better prepare Serbia for any financial shocks in 2012.

Electoral Process

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During the year, the government undertook several legislative changes affecting party finance and the conduct of parliamentary, local, and—to a lesser extent—presidential elections slated for May 2012.

In April, Serbia’s Constitutional Court ruled against the controversial practice of blank resignations, according to which every politician elected to the national or a local assembly on a party ticket was required to deposit a written resignation with the party before taking the seat, empowering the party to suddenly activate the resignation and replace any member in the event of perceived disloyalty or defection. Most major parties insisted that blank resignations were necessary for consensus building, but vocal critics insisted that the practice was undemocratic, breaking the link between the electorate and its representatives. Under a May 2011 amendment to the Law on the Election of Members of Parliament, parties in 2012 will now have to submit closed electoral lists where the ranking on the list will determine who wins a parliamentary seat, and seats can no longer be transferred to other party members between elections.

One effect of the Constitutional Court’s ruling and subsequent amendment was to reduce the appeal of smaller parties as coalition partners to DS or Serbia’s main opposition party, the Serbian Progressive Party (SNS). Previously, the ability to directly control parliamentary deputies within coalition partners made it worthwhile for large parties to maintain tenuous alliances with smaller groups. Speculations that DS and SNS would form a grand coalition in the next elections ended after SNS leader Tomislav Nikolić went on a hunger strike in April, demanding early elections. His efforts failed and the episode cost his party significant credibility, eliciting criticism from DS and other ruling coalition parties.

In June, the government took an important step towards increased accountability and transparency in political financing through the adoption of the long-awaited Law on Financing of Political Activities. The law covers both general political party financing as well as campaign financing and is meant to end entanglements between the parties and special interest groups. The public will have access to political financing records, including the size of donations and
their sources. The law also introduces penalties for omissions in financial reporting, subject to evaluation by the state anticorruption agency. The government’s media relations coordinator, Slobodan Homen, said all recommendations from the EC and the Venice Commission had been incorporated into the new financing legislation, which was modified to meet EU standards. Although the changes are scheduled to come into effect during the 2012 campaign, it remains unclear whether political parties will be forced to reveal funding sources from previous years. Nongovernmental organizations (NGOs) like Transparency Serbia and Center for Free Elections and Democracy (CeSID) have noted discrepancies between declared and real campaign expenditures in past elections.

In September, Serbia’s Constitutional Court also ruled against widely criticized July 2010 amendments to the Law on the Anticorruption Agency allowing political leaders to hold multiple elected and non-elected government positions. Subsequent legislation has ended this practice by limiting the number and type of appointed positions an elected official can hold. The new law will mainly affect powerful local leaders or members of the national and regional parliaments in the autonomous Vojvodina province. Critics have claimed that the law is an instrument of the DS for reining in powerful regional leaders like Dragan Marković, who at that time served as both a member of the ruling coalition and the mayor of Jagodina. Marković strongly opposed the law, but quietly resigned from his parliamentary seat after its adoption.

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NGOs in Serbia continued to actively engage with society on human rights and minority issues, efforts to increase transparency in state institutions, environmental protection, trade union activism, education reform, and protection of property rights. However, the cancellation of the 2011 Gay Pride parade in Belgrade served as a discouraging reminder of the influence of extremist and illiberal groups on Serbian society.

For the last 10 years, Serbian authorities have battled many right-wing organizations emerging from criminal gangs and commandos that served under President Slobodan Milošević in the 1980s and ’90s. On the far right there are several extremist organizations allied with underground neo-Nazi groups and soccer hooligans. These groups generally promote clerico-fascism and ultranationalism and openly support war criminals, calling for the unification of all Serb-inhabited lands (via military incursion in Kosovo), closer ties with Russian ultranationalists, and persecution of sexual and national minorities. The Constitutional Court has determined that Nacionalni Stroj (National line) is a “secret political organization” that violates the constitution by inciting national and religious hatred. Several
Serbia

other organizations, including Srpski Narodni Pokret 1389 (Serbian Nationalist Movement 1389, commonly known as “1389”) and the Naši (Ours) movement, are on a list of banned organizations that the public prosecutor submitted to the Constitutional Court on 18 October as part of an initiative to eradicate far-right organizations. Tomo Zorić, spokesman for the prosecutor’s office, said the organizations continued to “incite national, racial and religious hatred, intolerance and active intolerance toward minority groups.” The initiative marked the first time the Serbian government reacted to frequent calls from civic activists to deal with organizations that violate human and minority rights.

Authorities cancelled the Belgrade Pride Parade scheduled for 2 October because of attacks on past demonstrations held by the lesbian, gay, bisexual, and transgender (LGBT) community. In 2001, an LGBT gathering ended in attacks on participants; a 2009 pride parade was similarly canceled for security reasons. The 2010 Belgrade Pride Parade received state support, most notably from the Ministry of the Interior. Nevertheless, certain segments of the public opposed it with several hundred opponents staging a protest that ended in violent riots. In 2011, Mladen Obradović, leader of the ultranationalist group Obraz (Honor), was sentenced to two years in prison for organizing the 2010 riots—the first conviction for discrimination against LGBT persons in Serbia. Another 13 individuals involved in the riots received sentences of up to a year and a half. When LGBT activists scheduled the 2011 Pride Parade for early October, Belgrade Mayor Dragan Đilas said Serbia had “bigger problems” than protecting the participants of the Pride Parade, a sentiment echoed by several other politicians. In September, the Police Union of Serbia and the right-wing movement Dveri (Doors) held a joint meeting, calling on LGBT representatives to cancel the gathering. Following alarming security reports from law enforcement officials that indicated extremists were planning disturbances in several parts of Belgrade, the National Security Council ultimately decided to ban all public gatherings on the weekend of 2 October. While the ban was widely seen as the authorities’ failure to guarantee human rights to the LGBT community, Obraz called it “a victory of Serbian patriots.”

Attacks on Roma remain frequent in Serbia. In March, a young Romany boy named Alija Omerović was beaten in downtown Belgrade, leading to three arrests. In May, a 20-year-old Roma was beaten at a Belgrade bus station, resulting in the arrest of three suspects on suspicion of expressing racial and national hatred and assault. However, by year’s end, courts had not yet ruled in either case. In April, the magistrate for junior offenders in the southwestern town of Čačak ordered 30 days’ detention to a 17-year-old for stabbing Aleksandar Nikolić, an 18-year-old Roma, and for injuring three others. International and local agencies, including the Open Society Foundations Budapest, the Center for Roma Affirmation, and the Serbian Ministry for Human and Minority rights, organized an antidiscrimination media campaign focusing on Roma called “Do you know who I am?” Meanwhile, the Roma Informative Center of Kragujevac organized the “Strengthening of the Roma” campaign, which aims to increase employment among the Roma population.
In December 2011, the Serbian group Civil Rights Defenders, the NGO Humanitarian Law Center, and law professor Vesna Rakić Vodinelić called for revisions to Serbian laws on material reparations for victims of war crimes and other human rights violations. Current legislation regarding victims of the wars in the 1990s dates back to 1996. Between late April and the end of June 2011, the Belgrade-based Humanitarian Law Fund and other regional NGOs collected over 540,000 signatures in the former Yugoslav republics to support a campaign for the establishment of an independent, regional commission to verify allegations of war crimes and conduct an impartial probe into the conflicts.\textsuperscript{14}

Labor and pension reforms intended to curb government spending in the face of the economic crisis led to a series of strikes in several sectors. Having frozen public sector wages and pensions in early 2010 in order to fight the budget deficit, the government agreed to increase wages and pensions by 5.5 percent in the second quarter of 2011.\textsuperscript{15} Nevertheless, in December, teachers, health care workers, and police officers went on strike throughout Serbia, demanding additional wage increases.

### Independent Media

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Electronic media remained broadly available in Serbia in 2010, with six national television networks, five national radio broadcasters, and more than a hundred regional and local electronic outlets, licensed by Serbia’s Broadcasting Agency. Internet and cable providers continue to operate freely in an increasingly competitive environment. Controversial laws on electronic communications and public information—implemented in 2010 and 2009, respectively—remain in effect, despite local and international concern that they threaten investigative journalism and privacy of communication.\textsuperscript{16} The switchover from analogue to digital broadcasting is scheduled to occur by April 2012, though the government may postpone implementation until 2013.

After 10 years of prodemocratic governance, Serbia’s media environment appears to be stagnating. Associations of journalists complain of state pressure on media, which are reportedly financially dependent on political parties. Most media coverage is paid for or sponsored by government ministries and agencies, according to a report by the state anticorruption agency, and objective reporting and investigative journalism are scarce.\textsuperscript{17} Attacks and threats against journalists continue to occur, though they have declined in recent years, with just 13 such cases in 2011, compared with 143 in 2008.\textsuperscript{18} The 2011 figures are especially low considering the fact that more cases are now reported to authorities than in past years. Nevertheless, the Organization for Security and Cooperation in Europe (OSCE) representative for media freedom, Dunja Mijatović, warned in May that attacks on independent press in Serbia remain worrying.\textsuperscript{19}
Several press outlets experienced harassment in 2011. The Independent Association of Journalists of Serbia (NUNS) issued official statements in February and March about the targeting of the independent B92 television station by extremist organizations, which have openly threatened journalists and editors. In March, the right-wing group 1389 staged an unannounced rally in front of the offices of B92 television, carrying a banner with Nazi symbols in protest of the station’s “untruthful” reporting. Although four members of 1389 were sentenced to 15 days in prison for staging the protest, harassment of B92 continued. After the station aired a report on alleged abuses at the Kolubara Coal Mine, fake obituaries with the names of B92’s editor-in-chief, Veran Matić, and other journalists from B92 were plastered all over the town of Lazarevac. NUNS again called on the authorities to take action against the perpetrators, and the OSCE and the Association of Independent Electronic Media (ANEM) condemned the threats. In April, four persons were arrested in connection to the Lazarevac case, which at year’s end was still ongoing. One month later, another man was sentenced to 10-months house arrest for a 2008 attack on a B92 cameraman. Despite actions from authorities to punish the perpetrators of these crimes, cases of harassment continued throughout the year. In October, the car of Tihomir Trišić, editor-in-chief of the weekly Akter, was set on fire. Police were still investigating the incident at year’s end.

In some cases press outlets have also engaged in attacking public figures for cracking down on corruption. In February, the Belgrade daily Večernje Novosti published an article attacking Verica Barać, a well-known anticorruption activist and president of the Anticorruption Committee, for a report she had written, exposing illegal activities in the sale of the port of Belgrade.

While authorities have responded to pressure to solve certain cases, attacks against journalists often go unresolved. The alleged murder of the journalist Dada Vujasinović, who was found dead in 1996 after chronicling Željko Ražnatović’s rise from criminal to national prophet, remains unsolved. Similarly, twelve years have passed since publisher, journalist, and outspoken critic of Slobodan Milošević, Slavko Ćuruvija, was gunned down in downtown Belgrade, but no progress has been made on identifying his killers. A correspondent for Večernje Novosti, Milan Pantić, who reported extensively on corruption, was beaten to death at his home in Jagodina in 2001, but his case was never solved. In fact, in the past four years, Serbian authorities have only solved 17 of 212 reported attacks against journalists.

In April, a group of journalists’ associations, including the Journalists’ Association of Serbia (UNS), NUNS, the Independent Journalists’ Association of Vojvodina, ANEM, and the Association of Independent Local Media Local Press addressed an open letter to President Tadić about the deteriorating media situation in Serbia. Representatives of the EU and the OSCE also received copies.

Despite the Law on Information, which requires the government and local authorities to relinquish media ownership, the biggest press outlets in Serbia remain in the hands of the state, including the nationally broadcast television channel (RTS TV) and radio station (Radio Belgrade), as well as Politika, the most influential daily. In general, media ownership lacks transparency; according to a report by
the state anticorruption agency, only 2 out of 11 national media outlets have clear ownership structures. In 2011, the Anticorruption Council, a government advisory board charged with proposing measures to combat graft and misconduct, took action against certain cases of illegal privatization. In June, the council charged seven people with favoring certain interests groups and wealthy individuals during the privatization of the Novosti media company. The case caught the attention of Vincent Degert, the EU’s representative in Serbia, who subsequently called on authorities to introduce clearer rules for media financing and guarantees for fairer competition in the privatization process.

According to March amendments to the Law on Government, ministers must seek the prime minister’s approval before addressing the public. Journalists’ associations sharply criticized the law, claiming that it effectively promoted a “code of silence” and prevented ministers from criticizing the prime minister’s policies.

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With the exception of the autonomous province of Vojvodina, Serbia is ruled by two strata of government: central and local self-government (LSG). Several key pieces of LSG legislation, including the Law on Local Government, have been in place since 2007. Future decentralization in the country remains uncertain due to sharply divergent views in society, from outright rejection based on perceived risk to territorial integrity, to vocal demands for local autonomy.

According to a poll on decentralization and regionalization by the Center for Free Elections and Democracy (CeSID), Serbians believe the municipal assembly, the highest local self-governance body, has the weakest influence on decision-making, while top party leadership wields the most, followed by local tycoons and people with criminal ties. Most respondents said that while local party representatives are relatively weak, they are still more powerful than mayors and municipal assemblies. According to the poll, 41 percent of staunch decentralization supporters believe party leaders make key decisions for local assemblies, compared to roughly 20 percent of those favoring a stronger central government. Strong supporters of centralized governance were more likely to believe local officials are corrupt.23

Shortly after leaving parliament in February 2011, G17 Plus party leader Mladen Đinikić created a new coalition of regional parties called the United Regions of Serbia (URS) in an effort to shore up his own support base and the position of G17 Plus before the 2012 parliamentary and local elections. In June, the URS presented Serbia’s parliament with draft amendments to the Law on Financing of Local Government, containing provisions on decentralization that each previous government had failed to pass. The government quickly adopted the changes, which were widely seen as a necessary concession to calm the political
situation with G17 Plus and avoid early elections. Effective 1 October, the new amendments increased the share of payroll taxes allocated to local governments from 40 percent to 80 percent. Belgrade, as the largest local government, gets 70 percent rather than 80, and does not receive funds from the central state budget like smaller local governments. Instead, Belgrade’s share of the budget will be distributed to other local governments, with the most underdeveloped getting the largest share.\textsuperscript{24} The amendments stipulate that local projects are funded from local budgets, instead of national coffers, but local governments may request funds for projects from national institutions, such as state-owned companies, agencies, and other organizations, as well as international bodies. In recent years, local authorities have received development funds from The World Bank, the European Bank for Reconstruction and Development, Transparency Serbia, the EC, the National Endowment for Democracy, Telekom Srbija (the state-owned telecommunications company), and government sources.

While promoted as an important step in harmonizing Serbia’s legal system with EU standards, changes to financing of local governments increased concerns over the central government budget. Throughout the year, the IMF emphasized that Serbia’s deficit is high considering the level of development in the country.\textsuperscript{25} IMF representative Bogdan Lissovolik and the state fiscal council warned that the new distribution of payroll taxes threatened to increase the budget deficit in 2012, necessitating draconian austerity measures, such as the re-freezing of salaries and pensions.\textsuperscript{26} In mid-November, the IMF and Serbia reached a staff-level agreement on the first review of a precautionary Stand-By Arrangement worth €1.1 billion, which sets the 2012 budget deficit at 4.25 percent of gross domentic product.\textsuperscript{27} The accompanying October review of Serbia’s 2011 budget proposed lower revenues, but few changes in expenditures, with social protections remaining the largest allocation. One of the few changes in expenditures affected pensions, salaries and social security, which increased beginning in October.

Serbia made significant strides in financing infrastructure at the local level in 2011. The city of Novi Sad became the first local self-government unit in Serbia to issue municipal bonds to finance infrastructure construction. Although the municipal bond issue has been in the works for years, the first tranche of €15 million was not approved by the Securities and Exchange Commission until October 2011. UniCredit bank underwrote the issue, with a guarantee from the United States Agency for International Development (USAID). The EC and Standing Conference of Towns and Municipalities provided technical assistance (i.e. preparation of the feasibility study and information memorandum). The next two tranches—€6 million and €14 million, respectively—were issued at year’s end. The first and third tranches went toward construction of an urban boulevard and suburban sewer network, while the second tranche was used to finance insurance companies. Following amendments to the Law on Public Debt, which removed obstacles to the purchase of bonds by individuals, more cities—including Užice, Pančevo, and maybe even Belgrade—are expected to issue municipal bonds in the future.
Serbia’s first population census since 2002 was held in October 2011. Although the government urged all residents to participate, Albanians from southern Serbia (Preševo, Medveđa, and Bujanovac) and part of the Bosniak population from Sandžak boycotted the census due to disagreements between local and central governments over minority representation in the local national council. The boycott is believed to have somewhat skewed census results, especially in areas with large minority populations. For example, a total of 2,481 residents were counted in the Preševo municipality, where the 2002 census had shown 34,904 inhabitants. As of January 2011, Serbia had the most refugees and Internally Displaced Persons (IDPs) in the Balkans and one of the largest populations of displaced people in Europe, according to data from the United Nations High Commissioner for Refugees (UNHCR). The Commissariat for Refugees of the Republic of Serbia, notes that over 700,000 refugees from the war-affected territories of former Yugoslavia have settled in Serbia.

Judicial Framework and Independence

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Serbia’s judiciary remains a weak component of democratic capacity and practice, lagging behind and impeding broader efforts to ensure rule of law in the country. Judicial reform continued in 2011 with the adoption of new civil and criminal procedure codes aimed at improving efficiency. The credibility of Serbia’s High Judicial Council (HJC) remained low, despite efforts to review its controversial judicial and prosecutorial appointments.

A few months after its establishment in 2009, the HJC declared its decision to appoint 1,532 permanent judges to higher courts, including the Supreme Court of Cassation and the Court of Appeal in Belgrade. The council, which consists of three ex-officio members and another six appointed by parliament, also proposed 876 first-time judges, citing the need to increase the independence of the judiciary. Many of the dismissals and reappointments made by the HJC were highly controversial—in part because they were conducted extrajudicially, without recourse to the appeals procedure guaranteed by the constitution. The council has been accused of firing good judges for political reasons and retaining or promoting others who had demonstrated substandard performance and questionable handling of cases in the turbulent 1990s.

Serbian authorities launched a review procedure of the HJC’s reappointment process in December 2010. In May 2011 the HJC and the State Prosecutorial Council approved the final review guidelines and criteria, which the EC called clear and transparent. However, the review process was heavily criticized by the nongovernmental Judges’ Association of Serbia (JAS); among other criticisms, JAS accused officials of using it as a means of confirming the original decisions made by the HJC. Although the review process is scheduled for completion by the
end of January 2012, HJC President Nata Mesarović noted that staffing problems within the HJC have challenged the process. In September, HJC member and High Magistrates Court Judge Blagoje Jakšić was arrested on corruption-related charges. The election of his replacement, Predrag Dimitrijević, was invalidated by the Anticorruption Council, on grounds of a conflict of interest with Dimitrijević’s deanship at the Faculty of Law in Niš. In Late November, another judge—Milimir Lukić—resigned from the HJC, complaining that some participants in the reappointment review were reversing their votes during the process.

Serbia continues to pass legislation aimed at increasing judicial efficiency. The court network has been restructured to reduce the total number of courts and better distribute workloads. In May 2011, parliament adopted a law to strengthen the enforcement of court decisions. New civil and criminal procedure codes followed in September. The first aims to streamline civil procedures, while the criminal procedure code overhauls criminal proceedings by enabling the prosecution service to lead investigations and launch an adversarial system in which the role of the judge is primarily that of an impartial referee between prosecutors and defendants. Nevertheless, civil proceedings remain notably slow and their effectiveness is hindered by poor implementation of judicial decisions, among other factors. In some cases, witnesses and even defendants do not show up in court. The backlog of cases continues to grow and was at nearly 2 million by the end of 2011.

In 2011, the executive branch and the police heavily criticized the criminal justice system. Several policemen were killed in a number of high-profile armed robberies and civil disturbance interventions. In one case, the perpetrator had already committed 26 felonies without serving a day in prison. Minister of Interior Ivica Dačić complained that police are often criticized for human rights abuses, yet their rights also go unprotected. The lack of policy standards on sentencing was among the most criticized issues in the criminal justice system.

Corruption

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Corruption remains widespread in many spheres. Although anticorruption legislation and institutions exist, political will remains weak, especially regarding public tenders. While a number of significant arrests were made in 2011 in several new investigations, the general opinion of analysts and the public is that government efforts are largely for show.

Launched in 2010, Serbia’s Anticorruption Agency focuses on corruption prevention, a mandate that includes overseeing implementation of the National Anticorruption Strategy and Action Plan and conflicts of interest. It has subsumed the responsibilities of the now-defunct Republic Board for the Resolution of Conflicts of Interest. In 2011, the agency forced three parliamentary deputies and one minister to resign because of conflicts of interest related to multiple
appointments. Culture Minister Predrag Marković also stepped down from his position at a publishing company to remain in the ministry. Despite these efforts, the EC noted that the agency lacks mechanisms to guarantee the enforcement of its decisions.\textsuperscript{37}

In October 2011, arrests were made in an alleged gross malfeasance case in the Kolubara strip mining complex. Two of the company’s former directors and several middle managers and private business owners were charged with siphoning public funds. The suspects allegedly contracted heavy machinery from external companies at inflated prices and gave preferential sales rights to a limited number of private dealers with political or family ties to mine executives. More arrests followed in December, with a total at 31 persons facing corruption charges. The trial was pending at year’s end.

Serbia’s public healthcare sector, police, and judiciary are perceived to be deeply corrupt. In 2011, new charges were leveled against executives from the Belgrade Institute of Oncology and Radiology, including the institute’s former director, Nenad Boroević. Boroević and his colleagues were originally arrested in June 2010 and charged with receiving bribes from major pharmaceutical companies like Merck and Roche; in 2011, the group was indicted for a related equipment purchase.

Health Minister Tomica Milosavljević resigned in January “for personal reasons,” after coming under fire for his involvement in the purchase of a bird flu vaccine during the 2005 pandemic scare. Critics argue the purchase was unnecessary, and that the government had accepted an unreasonably expensive bid. Zoran Stanković, the former defense minister and head of the Military Medical Academy, replaced Milosavljević in March 2011. Since Stanković had often spoken out against corruption in public tenders in the past, he was expected to support efforts to stamp out illegal practices. Instead, he quickly clashed with Doctors Against Corruption (DAC), an NGO focusing on healthcare fraud, over ongoing corrupt practices in public tenders for prescription drug purchases. Dragana Jovanović, head of the DAC, was a former member of the state commission for the purchase of cytostatic drugs, one of the medications at issue in the Boroević bribery case. She stated that tenders for medications involved setting the amount of funds in advance and then purchasing the drugs for the set amount, or prompting the government agency on drugs to issue opinions which allowed the government to avoid tender procedures entirely. A similar tactic is applied to state purchases in other procurement areas in order to skew public tender results.

The September arrest of HJC judge Blagoje Jakšić and three other officers of the court on suspicion of abuse of office made major headlines during the year. In a comment to the media regarding the case, Justice Minister Snežana Malović said: “No one is exempted from punishment because of their office in any segment of the government, including the highest state bodies. The proceeding against the judge proves that the anti-corruption fight is our priority, as well as that elected judges are not untouchable.”\textsuperscript{38}

The tendency of successive governments to target officials from previous regimes often prompts claims that corruption investigations are politically
motivated. In media interviews, this was the defense offered by the initial suspects in the Kolubara affair. Marija Rašeta Vukosavljević, who served as transport minister under Prime Minister Vojislav Koštunica’s government (2004–08), made the same claim about the corruption case against her, which finally reached court in 2011 after a 7-year investigation. Vukosavljević is accused of malfeasance in relation to the reconstruction of the Belgrade airport terminal during her time in office. Justice Minister Malović and other officials have denied claims about politically motivated prosecutions, which nevertheless breed public skepticism regarding the sincerity or effectiveness of state anticorruption efforts. Verica Barać, the chief of the Anticorruption Council—a government advisory board charged with proposing measures to combat graft and misconduct)—has echoed the public’s disillusionment with anticorruption efforts, saying that even EU pressure has failed to force prosecutors to act on numerous cases submitted by the council.

The ruling coalition’s push in 2011 to fast-track amendments to the Public Procurement Law also raises doubts about the sincerity of its anticorruption efforts. The amendments, adopted during a teleconference on 30 December, will make the Procurement Administration part of the Ministry of Finance, undermining its current independence. Since October 2000, the Law on Public Procurement has been changed three times in the name of anticorruption work, always following a change in government. In a letter to Prime Minister Cvetković on 30 September, Vincent Deger, chief of the EU Mission to Serbia, warned against the adoption of the new procurement law—especially at such speed and just months before the 2012 elections. Deger cautioned that the law and its timing might lead to “serious confusion” and a “legal vacuum” in this sphere.

Aleksandra Nenadović

Aleksandra Nenadović is a freelance journalist, based in Belgrade. Ms. Nenadović has reported about the breakup of the former Yugoslavia and its aftermath as well as developments in Southeastern Europe and the former Soviet Union.

1 “Parallel” governance structures are bodies and institutions operating within Kosovo that are under the de facto authority of the Serbian government as mandated by United Nations (UN) Resolution 1244.
Ibid.


18 B. Cvejić, “Procesuirano manje od 10 odsto slučajeva” [Less than 10 percent of cases processed], *Danas*, http://www.danas.rs/danas/hr/naslov/pretraga?novost_id=22574.


