

Major reports and initiatives regarding the system corruption phenomena submitted by the Anti-Corruption Council to the Government and to the prosecutor's office

Report on Sugar Exports to EU Countries

- **The first part of the Report was submitted to the Government on 18 November 2003, and to the Public Prosecutor's Office two days later**

In 2001 the European Union allowed Serbia to export sugar produced in Serbia to the EU market under preferential arrangements. As the European Anti-Fraud Office (OLAF) could not establish if there had been any abuse of the preferential status because of the lack of control of the origin of goods from Serbia, at the beginning of 2003 the EU imposed a ban on sugar exports from Serbia. Having analyzed the data on sugar exports to the EU in the period 2001-2003, the Anti-Corruption Council established that a quantity between 100 and 300 thousand tons of sugar was consumed and exported per year, a quantity that could not be covered either by production or legal imports. The Anti-Corruption Council recommended the Government to establish who was responsible for the drastic import of the goods to Serbia without customs control.

- **The second part of the Report was submitted to the Government on 9 March 2004**

The continued analysis considered the abuses of the preferential status for sugar exports to the EU countries and the measures taken by the Government in order to conceal them, as well as an analysis of the consequences of the cases of such abuse for the sugar industry in Serbia and the privatization of sugar plants.

- **The third part of the Report was submitted to the Government on 15 April 2005**

The analysis of the measures taken by the Government in order to throw light on the *sugar scandals*, and for the recovery of the Serbian sugar industry from the consequences of the enormous smuggling and EU ban on sugar export. The Anti-Corruption Council has concluded that the Government activities actually contributed to further cover-up of the *sugar scandal*, and that the sugar industry in Serbia has not substantially recovered after the EU ban had been lifted because no procedures were initiated for the establishment of the responsibility for the smuggling which resulted in the ban, and that the way of the privatization of the sugar industry in Serbia resulted in the destruction of the two largest sugar plants, the ones in Belgrade and Zrenjanin.

- ***The Directorate for Combating Organized Crime (UBPOK) investigated the export of sugar to EU countries. The UBPOK's Report coincided with the conclusions of the Anti-Corruption Council, but no further investigation procedure was conducted. On 22 June 2004 the European Union re-established the preferential treatment for import of sugar from Serbia, under the condition that Serbia complete the investigation within the following three months and punish those who were responsible for the imposition***

of the ban. In spite of the fact that the UBPOK stated in its report numerous unlawful actions, no criminal proceedings were initiated because of the abuse of the preferential status. The Anti-Corruption Council never received any feedback from the Prosecutor's Office in connection with the Report on Sugar Exports. The Republic of Serbia compensated damages to the European companies which sustained damages because of the abuse of the preferential export status, but the responsible state authorities never initiated any refund claims against the Serbian companies involved in the abuse.

Report on the Policy and Process of Privatization

- **Submitted to the Government on 25 December 2003; two supplements with examples of suspicion of corruption in the acting of the Agency in concrete cases submitted to the Government on 18 February and 2 March 2004**

This was an analysis of the regulations and a number of dozens of individual cases with suspicion of corruption in the actions of the Serbian Privatization Agency and the Shares Fund. The Anti-Corruption Council has concluded that the privatization was fully taken out of the wider context of the institutional and economic reforms, and that imprecise provisions created great possibilities for corruption in the privatization process. The Anti-Corruption Council pointed out in the supplement to the Report that the Serbian Privatization Agency director, MirkoCvetkovic, was at the same the managing director of the Consultation Company CES MECON, which was frequently engaged by the Agency to assess the value of companies in the privatization process, and that the deputy director of the Serbian Privatization Agency was ZvonimirNikezic, son of DusanNikezic who was the owner of the CES MECON. The Government replied to the Anti-Corruption Council that such relations between the Serbian Privatization Agency and consultation companies were possible because there was no law preventing the conflict of interest in Serbia at the time.

Report on the Bankruptcy of Sartid

- **Submitted to the Government on 10 May 2004, and to the Republic Public Prosecutor's Office on 17 May 2004**

In the sale of *Sartid* including five subsidiaries which was in bankruptcy, the Commercial Court actually realized the agreement between the Minister for Privatization, AleksandarVlahovic, and the privileged buyer, by drastic violation of the creditors' rights and at the expense of the state. The way how it was sold casts suspicion of corruption involving the highest executive and judicial authorities. The bankruptcy of *Sartid* showed all the weakness of the judicial power in Serbia in relation with the executive power.

The statements from the Report on the Bankruptcy of Sartid were investigated by the UBPOK, the case has never been tried before a court.

Report on *Jugoremedija*

- **Submitted to the Government on 16 September 2004, and to the Republic Public Prosecutor's Office on 3 February 2005**

The Shares Fund sold 42% of the shares of the pharmaceutical factory *Jugoremedija* to JovicaStefanovic, who was on the Interpol Wanted List at the time. The Shares Fund obliged the buyer by the Sales Agreement to increase the capital of the factory, which it actually enabled him to become the majority owner. The small shareholders, who owned 58% of the shares, were against the increase of the capital, which resulted in scuffles between that small shareholders and Stefanovic's security staff, where the state authorities responded by sending gendarmerie units to help the private security staff and expel the small shareholders from the factory.

Report on the *Veterinary Institute*

- **Submitted to the Government on 20 September 2004, and to the Republic Public Prosecutor's Office on 3 February 2005**

On 28 May 2004 the Supreme Court repealed the Decision of the Ministry of Justice according to which the *Veterinary Institute* was sold to the Consortium *Zekstra-Bankom* and instructed the Ministry to eliminate, in renewed proceedings, the omissions stated in the objection of the other bidder, the Consortium of the Employees, and issue another decision following the legal opinions and the remarks of the Court. Instead of acting according to the instructions of the Court, the Ministry copied the repealed decision in the renewed proceedings and concluded a sales agreement with *Zekstra*.

Initiative for Prevention of the Sale of Office Premises of the Former Payments Operations Service (ZOP)

- **Submitted to the Government on 1 December 2004**

The Anti-Corruption Council recommended the Prime Minister to stop the sale of the office premises of the Payment Operations Service, which had been used free of charge by the private bank *Nacionalnastedionica (National Savings Bank)* according to the contract concluded by the then governor of the National Bank of Yugoslavia (NBY), MladjanDinkic. The Tender advertisement allowed only eight days for the submission of bids. The usual period for submission of such bids is 60 days, and only someone for whom this Tender had been prepared could prepare and submit a bid within such a short time, and it was the private bank *Nacionalnastedionica (National Savings Bank)*.

Report on *Nacionalnastedionica (National Savings Bank)*

- **Submitted to the Government on 7 December 2004, and to the Republic Public Prosecutor's Office on 3 February 2005**

Mladjan Dinkic, the NBY governor, enabled *Nacionalnastedionica* (*National Savings Bank*), a private bank, controlled by Vuk Hamovic and Vojin Lazarevic, to use the equipment and office premises of the former Payment Operations Service (ZOP) free of charge, and awarded it, without a tender, the work of paying out a great part of the old hard currency savings and other privileges. At the same time the NBY failed to find out that related persons acquired the controlling interest in *Nacionalnastedionica* (*National Savings Bank*), and that in one day a significant amount of hard currency was transferred from Vienna, Moscow and Belgrade on the basis of a fictitious transaction and eventually this transaction was used for the purchase of the shares of the Bank.

The statements from the Report were investigated by the UBPOK, but the case has never been brought to the court.

Report on Mobtel

- **Submitted to the Government and to the Republic Public Prosecutor's Office on 6 April 2005**

The Anti-Corruption Council analyzed the most significant aspects of the foundation of the company, investment of the equity capital, issue of the work permit, conclusion of the Annex to the Company Foundation Agreement, as well as the business operation problems and profit distribution. Among other things it was recommended to the Government to set aside its Conclusion of 24 June 2004 as the key role in its preparation was played by a person who was deposed from the position of assistant minister because of conflict of interest.

Initiative for Restoration of Legal State at the Company *Keramika* from Kanjiza

- **Submitted to the Government on 12 August 2005**

The Anti-Corruption Council pointed out to the behaviour of the police, which for the sixth time obstructed the enforcement of the court Decision and the introduction of the majority owners and legal bodies of *Keramika* into the Company, indicated possible corruption, and that this case clearly showed that non-compliance with the law and the contract jeopardized the basic civil rights in Serbia, the safety of contracts and private property. The court decisions were not enforced in *Keramika* because of the failure of the police to act, which allowed the persistence of an illegal situation at the Factory – the minority owner and the illegal management, who occupied *Keramika* by force, are still in the Company.

Letter to the Prime Minister in Connection with the Memorandum of Understanding, the Secret Agreement on the Basis of Which the Retail Chain *C-Market* Was Taken Over

- **Submitted to the Government on 20 August 2007**

The Anti-Corruption Council received from the *C-Market* small shareholders the Memorandum of Understanding, a document signed by the participants in the takeover of this Company, the tycoons, Miroslav Miskovic, Milan Beko and the then director of the Company, Slobodan Radulovic, at the meeting organized by the director of the *EKI Investment*, Danko Djunic, following the initiative of the Prime Minister, Vojislav Kostunica. The subject of the Memorandum was fixing the prices of the *C-Market* shares and market division. The Anti-Corruption Council made a request to the Government to confirm the authenticity of the Memorandum.

Report on *C-Market*

- **Submitted to the Government and to the Republic and to the Public Prosecutor's Office on 1 October 2007**

The Anti-Corruption Council recommended the Government to amend the legal regulations on protection of competition in order to prevent the formation of a monopoly again as it was formed when *Delta* took over *C-Market*. As to the *C-Market* scandal, the Anti-Corruption Council considered that, besides the establishment of all the facts and informing the responsible authorities and the public about it, the Government was to establish political responsibilities of the persons involved in the actions devoid from the European behaviour rules which protect competition in the market.

On 15 November 2007 the Special Prosecutor's Office for Organized Crime delivered information on proceedings conducted at the Special Department of the District Court of Belgrade against the so-called Bankruptcy Mafia for abuse in business operation of C-Market. Nevertheless, the indictment against the bankruptcy mafia did not include the takeover of the shares or the Memorandum, and out all the Memorandum signatories only Slobodan Radulovic was charged, and only for acts by which he caused damages to the other participants of the secret cartel agreement.

Report on the Horgosh-Pozega Highway

- **Submitted to the Government and to the Republic Public Prosecutor's Office in 2007**

An analysis of the awarding of the concession for financing, design, building, exploitation and maintenance of the Horgosh-Pozega highway showed that this was an example how politicians and the executive power in Serbia use public goods for achieving their party interests, which is reflected in the fact that the public road is built to the portfolio minister's constituency, in spite of the fact that its final destination does not have a major economic, financial or social significance for the general interest of the Republic of Serbia, while the completion of Corridor 10 is a strategic priority of the country. The Anti-Corruption Council also assessed that the technical Government acted beyond its mandate powers by the conclusion of the Concession Contract, which is an explicit example of political corruption.

Report on Concentration of Ownership in the Company *Luka Beograd*

- **Submitted to the Government on 19 February, and to the Republic Public Prosecutor's Office on 11 March 2008**

The shares of *Luka Beograd* were sold in 2005 to the phantom company *Worldfin*. Same is in the case of *C-Market*, it is obvious that the shares were bought for a hidden buyer. The management and supervisory bodies of *Luka Beograd (Belgrade Port)* knew that a new assessment of the value of *Luka Beograd* was being made. However, the Shares Fund accepted the *Worldfin's* bid and thus lured the small shareholders to sell their shares too. In this way *Worldfin* acquired the majority ownership over *Luka Beograd* and over 220 hectares of land in the central city zone at a price two times lower than its real value.

Report on *Sinvoz*

- **Submitted to the Government and to the Republic Public Prosecutor's Office in 2008**

The Serbian Privatization Agency allowed the owner to deliberately force the factory into bankruptcy, and leave more than one thousand shareholders without their property and cause that about 700 workers lose their job. Only after the opening of the bankruptcy procedure the Agency found that the Contract had been violated and initiated the procedure for the termination of the Contract. After the termination of the Contract the Shares Fund refused to appoint a temporary representative for the state-owned capital, so that no one represented the rights of the state. The deposed owner took over the control of the factory through its reorganization, as his companies appeared in the bankruptcy procedure as the major *Sinvoz* creditors.

On 5 February 2009 the Republic Public Prosecutor's Office replied to the Anti-Corruption Council that the Report with the exhibits had been delivered to the First Municipal Public Prosecutor's Office in Belgrade in order to conduct the proceedings on the basis of it, as well as on the basis of the Criminal Complaint against the responsible persons of the Agency because of negligence at work and against the Sinvoz owner because of forcing the company into bankruptcy. As, in the meantime, we did not receive any information on further actions, on 9 February 2001 we requested to be informed on the status of the case. In the reply of 21 February 2001 it was stated that the Criminal Complaint had been rejected back in October 2009.

Report on the Privatization of the Company *ZastavaElektro*

- **Submitted to the Government on 14 September 2009; Supplement to the Report was submitted on 16 September**

The Report pointed out the failures of the Serbian Privatization Agency in the control of the implementation of the Privatization Contract concluded in 2006 with RankoDejanovic, husband of the Serbian Parliament Speaker, SlavicaDjukicDejanovic. Besides the violation of the Contract in the part related to the obligatory investments, the documentation analyzed by the Anti-Corruption Council showed misapplication of the funds granted to *Zastavaelektro* by the Development Fund.

In the Supplement to the Report the Anti-Corruption Council pointed out an attempt of hushing up of the violations of the law and the Privatization Contract where Dejanovic donated his shares in *Zastavaelektro*, avoiding thus the control of the execution of the Contract and the establishment of the responsibility for destroying the company.

Report on Privatization of *Trudbenikgradnja*

- **Submitted to the Government on 29 October 2009; Supplement to the Report submitted on 20 January 2010**

The Report points out to serious failures of the Serbian Privatization Agency and the Ministry of Economy in the control of the implementation of the Contract for sale of one of the largest construction companies in former Yugoslavia, *Montera*. *Montera* is owned by DraganKopcalic, a high official of the Democratic Party until recently. After the Report had been submitted to the Government, the Privatization Agency conducted a control of the execution of the Contract at *Trudbenik*. The Agency's Report of 26 November confirmed that Council's statements, but in spite of the findings of drastic violations of the Contract by *Montera*, the Agency refused to terminate the Contract.

The Agency did not terminate the Sales Contract, and on 8 July 2010 the Government adopted a programme of measures how to solve the status of Trudbenik's former and present employees. In spite of the fact that Trudbenik is 100% a private company, the Government paid to the discharged employees, within a social programme, more than Eur 1.2 million from the public funds in order to stop their protests and hush up the violation of the law in the privatization of this company.

Criminal Complaint Submitted Against 17 Persons Because of Abuse in the Takeover of *Luka Beograd* (Belgrade Port)

- **Submitted to the Public Prosecutor's Office on 14 May 2010**

The Anti-Corruption Council has continued to follow up the case of *Luka Beograd* as a drastic example of the system corruption and betrayal of the public interest for the interest of powerful individuals. The Criminal Complaint is a part of the Council's effort to help the institutions responsible for punishing corruption and support their efforts to act in accordance with the law without any fear from the powerful individuals. The Complaint was submitted against the former Minister of Economy, PredragBubalo, the businessman Milan Beko, the chairman of the Securities Commission, MilkoStimac, and

the members of this Commission, the director and the executive director of the Serbian Privatization Agency, Miodrag Djordjevic and Goran Mrdja, the Shares Fund director, Aleksandar Gracanac, the chairman and deputy chairman and the members of the Management Board of *Luka Beograd*, Vladeta Blagojevic, Mirko Vasiljevic and Dusan Kosovac and the chairman and members of the Supervisory Board.

The Anti-Corruption Council requested information on the status of this Criminal Complaint, but it has not received any reply. The spokesperson of the Higher Prosecutor's Office stated in the media that the case is in the pre-trial procedure.

Report on Privatization of the Publishing Company *Prosveta*

- **Submitted to the Government on 27 July 2010**

The Anti-Corruption Council pointed out to the violation of the law and Contract for the privatization of the biggest publishing company in the Balkans by the Buyer and the Serbian Privatization Agency. The Council found that the Buyer not only failed to fulfill his contractual obligations for which the Serbian Privatization Agency allowed him more extra deadlines than foreseen by the law, but in the meantime he sold a part of the property of *Prosveta* and held the money for himself. Consequently, as a result of all this, the employees of *Prosveta*, who have been pushed to the brink of existence, stopped the work on 20 January 2010 and remained in strike more than nine months.

The Contract with the Buyer of Prosveta was terminated on 15 September 2010, and the company restructuring procedure was initiated. The Serbian Privatization Agency did not take any action against the Buyer in connection with his disposal of the property of Prosveta.

Initiative in Connection with the Privatization of *Tehnohemija*

- **Submitted to the Government on 15 September 2010**

The Serbian Privatization Agency terminated the Contract with the Buyer of *Tehnohemija* in spite of the fact that he had fulfilled all the contractual obligations, paid five and half out of six installments of the sales price and invested 60 million Dinars, which is two times more than foreseen by the Contract. All this was first confirmed by the Agency itself, but it terminated the Contract later on. The Anti-Corruption Council pointed out to the Government that most of the buildings belonging to *Tehnohemija* are located in the area covered by the amendments to the General Urban Plan (GUP) of Belgrade by which the use of a part of the land was changed in *Luka Beograd*, whereby the owners of *Luka Beograd* were enabled to build residential-office buildings there. In order to realize their plans, the owners of *Luka Beograd* are trying to come into possession of the land belonging to *Tehnohemija* and to other companies in the mentioned area. The Council recommended the Government to investigate, in light of

these facts, the suspected corruption in the actions of the Privatization Agency towards *Tehnohemija*.

Report on *Srbolek*

- **Submitted to the Government on 25 October 2010**

In 2007 the Securities Commission found out that the companies owned by JovicaStefanovic took control over the Pharmaceutical Factory *Srbolek* without submitting a bid for the takeover of its shares and ordered him to sell the shares or submit a bid. Stefanovic fulfilled this order formally, but he maintained the actual control over *Srbolek*. In spite of the fact that the other shareholders filed a criminal complaint against Stefanovic and his management because of this fraudulent transaction and unlawful business operation of Company's management, the Prosecutor's Office did not act according to their Complaint so that Stefanovic continued taking decisions detrimental for the Company, its other shareholders and the Republic of Serbia.

JovicaStefanovic and the Srbolek director, MladenLucic were arrested on 8 November 2010 on the basis of the Criminal Complaint filed against them by the Tax Administration, as well as because of the suspicion of abuse in the business operation of Srbolek. Srbolek pre-bankruptcy procedure was initiated as a consequence of the years-long harmful business operation of Stefanovic's management.

Initiative for the Government to Ensure Transparency and Lawfulness in the Sale of *Telekom* and for the President of the Republic in Connection with the Announced sale of *Telekom*

- **Two initiatives in connection with the sale of Telekom were submitted to the Government on 20 October and 29 November 2010**

In its letter of 20 October the Anti-Corruption Council pointed out that the Government must follow the procedure and ensure the transparency in the sale of *Telekom* and indicated the fact that for months the Government had been ignoring the recommendations of the professional public how to liberalize the market of telecommunication services without selling the dominant operator. The Council also pointed out that a serious consequence of the sale of *Telekom* at this moment would be a low price because of the negative influence of the crises on the demand.

In another letter to the Government the Council warned of possible unlawful actions in the sale of *Telekom*, pointing out, on the basis of the procedure conducted so far, that it is not clear what the subject of the sale of *Telekom* is, and whether the Government is, by selling the 51% of the shares of the Company, also selling the telecommunication infrastructure. If the infrastructure were the subject of the sale, which would be contrary to the applicable laws according to which goods of general public interest cannot be

traded. The Anti-Corruption Council addressed also the President of the Republic in connection with the sale of *Telekom* with a letter of 3 December of the same year.

Report on the Laying of Optical Cables Throughout Serbia, Entrusted to the Company *Nuba Invest*

- **The Report was submitted to the Government of Serbia on 25 November 2010**

The permit for the installation of the optical cable was issued to the company *Nuba invest d.o.o.* from Belgrade by the Ministry of Environment and Spatial Planning in an unlawful procedure, contrary to the provisions of the Law on Planning and Construction and the Law on Telecommunications. In this procedure no public auction was organized, and it is unusual that, beside numerous operators with a year-long experience, this work was awarded to a newly-founded company which had not been in the telecommunication business before, nor had the Ratel (Telecommunication Agency) licence. According to the data of the Business Registers Agency, the Slovenian *Nuba* registered its company in Serbia on 10 April 2009, only a few months before it was awarded the first location permit for the work of laying optical cables. It is important to say that Croatian media wrote that the owner of *Nuba invest* is a years-long friend of the portfolio minister Oliver Dulic, which was not denied by him. If this information is true, it would certainly indicate the possibility of a conflict of interest and possible gross corruption.

The Government of Serbia, which had not responded to the reports of the Anti-Corruption Council since 2005, this time forwarded the reply of the Ministry for Environment and Spatial Planning within a very short time, on 19 January 2011, where it was stated, among other things, that the Ministry fully acted in accordance with the law and that, after the examination of the documentation, the Republic Public Prosecutor's Office gave the same opinion.

After that, the Council requested from the Republic Public Prosecutor's Office, on two occasions (01.02.11 and 11.03.11), to deliver the report on the actions conducted and the documentation on the basis of which the Prosecutor's Office made such a conclusion. It is clear from the letter sent to the Council on 22 March 2011 that the Prosecutor's Office gave the opinion on the basis of incomplete documentation. At the same time we would like to point out that the Prosecutor's Office is an independent state authority which prosecutes perpetrators of criminal acts and, therefore, it may not give any preliminary opinions without the initial act in particular cases whether something is lawful or not, as it will in this way make a preliminary decision on something that later on may become the subject to prosecution.

Analysis of the Application of Anti-Monopoly Regulations from 2006 to 2010 and the Problems in the Work of the Commission for Protection of Competition

- **The Analysis was submitted to the Government on 15 December 2010**

The Council's Analysis points out to serious failures in curbing monopoly which resulted in major market disruptions, which was particularly manifested through shortages of essential products. The Council has specially pointed out that the policy pursued by the Government in this area has rendered the consequence that the work of the Commission for Protection of Competition and the decisions it has issued have not contributed to the curbing of monopoly because the Commission was not given the powers accordance to the good EU practice. Therefore, it is necessary that the Government fully implement the anti-monopoly measures in compliance with the recommendations of the European Commission, and thereby eliminate all the obstacles to the work of this anti-monopoly institution, protect the citizens from the consequences of monopolies and make improvements as regards the requirements for the admission to the European Union.

Letter to the President of the Republic on Problems of Corruption Encountered by Foreign Investors in Serbia

- **The Letter was sent to the President on 30 December 2010**

In accordance with the agreement reached at the conference held on 9 December on the occasion of the International Anti-Corruption Day, where the President stated that foreign investors had never addressed him with complaints that corruption posed an obstacle for them to invest in Serbia, the Council sent to the President Information on some cases showing that corruption was a key problem because of which foreign investors did not invest in Serbia, including the cases of the privatization of the sugar plants, the Travel Agency *Putnik*, *Knjaz Milos*, *C-market*, *NIP Novosti*, *Sinvoz*, as well as the cases of the companies (*Tehnohemija* and *Brif*) which were prevented to invest because of the interests of the owners of *Luka Beograd*.

Report on the Conversion of the Right to Use into the Ownership Right over 16 hectares of Land in New Belgrade in Favour of the Company *DelReal* Free of Charge

- On 14 March 2011 the Council informed the public that the conversion of the right to use the building land into the ownership right as specified by the applicable law is one of the most typical examples of the collusion of the big business and the executive power, which creates, through the law, conditions for the systemic corruption. The Decision on the Conversion issued by the Secretariat for Property Rights of the Belgrade City Administration, by which the ownership right over the state-owned land was awarded to the company *DelReal 1* without the obligation to pay any compensation for it, was presented as an evident example. The subject of this conversion was 16 hectares of land on an attractive location, given as a gift to the company, which is presumed to belong to Miroslav Miskovic.

Report on Privatization of the Company *Novosti*

- **The Report was sent to the Governemnt on 17 May 2011**

In 2000 *Novosti* was a 100% socially-owned company. The process of ownership transformation was not initiated in it, nor did the Ministry responsible for privatization initiate this process after 2001. All relevant authorities were aware that the registration of the shareholding company with the Court Registry in 2002 was unlawful because no legally prescribed process of privatization was conducted. The Government of Serbia ordered the Ministry of Economy in 2006 to review its ownership structure, which the Ministry did not do. Had the review been made it would have been determined that the state-owned share in the total capital of *Novosti* was much higher than was registered, because the state-owned building on Kosovska Street was not included in the evaluation of the capital. No ownership structure of *Novosti* could have been determined without an assessment of this facility, and had the Ministry of Economy made it, the majority of the *Novosti* shares would have been sold by the Republic of Serbia. In that case, however, the sale of the shares would have been followed up by the public as privatization of state-owned capital for which the Ministry of Economy would have been responsible, and not as a private transaction between small shareholders and three unidentified foreign companies. This manner of sale actually led to the situation where the establishment of control over the biggest-selling daily newspaper in Serbia took place as if it was a transaction of no public interest. Decisions that were then made by the Securities Commission and the Commission for Protection of Competition enabled buyer to unlawfully control *Novosti* for nearly five years. The Council made a suggestion to the government to analyze how the group of people led by Manojlo Vukotic was allowed to register in relevant commercial registers changes that never happened, and to then realize his agreement with Milan Beko to sell the illegally obtained assets on the securities market, as well as to initiate the privatization of *Borba* Printing House which has been from 2002 under control of an interest group standing behind the unlawful privatization of *Novosti*. In a letter to the government, sent with The Report, the Council has made a suggestion to organize a meeting in which it would be reconsidered what can be done to remove the consequences of breaking the law during the privatization of *Novosti*, and to prevent the increasing of further damage to the state. The government's response has not arrived even two weeks later, and the Council submitted The Report to the media at a press conference on June 1st 2011.

In the same way the Prosecution has ignored the facts, documentation and analysis delivered to it by the Council, and it has also failed to prosecute a large number of complaints that have been filed by natural and legal persons in connection with the cases analyzed by the Council in its reports. We shall mention the Council's reports on *Jugoremedija* and the *National Savings Bank*, delivered to the Republican Public Prosecutor's Office on 3 February 2005, as typical examples. A part of the documentation and data that were subject to an analysis by the Council in the preparation of these reports is included in the criminal complaint that, on 17 February this year, the company *Genemp Trading Ltd.* submitted to the District Public Prosecutor of Belgrade against the then-senior officials of the Government and other state institutions, Mladjan Dinkic, Miroljub Labus, Vesna Dzinic, Dusan Lalic, Nikola Zivanovic, Mladen Spasic and Miro Jovic Eric, for crimes of abuse of office and money laundering. *Genemp Trading Ltd.* provided evidence to the Prosecution that these persons had discovered the facts about cash flow from Serbia to Cyprus in the nineties through Belgrade Bank (*Beogradskabanka*), but they made the return of

the money to Serbia impossible. At the request of the Council to provide information about the status of the criminal complaint, on 7 February 2011, six years after the filing of the criminal complaint by *Genemp Trading Ltd*, the Higher Public Prosecutor's Office of Belgrade informed the Council that the case is in the pre-trial investigation phase.

In addition to reports and criminal complaints of the Council, the small shareholders of *Luka Beograd* who sold their shares in the takeover procedure in 2005 also filed a criminal complaint to the District Public Prosecutor of Belgrade in February 2008 against the former director and members of the management and supervisory boards of *Luka Beograd*. The criminal charges were dropped. Furthermore, in November 2007 a group of 730 small shareholders of *Luka Beograd* initiated a civil action before the Commercial Court of Belgrade against *Luka Beograd* for damages caused to them in the takeover procedure. In December of the same year they sent a petition to the Republic Public Attorney for the initiation of proceedings by the prosecutor, claiming that the Republic of Serbia, as one of the sellers, was also damaged in the procedure of the takeover of the *Luka Beograd* shares. The Republic Attorney General refused this request, and on 29 October 2010 the Commercial Court dismissed the claim of the small shareholders. The claimants have appealed to the Commercial Court of Appeal.

The unlawful takeover of *Luka Beograd* and the plans of its present owners to close this company, in order to build a residential and commercial complex on its and the nearby land, have endangered not only the small shareholders and workers of *Luka Beograd*, but also the investors in the locations near the port area, whom the *Luka* owners are trying to drive away in various ways in order to realize their plans. Because of the pressure from *Luka Beograd* and the the unlawful actions of state authorities which act in favour of the plans of the new *Luka* owners, criminal complaints have been filed by the following investors:

- Investment Fund BRIEF TC from Luxembourg which, in an auction in 2004, won the right to lease 15 hectares of land in which the *Luka* owners are interested. BRIEF has not managed to realize the investment for which it leased the land seven years ago, and because of that, on 18 December 2009, it filed a criminal complaint to the Special Prosecutor's Office of the District Public Prosecutor's Office against Belgrade Mayor Dragan Djilas, five senior Belgrade officials and Milan Beko for criminal acts of office abuse and trading in influence. No action has been taken yet in connection with this criminal complaint.
- RistoGojkovic, who bought the company *Tehnohemija*, whose sales contract was abrogated by the Privatization Agency in spite of the fact that he had fulfilled all the contractual obligations. The land of this company is a part of the site where the *Luka* owners plan to build the residential-commercial complex *City on Water*. On 19 May 2010 RistoGojkovic filed a criminal complaint with the First Basic Public Prosecutor's Office of Belgrade against eight responsible officials of the Serbian Privatization Agency for the criminal act of the abuse of office, and on 18 November he filed a criminal complaint with the same Prosecutor's Office against the Director of the

Serbian Privatization Agency, VladislavCvetkovic. On 3 February 2011 RistoGojkovic was questioned at the First Section of the Criminal Police Administration of Belgrade on the basis of the Request for collection of necessary information of the First Basic Public Prosecutor's Office of Belgrade.

No cases covered by the Council's reports, or any of its criminal complaints have been prosecuted. A great number of criminal complaints delivered to the Council by citizens who submitted complaints because of suspected corruption, because the persons mentioned in these complaints enjoy the protection of the state authorities. Contrary to such complaints, criminal complaints and defamation lawsuits filed by persons mentioned in the Council's reports against the President of the Anti-Corruption Council are immediately processed.

Criminal Complaint because of unlawful privatization of the company *Novosti*

- The Criminal Complaint was submitted to the Higher Public Prosecutor's Office in Belgrade on 16 June 2011

As no response regarding the privatization of the company *Novosti* was received from the Government of Serbia, in order to help the Prosecutor's Office in its work on cases of dominant systemic corruption, the Council filed a criminal complaint against seven persons for grounded suspicion that they had committed criminal acts of the abuse of the office, fraud, fabrication of a public document and collusion to commit criminal acts. The persons covered by this criminal complaint are suspected of unlawful registration of the joint stock company *NIP KompanijaNovostia.d.* with the Commercial Court Register in 2002 and for violation of the law in the procedure of the takeover of shares in 2005 and 2006. The consequences of such unlawful actions have not been eliminated to date. .

The Council has worked carefully and for a long time on the collection and analyzing of documentation in connection with this case and during this work has discovered an astonishing number of unlawful wrongdoings in this procedure, which is a typical example of organized crime and corruption that has been going on for years.

As this is a distinct phenomenon of dominant systemic corruption and as the criminal complaint was supported with relevant evidence, we expected that the Prosecutor's Office would soon initiate proceedings and inform the public about it. However, even though two and a half months have passed and we have received no information about the status of this criminal complaint.

Report on harmful transactions for the Pancevo Nitrogen Fertilizer Factory

- The Report was delivered to the Government of Serbia on 23 June 2011

The Anti-Corruption Council delivered to the Government of Serbia the Report on Harmful Transactions that could cause damage to the Pancevo Nitrogen Fertilizer Factory exceeding 17m euros. The harmful deals were contracted on behalf of the Pancevo Nitrogen Fertilizer Factory

by the temporary representative of the capital Radosav Vujacic. It is stated in the Report delivered to the Government that Vujacic, who is at the same time deputy to Dusan Bajatovic, the director general of the state-owned company *Srbijagas*, concluded contracts, in which *Srbijagas* itself appears as a guarantor, whose biggest debtor is the Pancevo Nitrogen Fertilizer Factory. In this detailed Report based on facts from the collected documentation, we have indicated the conclusion of the so-called asymmetric contracts signed at the expense of one party, in this case the Pancevo Nitrogen Fertilizer Factory, but also at the expense of the Directorate for Commodity Reserves, which is a typical example of systemic corruption in state-owned companies. Because of that the Anti-Corruption Council called the Government of Serbia and other competent institutions to conduct a revision of the disputable contracts, the total business operation of HIP Azotara Pancevo and establish the responsibility of the temporary representative of the capital Radosav Vujacic, the state-owned company *Srbijagas*, and that the Government of Serbia and other competent institutions investigate, within their powers, the work of the Serbian Privatization Agency and method of its work as there are numerous indications that this institution does not carry out its obligations in accordance with the law.

The Council is still waiting for a response by the Government, same as in the previous cases.

Letter to the Government of the Republic of Serbia in connection with the pressure of the executive power on the Jugoremedija

Submitted to the Government on 27 July 2011

The Anti-Corruption Council addressed to the Government in connection with the continuous pressure of the executive power exerted on the Zrenjanin pharmaceutical factory *Jugoremedija*, with the aim of removing from the office the management elected by the votes of its majority private owners, so that the Ministry of Economy could install its own management in this company, where the state is a minority shareholder, and a shareholder without the voting right to elect management members. The worrying conclusion can be inferred from the actions of the Ministry of Economy and the Ministry of Interior at *Jugoremedija* that in case of companies where the state is a co-owner, its representatives abuse the fact that they are at the same time a part of the executive power, using their position to exert pressure on private owners. At *Jugoremedija* such pressure has gone so far that business decisions made at the Shareholders' Meetings and the Management Board in accordance with the law have become the subject of a constant police investigation. At the same time, this investigation does not cover all the members of the management bodies where such decisions were made; rather, they are exclusively directed at prominent business officials, which paralyzes the business operation of the company and discredits its business reputation to such an extent that it jeopardizes its survival. Therefore, it is very important that the Government establish the background of this constant pressure, because it is the only way to remove doubts about its involvement.

The anti-Corruption Council has not received any reply.

Report on Pressure on and Control of Media in Serbia

- **The Report was submitted to the Government of Serbia on 29 August 2011**

On the basis of an analysis of extensive documentation the Anti-Corruption Council has prepared the Report on Pressure on and Control of Media in Serbia. The Council has worked on this report for a long time in order to present to the public as many quality data as possible that would precisely indicate the core of the problem in this area. The Council has gathered data on the basis of which it can be concluded that the media in Serbia are exposed to strong political pressure and, therefore, a full control has been established over them. There is no more a medium from which the public can get complete and objective information because, under a strong pressure from political circles, the media remain silent regarding certain events or report on them selectively and partially.

As the media freedom in Serbia has been jeopardized, and as there is no fight against corruption without free media, the Anti-Corruption Council has requested over the previous months documentation from the 50 most significant government bodies in Serbia related to all forms of cooperation with media, public-relations agencies, marketing agencies, production companies and other media subjects in the period from January 2008 until the end of June 2010 in order to find out the methods how the state bodies exercise their influence on the media. The analysis covered all the ministries of the Government of the Republic of Serbia, certain state-owned Republic companies, some city utility companies, agencies and other government bodies. The Council has also analyzed the formal ownership structure of the largest media in Serbia.

On the basis of an analysis of extensive documentation, the Anti-Corruption Council has noted three major problems with the media:

non-transparency of the media ownership; economic influence of state institutions on the work of media through different types of budget payments; the problem of RTS, which, instead of being a public service, has the role of the service to political parties and the ruling elites, and the consequence of all this is that the media are closed for numerous problems encountered in Serbia, including the problem of corruption.

Besides delivering the Report on Pressure on and Control of Media in Serbia to the Government of Serbia, the Council has also delivered it, together with a recommendation of required measures, to all the institutions, societies and associations dealing with media, in order to open a general debate about it, because no quality democratic progress or efficient fight against corruption can be made in Serbia without the answer to the question who and in what way controls the media.

The Anti-Corruption Council submitted recommendations proposed in the Report to the Ministry of Culture, Media and Information Society and that was our contribution to the public debate on the Draft Strategy for development public information system in Republic of Serbia until 2016.