

Nations in Transit 2006
Serbia and Montenegro

SERBIA

For 2006 ratings, see Serbia and Montenegro ratings page.

EXECUTIVE SUMMARY

Serbia's democratic transformation began much later than that of most other post-Communist countries, with the fall of the Slobodan Milosevic regime in October 2000. Democratization slowly resulted from elections won by the opposition and massive protests that forced the regime to accept the results. It was also a negotiated transition, with some members of the old regime supporting the opposition for the price of political protection. The legacy of the populist and nationalist Milosevic regime left deep ruts that continue to block transformation. The status of Kosovo, formally a province of Serbia but under international administration since 1999, allows nationalist mobilization and distracts from democratic reforms. The State Union, established by Serbia and Montenegro in 2003 under European Union (EU) mediation, succeeded the Federal Republic of Yugoslavia, which had de facto ceased to function. The State Union is also dysfunctional as a result of the different policy priorities of the two member states and strong support for independence by the Montenegrin authorities. Serbia has transformed itself dramatically since 2000, but economic interest groups formerly associated with the Milosevic regime, an insufficiently reformed security sector, and a lack of broad reforms based on political consensus continue to present obstacles to the state's democratic consolidation.

In 2005, against most expectations, the minority government of Vojislav Kostunica held on to power. While relying on the support of the Socialist Party of Serbia, still formally led by Slobodan Milosevic, the government has been able to push a series of reformist laws through the Parliament. Concessions to the Socialist Party appear mostly to protect party members from criminal prosecution. Probably the most significant development in 2005 was the "voluntary" surrender of more than a dozen indicted war criminals to the International Criminal Tribunal for the Former Yugoslavia (ICTY). These negotiated actions were problematic, as the government treated the indicted as heroes, yet they constitute great progress in bringing indicted war criminals to court. In an important step toward EU integration, the European Commission invited Serbia and Montenegro to begin negotiations for a Stabilization and Association Agreement in October 2005, following a positive feasibility study issued earlier in 2005.

National Democratic Government. Serbia's constitutional environment remains problematic, with the dysfunctional State Union—whose charter is frequently broken by both member states and the authoritarian Serbian Constitution of 1990—still in effect without any clear prospect for change.

Few State Union institutions work effectively. The Parliament met only for ten sessions on altogether seven days in 2005, with sessions of the Council of Ministers similarly rare and the Court of Serbia and Montenegro, operating after a two-year delay, working with administrative support out of Belgrade rather than Podgorica as originally planned. The army lacks effective parliamentary oversight. In Serbia, the government has been weak and forced

to negotiate laws with the Socialist Party of Serbia. The cohabitation of President Boris Tadic of the Democratic Party and Vojislav Kostunica of the Democratic Party of Serbia has also been difficult owing to a lack of previous cohabitation experience in Serbia and burdened relations between the parties. The Radical Party remains the strongest party according to opinion polls. *As the constitutional charter remains largely a legal fiction and no new Serbian Constitution has been passed, no improvement is detectable. The Radical Party, which has strong populist, nationalist, and authoritarian traits, continues to be strong and shows no substantial signs of moderating. Thus, the rating remains at 4.00.*

Electoral Process. No major national elections were held in 2005. Elections for the State Union Parliament planned for March 2005 were postponed owing to Montenegro's opposition and will only be held in conjunction with the next parliamentary elections in either Serbia or Montenegro, if at all. The legitimacy of the government and the Parliament in Serbia has been seriously undermined by a number of members of Parliament (MPs) switching political parties. The current legislation prevents parties from expelling these MPs from the Parliament but opens the door to parties "buying" MPs or MPs blackmailing their party. *Owing to the attempts by parties to increase their number of deputies in the Parliament through potentially dubious means and the overall lack of progress to amend the constitutional charter and other framework for electoral process, Serbia's rating remains at 3.25.*

Civil Society. In 2005, the government proposed new legislation to regulate the work of nongovernmental organizations (NGOs). Although the law has some problems, it is considerably less restrictive than existing laws from the Socialist period. The introduction of the value-added tax (VAT), on the other hand, constitutes a financial burden on many NGOs, as only humanitarian aid is exempt. Relations between the government and NGOs have not improved significantly, although some ministries have been more willing to consider NGO advice. Some government members, MPs, and the head of the intelligence agency have attacked NGOs for their work and their supposed threat to national interest. Furthermore, sensationalist media and nationalist groups frequently attack NGOs. *Government, media, and society remain hostile to civil society, which came under heavy attack in 2005. The initiative to amend NGO legislation constitutes a positive step. The law was not passed by year's end, but results may be seen in 2006. Therefore, Serbia's rating for civil society remains at 2.75.*

Independent Media. After years of a chaotic media sector, the government made more serious attempts to regulate electronic media in 2005. These include initiating the privatization (to be completed by 2007) of local and national media other than the public broadcaster, preparing the licensing of statewide private TV and radio (due in 2006), and the first steps toward transforming state-run Radio Television Serbia into a public broadcaster. These measures are tentative, and criticism over the composition of the main supervisory organ, the Broadcasting Council, remains strong. Another key reform passed in 2005 was the decriminalization of slander in the new criminal code. At the same time, hate speech is not prosecuted, despite existing laws and daily occurrences in the nationalist and sensationalist media. Although many institutions continue to withhold information and do not live up to their legal obligations under the Law on Freedom of Information, requests submitted from citizens and responses from institutions about monitoring the law may mark the beginning of a phase of improved implementation. *Serbia's independent media rating remains at 3.25, because even though the law decriminalizing slander was passed, a real change in policy remains to be seen, the beginning of reforms in the electronic media sector is tentative, and the response to last year's promising Law on Freedom of Information has been slow.*

Local Democratic Governance. In 2005, the weakness of the 2002 Law on Local Government became visible with the power struggle between municipal presidents and municipal assemblies in numerous municipalities, both elected democratically in 2004. The ensuing stalemate has led to paralysis in many municipalities, referendums on recalling mayors, and new municipal elections. Furthermore, Prime Minister Kostunica has rejected any additional steps toward decentralization prior to the enactment of a new Constitution. *The lack of progress in fiscal decentralization and the deadlock in municipalities following the 2004 elections maintain Serbia's rating for local democratic governance at 3.75.*

Judicial Framework and Independence. The EU feasibility study from April 2005 called the judiciary the main weakness in Serbia's transformation. Despite some legal reforms, including the legal framework for witness protection and a new criminal code, the appointment of judges and prosecutors remains susceptible to political pressure, and corruption is ever present. However, positive steps from 2005 included the national courts' increased cooperation with the ICTY by surrendering 16 indicted war criminals and rendering guilty verdicts in war crimes cases. Furthermore, trials concerning the assassination of former Serbian president Ivan Stambolic and the attempt on the life of Vuk Draskovic, former opposition leader and current minister of foreign affairs were concluded with guilty verdicts in 2005, suggesting that special courts are generally able to try such serious crimes. Nevertheless, the ICTY repeatedly noted the need for further cooperation regarding both the arrest of Ratko Mladic (former commander of the Bosnian Serb army and wanted for war crimes during the war in Bosnia-Herzegovina), and access to information for Serbia and Montenegro to fully cooperate with the tribunal. *Serbia's rating for judicial framework and independence remains at 4.25. Improved cooperation with the ICTY and domestic courts' handling of serious crimes indicate positive steps taken in 2005 that may yield results in 2006. The overall framework remains politicized and prone to corruption and misuse by organized crime.*

Corruption. Corruption remains a problem in Serbia, though 2005 brought some formal improvements through legislation, criminalizing some instances of corruption in the new criminal code, and ratification of the UN Convention Against Corruption. Furthermore, the Parliament approved a strategy against corruption that will result in action plans and a new anticorruption institution. At the same time, however, the government has made no visible efforts to combat corruption. No cases from previous years have been cleared, nor have new corruption scandals resulted in high-visibility legal cases. In particular, the government continues to ignore the work and investigations of the Council for the Fight Against Corruption. *Despite the absence of substantial real-life changes, Serbia's corruption rating improves from 5.00 to 4.75 owing to improvements in the legal framework.*

Outlook for 2006. The State Union of Serbia and Montenegro is fragile and may dissolve in 2006 with Montenegro's referendum on independence, expected in May. The possible independence of Montenegro is unlikely to result in a political crisis in Serbia. However, it will involve the government and ministries in negotiating the terms of the dissolution of the State Union and the restructuring of state institutions, in particular the army and the Ministry of Foreign Affairs. The advanced human rights protection afforded by the State Union's constitutional charter would have to be replaced by adequate protection in Serbia itself.

The other main territorial issue that will dominate 2006 is the status of Kosovo. The final status will be unlikely to resemble the demands of the Serbian authorities, which offered "less than independence and more than autonomy" and categorically excluded the option of independence. Consequently, there is a serious risk of setback for reforms in Serbia. Most

citizens prefer that Kosovo remain part of Serbia or the State Union, but there is widespread recognition that such an outcome might be unattainable.

Although the government lacks a minority and the governing parties have seen their popularity shrink, the opposition Serb Radical Party and the Democratic Party are unlikely to seek early elections as long as Kosovo's status remains unresolved. The status question and the question of a new Constitution, a perennial debate since 2000, are likely to overshadow other reform efforts. Significant developments can be expected in media restructuring and reform laws. Serbia (and/or Montenegro) seeks to conclude negotiations for a Stabilization and Association Agreement in 2006 to move closer toward EU integration. However, the rapid conclusion of these negotiations is partially contingent on the status of the State Union.

The growing pressure of the EU and other international organizations to arrest Ratko Mladic, together with Radovan Karadzic, the highest-ranking indicted war criminals still at large, will impact other reform efforts. In particular, continued negotiations on the Stabilization and Association Agreement are dependent on the arrest of Mladic. Domestically, the arrest is unlikely to destabilize the government or result in mass mobilization against democratic reforms.

MAIN REPORT

National Democratic Governance

2004	2005	2006
n/a	4.00	4.00

During 2005, there was little movement toward constitutional reform. The State Union of Serbia and Montenegro remained highly dysfunctional, while the outdated 1990 Serbian Constitution stayed in place. As Montenegrin authorities have shown little interest in the joint state, and Serbian authorities have made few efforts to accommodate Montenegrin interests, the State Union has not operated effectively since its establishment in 2003, and both member states have repeatedly broken the constitutional charter.

The constitutional charter, ratified in 2003, establishes weak institutions, with most competences concentrated on external relations. The State Union has a one-chamber Parliament composed of 126 deputies (91 from Serbia, 35 from Montenegro) elected indirectly by each state's Parliament. The State Union president is elected by the Parliament. The president, in turn, heads the five-member Council of Ministers, which consists of the ministers of foreign affairs, defense, and human and minority rights (all from Serbia) and the ministers of external economic relations and domestic economic relations (both from Montenegro).

The most important State Union institution, the army, remains beyond serious parliamentary control owing to the weakness of the State Union Parliament. The Ministry of Foreign Affairs has been somewhat more functional, even though ambassadors from Montenegro and Serbia have pursued diametrically opposed policies: Ambassadors from Montenegro frequently advocate the dissolution of the State Union, whereas ambassadors from Serbia have made Serbia's policy on Kosovo a priority and generally do not consider Montenegrin interests. The State Union Parliament met only 10 times in 2005, and the Serbian Parliament and its

Committee for Defense and Security are not competent to oversee the work of the army. Army reforms progressed slowly in 2005, including the closure of military courts, with cases transferred to civil courts on January 1, 2005.¹

Serbia's Constitution, adopted in 1990 under Slobodan Milosevic, establishes a semipresidential system with a directly elected president. The president is the supreme commander of the Serbian armed forces (which currently do not exist), has the right to dismiss the Parliament, enjoys various foreign policy prerogatives, and can be dismissed only by a referendum. The government is appointed by the 250-member unicameral Parliament. Because the president and the Parliament are not elected simultaneously, the odds of cohabitation are great. Although all major parties agree on the need for a new Constitution, changing it requires a two-thirds parliamentary majority and a subsequent referendum. Two draft Constitutions have been proposed by the government and president, yet neither departs fundamentally from the 1990 Constitution, and the process is currently stalled.

The Serbian government came to power following parliamentary elections in December 2003. It lacks an outright majority and relies on support from the Socialist Party of Serbia (SPS), formally (because he could not effectively govern the party from prison) headed by Slobodan Milosevic. The government is led by the conservative Democratic Party of Serbia (DSS) of Prime Minister Vojislav Kostunica and includes the small, liberal, market-oriented G17+ party of Deputy Prime Minister Miroljub Labus, the conservative Serbian Renewal Movement (SPO) of Foreign Minister Vuk Draskovic, and the conservative party New Serbia (NS). The division of the SPO into two competing groups has weakened the government, and the public approval rating for all government parties combined is less than 20 percent. Furthermore, the small Social Democratic Party (SDP), with three seats in the Parliament, left the government following its refusal to support a plan on the privatization of the state oil company in August 2005. The parliamentary majority of the government was secured by support from two Bosniak minority MPs from the Coalition for Sandzak.

The tendency of MPs to switch party allegiances has weakened the Parliament, adding to the instability of the political system. Between December 2003 and November 2005, 30 MPs left either their party or parliamentary group. Allegations suggest that bribes motivated some changes. In particular, the extra-parliamentary Movement Force of Serbia (PSS), led by the controversial tycoon Bogoljub Karic, has been accused of seeking access to the Parliament through such means.²

Although close governmental support enhanced the role of the Parliament and allowed MPs to have more impact on legislation, the level of parliamentary work in terms of both legislation and control of the executive has been poor. In particular, parliamentary oversight of the Security Information Agency (BIA) remains insufficient and problematic. The predecessor of BIA, the State Security (DB), was used by the Milosevic regime to control and murder political opponents and support the wars in Croatia, Bosnia, and Kosovo. Despite a name change, there is little to indicate any serious reform and agency purging. In December 2005, the BIA was accused of wiretapping MPs to identify those involved in an "Albanian lobby" supporting independence for Kosovo, an allegation the BIA denied.³ The director of the BIA similarly stated in July 2005 that the agency is monitoring the activities of some NGOs for their links abroad, a thinly veiled threat against human rights NGOs critical of the government.⁴

Elected president of Serbia in June 2004, Boris Tadic from the Democratic Party (DS) has oscillated between confrontation and cooperation with the government. Arguably, the

cohabitation between president and government has put an effective check on the executive; at the same time, it has also made decision making more complicated and resulted in a lack of clarity in some key state policy areas, especially regarding Kosovo. Tadic supported the participation of Kosovo Serbs in Kosovo elections in late 2004, whereas Kostunica opposed it—other divergent views emerged with the beginning of status talks in late 2005.

The People’s Bureau, established by the president in 2004, was intended as a stopgap for an ombudsman, but the institution lacked a legal mandate and has been a key tool in promoting the president. The bureau’s director, Dragan Djilas, has strong business interests in media and public relations, which makes him controversial. In September 2005, the Parliament passed the Law on the Ombudsman, formalizing the duties of this intercessory office created for citizens to turn to when all legal recourse has been exhausted.⁵ As of December 2005, no ombudsman had been named in Serbia; by contrast, Montenegro, Vojvodina, and Kosovo have had ombudsmen for several years.

The Law on Freedom of Information, passed by the Parliament in November 2004, is another milestone toward increasing government transparency and accountability. The law was welcomed by key NGOs, but implementation has been slow, as many state institutions were not aware either of the law or of the information they were obliged to make available. The Youth Initiative for Human Rights tested the implementation of the law by submitting 530 requests between December 2004 and April 2005, out of which it received only 259 answers (48.86 percent).⁶ In response, the Center for Free Elections and Democracy (CeSID), Transparency Serbia, and the Organization for Security and Cooperation in Europe (OSCE) have been conducting public awareness campaigns to encourage citizens and media to make use of the law.

Political and economic interests remain deeply intertwined with business tycoons, especially with respect to privatization and political parties interfering with the economy. The privatization of the state oil company and the sale of the National Savings Bank to the Greek Eurobank suggest continued influence of wealthy businessmen on political reforms.

Currently, the status of Kosovo poses a particular threat to Serbia, as the Serb Radical Party (SRS) has threatened “mayhem in the streets” and suggested that Kosovo be “occupied” if it should become independent. Additionally, small groups of skinheads and extremists have threatened violence and attacked minorities and political enemies. After a number of unresolved incidents against minorities in Vojvodina in 2004, stronger police enforcement and prosecution resulted in a sharp drop since late 2004.

Electoral Process

2004	2005	2006
3.50	3.25	3.25

Deep divisions among the reform-oriented parties and the continued strength of the extreme nationalist SRS continue to mar the Serbian party system. Currently, the state is governed by a coalition of the DSS, SPO, NS, and G17+, with strong opposition from the DS and the SRS. The DS and the governing parties share the goal of democratic reform and European integration but vary on the pace and degree. The strongest party in the Parliament and according to all opinion polls, however, remains the SRS, which is rhetorically committed to democracy but displays authoritarian traits and has subordinated European integration to extreme nationalism and social populism. The PSS similarly thrives on social populism while clearly pursuing the economic interests of its founder, business tycoon Bogoljub Karic.

In terms of support, surveys in 2005 indicate two strong parties, the DS and the SRS, each commanding a quarter to a third of voters, with the governing parties and the PSS together receiving the remaining support. This division indicates a slim majority for democratically oriented parties. Combined with repeated conflicts between Kostunica and President Tadic (although less than between the DS and the DSS earlier), these conditions make a broad coalition of democratic parties difficult to achieve and block the stabilization of the party system. In late 2005, the liberal democratic faction of the DS officially left the party and formed the Liberal Democratic Party (LDP) under the leadership of Cedomir Jovanovic, a former deputy prime minister and deputy president of the DS. The party has a strong pro-European orientation and supports a clear break with the past, but owing to its radical, reformist position, it is unlikely to enjoy broad support.

With the election of Boris Tadic in June 2004, all key offices in Serbia were filled with democratically elected officials. After a decade of massive electoral fraud, heavy-handed intervention against political opponents, and limited freedom of the media during the 1990s, elections since 2000 have been free and fair, with few (if any) irregularities. Serbia has faced frequent elections since 2000, including six ballots for the Serbian president from 2002 to 2004 alone—the first four attempts failed because of low turnout. After a string of national elections, the only polls in 2005 were municipal elections.

The key event in terms of electoral process was an election that did not take place. The mandate of indirectly elected deputies to the State Union was to expire in March 2005, two years after the creation of the State Union, paving the way for direct elections. The Montenegrin government's refusal to enact a law on electing MPs to the State Union Parliament made such elections impossible and led to negotiations between Serbia and Montenegro, mediated by the EU, on amending the constitutional charter. As a compromise, the constitutional charter was amended in June 2005 to extend the mandate of the current deputies.⁷

Another key discussion involved changing the electoral law to prevent MPs from leaving the parties on whose lists they were elected. Nearly every parliamentary group, except for the DSS and the SPS, has lost MPs since the December 2003 elections. According to a 2003 Constitutional Court decision, the mandate belongs to the MP, not to his or her party, but the matter is still being argued in the courts. These major shifts of party allegiance continue to throw the legitimacy of the current Parliament into question and raise suspicions over bribes paid to some MPs for their allegiance.⁸ Considering the narrow basis of support for the minority government in the first place, this party hopping constitutes a serious threat to government stability.

Although the State Union Charter on Human and Minority Rights and Civil Liberties grants minorities the right “to a certain number of seats in the Assembly of Member States and in the Assembly of the State Union,” there are no MPs from national minorities in the State Union Parliament and only a few, elected on general party lists, in the Serbian Parliament. To remedy this serious underrepresentation, the Parliament amended the election legislation in February 2004, eliminating the 5 percent threshold. Nevertheless, owing to the small size of these communities, most parties of minorities (except Hungarians and Bosniaks) will not be represented in the Parliament.

Civil Society

2004	2005	2006

The number of active NGOs in Serbia is not officially documented, but between 1991 and 2005, 8,476 legal entities and citizens' associations were registered. The Center for the Development of the Nonprofit Sector Directory of NGOs lists 2,278 NGOs in Serbia and Montenegro.⁹ According to a study by the NGO Civic Initiatives, around 1,000 NGOs were active in Serbia in December 2004. Most NGOs are located in Belgrade (30 percent of all NGOs in Serbia and Montenegro). In a survey by Civic Initiatives of 516 NGOs, 23.6 percent were active in the areas of culture, education, and the environment; 17.8 percent are involved in social and humanitarian work; 15.9 percent focus on youth or the economy or are professional associations; 14.7 percent work on developing civil society; and the largest share of NGOs, 27.9 percent, deal with human rights.¹⁰

After years of delay, the Ministry for Public Administration and Local Self-Government presented a draft Law on Associations in November 2005. This step to improve the legal and social standing of civil society has been welcomed by international organizations and NGOs in Serbia.¹¹ The draft law advances the existing legal framework, and associations would no longer be required to register. Furthermore, the new law would lower the number of required founders from 10 to 3 (with only 1 required to reside in Serbia). The draft law would also regulate the registration of foreign-based associations in Serbia, which formerly required notification of the Ministry of Foreign Affairs of the State Union.¹² The Helsinki Committee for Human Rights in Serbia has criticized the draft law as being too vague and overregulating and containing problematic regulations regarding property.¹³

Currently, NGOs can be registered either at the Serbia level or by the State Union, leading to both an inadequate and confusing legal situation for NGOs. Both the Law on Civic Associations of the Socialist Federal Republic of Yugoslavia and the Law on Social and Civic Associations date from the Socialist period.

The ability of NGOs to engage in economic activity for self-support is severely restricted. The Serbian Law on Income Tax (2001) does not provide tax exemptions for individual grants to NGOs. The Serbian Law on Corporate Tax (2001) allows corporations to deduct up to 3.5 percent of income for “medical, educational, scientific, humanitarian, religious, environmental protection, and sports purposes.” Corporations in Serbia may deduct 1.5 percent for cultural purposes only. Foreign donors are exempt from paying VAT on humanitarian goods, but NGOs must pay the tax except on services they might provide.¹⁴

NGOs, especially those active in the field of human rights and reconciliation, continue to be the target of nationalist and extremist political parties and movements. Furthermore, the government and parliamentarians have attacked NGOs. The head of the intelligence agency BIA, Rade Bulatovic, declared that the agency was monitoring the work of NGOs.¹⁵ The conservative orientation of the government has thus cooled relations with NGOs since 2003. NGO advocacy efforts have been limited, although the adoption of the Law on Freedom of Information can be seen as one of their successes. Altogether, however, NGOs have been weak in clearly formulating policies, and think tanks remain ineffective.

Most NGOs continue to view the civil society climate in Serbia as unfavorable, although there has been an increase of contacts with both government, in particular local government, and business. According to the Civic Initiatives survey, businesses have had contact with some 61 percent of NGOs, primarily as donors. Still, most NGOs find themselves in a precarious financial situation. The average NGO budget was €56,000 (US\$ 70,000) in 2004,

but nearly half of all NGOs have a budget of less than €5,000, meaning there are a few large NGOs that financially dominate civil society. Foreign donors continue to be the largest single source of support, accounting for 47 percent of all funds, while governments account for 14 percent and businesses 9 percent. Although this constitutes a slight upturn in domestic funding since 2002, the shift is marginal and indicates the continued importance of foreign donations.¹⁶

Skinhead groups and other radical organizations continue to be active in Serbia, including events denying war crimes, such as the public discussion at the Faculty of Law of the University of Belgrade in May 2005 entitled “The Truth About Srebrenica.” More frequently, nationalist media and extremist groups threatened or attacked human rights NGOs and independent media. Sonja Biserko, head of the Helsinki Committee for Human Rights in Serbia, has been accused of spying and being an enemy to the Serb people; the tabloids, which spearheaded the accusations, subsequently published her private residential mailing address.¹⁷ The police and judicial response has been muted. In November 2005, the neo-Nazi group National Machine attacked participants at a public debate on the Fascist threat in Novi Sad. For the first time, such an incident triggered a strong state response, with police arresting members of the group and authorities publishing a list of neo-Nazi and Fascist groups, paving the way for more effective prosecution of hate speech and crimes.¹⁸

As in other transition countries, the role of trade unions has been weak. Only a third of all employees are members of a trade union, according to a CeSID survey. In general, trade unions have a disproportionate number of older members and tend to have more workers from the state sector than average.¹⁹ The two largest trade unions are the Confederation of Autonomous Trade Unions (SSSS; 850,000 members) and Nezavisnost (Independence; 180,000 members), together incorporating some 80 percent of organized labor. Nezavisnost and the smaller Association of Free and Independent Trade Unions (ASNS) split during the 1990s from the SSSS, which was controlled by the Milosevic regime. The SSSS still enjoys more support from conservative and nationalist party members, while the ASNS is more closely affiliated with reformist parties.

Both trade unions often disagree on strategy and view each other with suspicion, weakening their effectiveness. Government has played on this weakness to further strengthen the ASNS at the expense of the other unions.²⁰ Although the Kostunica government made a greater commitment to job protection than the Djindjic government, relations with trade unions have worsened since the government took office. The head of Nezavisnost, Branislav Canak, has accused Kostunica of breaking previous agreements.

The significance of trade unions has been decreasing owing to fragmentation and a lack of organized labor in the growing private sector. The main body of tripartite dialogue, the Social-Economic Council, established in 2001, remains dysfunctional.²¹ Furthermore, trade unions continue to rely on government intervention or dialogue rather than engaging directly with companies. As a result, trade union concerns are often excessively politicized.²²

Reforms continue in the education system, although at a slower pace than in the initial post-Milosevic years. In 2004, Ljiljana Colic, the first minister of education of the Kostunica government, was forced to resign after proposing restricted use of Darwin’s theory of evolution, English as a foreign language, and computers. The new minister, Slobodan Vuksanovic, has been less erratic and resumed the reform agenda. The Law on Higher Education was adopted on August 2005, but higher education lags significantly behind European standards, according to a 2005 survey for European ministers of education

concerning the implementation of the Bologna Process.²³ Political influence remains strong, in particular in the highly politicized University of Pristina with its seat in the northern Kosovo town of Mitrovica.

Independent Media

2004	2005	2006
3.50	3.25	3.25

Serbian media are underregulated, and the number of outlets far exceeds commercial viability. In addition to numerous statewide newspapers, magazines, and TV stations, there are hundreds of local electronic and print media, often controlled by local governments. As a recent report by the Open Society Institute details, electronic outlets dominate the Serbian media scene, which has one of the lowest rates of daily newspapers sold per capita in Europe (less than 1 percent).²⁴ The legacy of government control and intervention remains strong, despite a decline.

Local media independence remains precarious. Controlled by local government, many media underwent purges following the local elections in October 2004. In particular, some municipal administrations controlled by the SRS removed critical journalists from their jobs in local media. Some journalists also faced threats and physical attacks. Independent media, such as the TV and radio station B92, have received bomb threats and graffiti. Local media have also been attacked for critical reporting on local politicians or their supporters. For example, in the city of Vranje, members of the municipal council have repeatedly attacked independent media.²⁵

Government members also threaten and demean media. In particular, the minister for capital investments, Velimir Ilic, has repeatedly harassed B92. In one instance, he called journalists mentally ill, and his spokesperson threatened to kill the director of B92. This was not an isolated incident but rather part of a long string of abuse by Ilic toward the media. Furthermore, despite criticism from international and local NGOs and organizations, the government has either not responded or done so in a muted manner.

Sensationalist tabloids continue to dominate print media in Serbia. This style draws on nationalist resentments. Tabloids report “scandals” without serious evidence, generally to the discredit of the political system. In 2005, the largest tabloid was *Vecernje Novosti* (270,000 copies),²⁶ followed by *Kurir* (225,000 copies). Smaller tabloids, such as *Srpski Nacional* and *Start*, are often more radical and short-lived. More moderate tabloids include *Blic* (165,000 copies) and *Glas Javnosti* (18,000 copies). The main, quality dailies command a considerably lower print run. The largest, *Politika* (150,000 copies), which is partially owned by the German WAZ group, is followed by the liberal *Danas* (20,000 copies) and the regional daily from Vojvodina, *Dnevnik* (20,000 copies). The main weeklies include the political magazines *Vreme* (liberal) and *NIN* (conservative) and a number of more sensationalist publications, such as *Nedeljni Telegraf* or *Evropa*.

In addition to commercial interests, sensationalist media have been accused of close links to organized crime, war criminals, and the secret service. During the 2003 state of emergency, the weekly *Identitet* and daily *Nacional* (precursor to *Srpski Nacional*) were shut down—the former because of links to organized crime and the latter for breaking state of emergency regulations.

An ongoing controversy has surrounded the transformation of the state television part of Radio Television Serbia (RTS), and state radio into public broadcasting outlets and the regulation of electronic media, which have been operating without a clear legal framework. The 2002 Law on Broadcasting and its implementation are criticized by the independent media. The law establishes an agency for broadcasting, headed by an alleged politically independent Broadcasting Council. An amendment to the law, criticized by Independent Journalists' Association of Serbia (IJAS), the Association of Independent Electronic Media (ANEM), and opposition parties in the Parliament, extended the deadline for privatization of state-run media until late 2007 and introduced new terms for the members of the Broadcasting Council, already criticized for being too susceptible to political pressure. The OSCE also commented on the lack of consultation with stakeholders and the absence of a clear term of service for Broadcasting Council members.²⁷

The agency is responsible for the transformation of state television into a public broadcaster, the privatization of local state-owned media, and the allocation of frequencies to private broadcasters. A draft strategy adopted by the council foresees licensing five nationwide private TV and radio broadcasters by tender in 2006.²⁸ It is anticipated that B92, BKTv, and Pink will be among them. These three stations are the most successful in Serbia, with B92 renowned for its opposition to the Milosevic regime. Although more commercial in recent years, it continues to advocate for a reckoning with the past and other unpopular topics. BKTv is owned by business tycoon and politician Bogoljub Karic, who aggressively promotes himself in the television news. In December 2005, Karic announced the impending sale of the station to avoid a conflict of interest. Whether such a move will result in less biased reporting remains to be seen. Pink is owned by another controversial businessman, Zeljko Mitrovic. Both Mitrovic and Karic have been close to the Milosevic regime and family and were able to establish their stations because of their ties to the regime. Pink has subsequently shifted its support to the DS and successfully expanded to Montenegro and Bosnia-Herzegovina.

The draft Law on Broadcasting introduces monthly subscription fees for all households in Serbia in order to transform the RTS into a financially independent public broadcaster. The mandatory monthly fee of 300 dinar (about US\$5), which began in late 2005, has been widely criticized and has led to doubts that the RTS will become genuinely independent. The current director of the RTS, Aleksandar Tijanic, has professionalized the station but has been severely criticized by NGOs for his links to the ruling DSS, his political past (including a brief post as minister for information under Milosevic), and his verbal attacks on independent media.

The Broadcasting Council, in addition to licensing and public broadcasting, began the delayed process of privatizing state-owned media other than the public broadcaster. According to the original law, this should have been completed in 2005, but it was not. As of October 2005, the state still owned 150 media, including 14 print media, 23 mixed print and electronic media, and 100 electronic media, most of them local.²⁹ Although local media privatization is widely called for by international organizations, there is an already demonstrated risk that private owners will cancel noncommercially viable, minority-language programming.³⁰ In Vojvodina, the assembly transferred ownership of minority-language media to the minority national councils, which raises concerns about the capacity of councils to manage media and the dominance of political parties that threatens minority council independence.

Although Serbian statutes, including the 2003 Law on Public Information, prohibit hate speech, such breaches are not prosecuted. Furthermore, there have been no court rulings penalizing the media for hate speech, despite frequent occurrences. During the debates on a new draft criminal code, NGOs, international organizations, and media associations criticized plans to keep libel and defamation a criminal offense, with suspended prison sentences of up to six months and high fines. The final version of the new criminal code, passed in September 2005, decriminalized libel. Thus, by January 1, 2006, libel and emotional distress will be punishable only by financial penalties or jail sentences of up to six months. According to the Independent Journalists Association, some 300 journalists face charges for libel or emotional distress; in many cases, these journalists are associated with liberal and independent media rather than tabloids. Many cases either date back to the Milosevic era or are based on reports linking public figures to the Milosevic regime. In one case, a local journalist received a one-year suspended prison sentence for reporting about links between a businessman and the Milosevic family.³¹

The importance of the Internet is increasing steadily. By late 2005, Serbia had 1 million Internet users, reaching 13.3 percent of the population (minus Kosovo). According to a 2005 survey by Telekom Srbija and CESID, around 300,000 citizens spent at least one hour on the Internet daily.³² The legal framework does not restrict the use of the Internet, but the new criminal code introduces cybercrime as a category. The Internet has become more accessible through new technologies (cable, ADSL) and falling prices. Formally, the monopoly of Telekom Srbija, the state-run telecommunications company, was ended in 2005, but no alternative companies have yet emerged.

Local Democratic Governance

2004	2005	2006
n/a	3.75	3.75

As a legacy of the Milosevic regime, Serbia continues to be a highly centralized state. Although the Kostunica government explicitly linked decentralization to passing a new Constitution, the current draft Constitution suggests no fundamental change in terms of decentralization.

The 2002 Law on Local Government enhanced the competences of the 165 municipalities (minus Kosovo), but in the absence of a new Constitution, the degree of local self-government remains constrained. As noted by the Council of Europe in October 2005, there have been recent measures to enhance the role of municipalities. Key questions concern the return of public land to municipal control and fiscal autonomy of municipalities regarding debts and local taxes.

In addition to municipalities, the law recognizes four cities, two of which—Belgrade and Nis—comprise different municipalities (17 for Belgrade, 5 for Nis). The 24 districts of Serbia (minus Kosovo) are administrative and do not have substantial competences or directly elected representative bodies. Vojvodina is a more significant unit of regional governance and enjoyed far-reaching autonomy before being dismantled by the Milosevic regime in the late 1980s. Some competences were returned to Vojvodina through the Law Establishing Particular Competencies of the Autonomous Province, known generally as the omnibus law, passed by the Serbian Parliament in 2002. Vojvodina thus conducts its own affairs in the areas of education and culture, which is particularly important considering the number of minorities living in the province (more than a third of the population).

Although Vojvodina has its own assembly and executive, the province cannot raise its own taxes or pass laws. Minority and regionalist parties, as well as some governing parties (including the DS), have been arguing for greater autonomy in Vojvodina, especially concerning privatization and economic policy. The existing draft Constitutions do not substantially enhance the powers of the province. The new Law on Government passed in June 2005 is problematic, as it allows the government to suspend regulations and statutes passed by the authorities of Vojvodina or municipalities. The other pro forma province in Serbia is Kosovo, whose status remains undefined pending the conclusion of status negotiations.

In 2005, problems with the implementation of the 2002 Law on Local Government became apparent. The law foresees the direct election of both the newly created post of president of the municipality and the Municipal Assembly. The Municipal Assembly elects the Municipal Council, creating two often competing executives. Consequently, many municipalities have a form of local cohabitation, with a mayor from a different party from that of the municipal majority. This has paralyzed a number of municipalities and can be resolved only through a recall referendum and election of a new mayor. Alternatively, in the case of a local assembly failing to meet for three months, it can be dissolved by the Ministry for Public Administration and Local Self-Government.

Early local elections took place in the Vojvodina town of Kula in September 2005 owing to the lack of a municipal coalition following the 2004 local elections. Although this was not a particularly significant municipality and the elections were not representative of statewide trends, all major parties campaigned heavily, including, for the first time, the LDP. The latter narrowly failed to pass the threshold. The strongest parties were the SRS (31 percent, 13 seats), the DS (19 percent, 8 seats), the PSS (6 percent, 3 seats), and G17+ (6 percent, 3 seats), while the remaining four parties each gained 1 seat.³³

The paralysis in many Serbian municipalities highlights not only the weakness of existing laws, but also polarization at the local level. These conflicts, however, do not necessarily mirror those at the national level. The SRS, the largest party following the 2004 local elections, has managed to form local coalitions and is thus in power in 63 municipalities. These include coalitions with G17+, the DS, and other moderate and reformist parties that have excluded any possibility for coalition cooperation with SRS at the national level.³⁴

The Standing Conference of Towns and Municipalities in Serbia proposed a code of ethics for local officials, which had been accepted by 142 municipalities by October 2005. The code is based on the European Code of Conduct for elected local and regional representatives of the Council of Europe.³⁵

Judicial Framework and Independence

2004	2005	2006
4.25	4.25	4.25

Serbia continues to have a weak, underfunded, and poorly trained judiciary, making it susceptible to political pressure and corruption. As the European Commission noted in its *Serbia and Montenegro 2005 Progress Report*, the appointment of the judiciary remains politicized, and it has little impact on its own resources, which are determined by the

Ministry of Justice. Slow work resulting in backlogs, with some court cases taking more than 10 years, continues to be a serious problem.

After several years' delay, the Court of Serbia and Montenegro—the only State Union court—began operations in 2005. The court assesses whether member state legislation is in harmony with the Constitutional Charter of the State Union of Serbia and Montenegro. Originally planned in Podgorica, the court has provisionally operated in Belgrade with funding from Serbia and without much technical support. By November 2005, the court had resolved 350 out of the more than 1,000 cases inherited from its predecessors of the Federal Republic of Yugoslavia. The European Commission notes in its *Serbia and Montenegro 2005 Progress Report* that compliance with court rulings remains in doubt owing to the contested nature of the State Union.³⁶

Serbia's judicial system consists of communal, county, and commercial courts, the Serbian Supreme Court, and the Serbian Constitutional Court. In an attempt to strengthen the independence of judges and courts, the 2001 judicial reform in Serbia established the High Council of the Judiciary, which proposes judges who are later confirmed by the Parliament. A 2002 amendment to the law, however, allows the parliamentary committee for the judiciary to propose candidates in case the Parliament does not agree with the council's choices. Essentially, this strips the council of power and politicizes appointments. The council itself remains strongly influenced by the Ministry of Justice and is often logistically unable to evaluate nominations put forth by lower courts.³⁷ A similar problem arises from the nomination of prosecutors, who are chosen for a limited time and cannot be reelected, making their professional position vulnerable and thus susceptible to political pressure. Furthermore, the Office of the Prosecutor is organized hierarchically, based on subordination.³⁸

The ministry prepared a National Strategy for Judiciary Reform in 2004, but the Council of Europe found this strategy not to be in line with international standards. Nevertheless, the strategy has been adopted, though it was not discussed in the Parliament or publicly.³⁹ In March 2005, the Ministry of Justice attempted to assign the power to propose and dismiss candidates for the position of court president to the Court Administration Council, a state-controlled body, but the Supreme Court declared the move unconstitutional. Another weakness of the current judicial system is the training system. The current system has partially changed through a series of amendments passed in July 2005.

An important reform law passed in 2005 has been the adoption of a witness protection plan, key for combating organized crime. Furthermore, the Parliament passed a new criminal code in September, reformed the outdated law, and recognized previously neglected crimes, such as war crimes and money laundering. In addition, a new Law on Police, passed in November 2005, reorganized the police force and introduced more democratic principles.⁴⁰ In terms of human rights statutes, the main problems arise from either their inadequate implementation or legal shortcomings. Although Serbia and Montenegro have committed to all key human rights instruments, the State Union still lacks comprehensive antidiscrimination legislation establishing procedures and penalties.

The State Union Charter on Human and Minority Rights and Civil Liberties and the 2002 federal Law on National Minorities protect minority rights at the general level. In practice, this legal framework has not been implemented effectively through regulations and detailed legislation. Minority rights, such as the use of minority languages, remain inadequately protected in central Serbia. The National Minority Councils, a form of minority self-government, received more budgetary support in 2005 but lacks the legal competences to

effectively represent minority interests. The Republican Council of National Minorities, an ad hoc body established by the prime minister in 2004, brings together the National Minority Councils and relevant resource ministries but has had limited impact on advancing minority rights.

In 2004, a series of ethnically motivated incidents against minorities took place in Vojvodina, including graffiti, damage to churches, threats, and fights. Additionally, there were attacks against Albanians, Muslims, and Ashkali (Roma from Kosovo) following anti-Serb violence in Kosovo in March 2004. Originally, police and prosecutors were mostly passive, and the Serbian government failed to take the incident seriously. Following growing international pressure, especially from Hungary, the government and police took a more proactive approach in late 2004, leading to a sharp drop in incidents in 2005. Nevertheless, criminal prosecution of these incidents remains a problem. In July 2005, a court in Nis sentenced participants in the 2004 burning of a mosque with great leniency: One person received a five-month jail sentence, seven were sentenced to three months each, and two were freed. The Muslim community and several human rights NGOs criticized the sentences.⁴¹

Corruption remains a potent problem within the judiciary. According to a 2005 survey among lawyers by the Center for Liberal-Democratic Study, 39 percent believe that a majority of court employees are involved in corruption. Bribes are paid to delay court cases and to secure favorable outcomes. Such bribes were used particularly by organized crime to stop investigations or secure the release of members. In a high-profile case, a Supreme Court judge and a deputy special prosecutor were arrested for taking bribes from organized crime.

There is also evidence of the continued political abuse of courts and the judiciary. A case against Marko Milosevic, the son of Slobodan Milosevic, was dropped, and the Interpol arrest warrant for Slobodan Milosevic's wife, Mira Markovic, was temporarily suspended. The suspicious circumstances in both cases led commentators and NGOs to suggest that these developments involved political support from the SPS. In September 2005, Vladan Batic, former minister of justice and prominent critic of the government, was arrested for allegedly supporting the release of a member of a criminal group in 2003 but was released 48 hours later uncharged, suggesting the arrest was politically motivated.

The trial against those charged with the murder of former prime minister Zoran Djindjic in 2003 continued in 2005. Two related trials—for the murder in 2000 of former Serbian president Ivan Stambolic and the 1999 assassination attempt on Vuk Draskovic—resulted in guilty verdicts in 2005, establishing the previous regime's clear legal responsibility for seeking to kill political opponents. The main suspect in the Djindjic trial, Milorad Ulemek, was sentenced to 15 and 40 years, respectively, for his role in both plots, whereas Rade Markovic, former head of the DB under Milosevic, was sentenced to 10 and 15 years. In addition, a number of other officials from the Unit for Special Operations and the DB and the former head of Yugoslav customs were sentenced to prison terms. Despite these advances, there is a general unwillingness to fully confront the legacy of the Milosevic regime, indicated by the lack of implementation of the 2003 lustration legislation.

A long-standing obstacle to ensuring the rule of law in Serbia has been the lack of cooperation with the ICTY. Kostunica repeatedly noted his opposition to the ICTY and indicated that his government would not cooperate with the tribunal. Nevertheless, the Kostunica government has made more progress in 2005 toward cooperating with the tribunal than any previous government. The Kostunica government pursued the strategy of convincing indicted war criminals to "surrender voluntarily." For this purpose, the government provided

funds for the family of the surrendering indicted and generally portrayed surrender as a “patriotic duty.”

As one of the first of a series of surrenders, Vladimir Lazarevic, a former general accused of war crimes in Kosovo, was met by the prime minister and the patriarch of the Serbian Orthodox Church and received a car from the mayor of Nis. Altogether, some 16 indicted persons surrendered between October 2004 and late 2005. The circumstances of some surrenders calls into question their voluntary nature, suggesting government pressure on at-large war criminals. Nonetheless, the two most important indicted war criminals, Radovan Karadzic and Ratko Mladic—the latter believed to be hiding in Serbia—remain at large and continue to frustrate the situation, as does the reluctance of Serbian authorities to openly provide the tribunal with full documentation on war crimes cases.

In July 2005, four members of a paramilitary group were sentenced to 15 to 20 years in prison for the murder of 16 Muslims from Sandzak during the Bosnian war in 1992.⁴² Another key domestic war crimes trial that was concluded in December 2005 concerned the murder of Croatian civilians killed in 1991 by Serb soldiers and paramilitaries on a farm close to the city of Vukovar. Eight soldiers received maximum sentences of 20 years each, six received lower jail terms of 5 to 15 years, and two were found not guilty. Human rights organizations welcomed the verdicts as a breakthrough in the domestic prosecution of war crimes. In October 2004, the ICTY transferred the first case to the special war crimes court in Serbia. However, in July 2005 the ICTY rejected moving a case against army officers Miroslav Radic, Veselin Sljivancanin, and Mile Mrksic to either Croatia or Serbia, considering the countries unprepared for high-level war crimes cases.⁴³

A turning point in the public perception of war crimes was the release of a video showing members of the Serb paramilitary unit Scorpions killing six Muslim men and boys from Srebrenica. The video, originally shown at the ICTY, was broadcast in Serbia on state television in June 2005. The brutality of the crime and the blessing by a Serb Orthodox priest as part of the video brought home the reality of war crimes and was met by broad condemnation and the rapid arrest of five unit members shown in the video (their trial began in December 2005). Although the video incident and the 10th anniversary of the mass murder in Srebrenica did not open a larger debate on facing the past, these events made it more difficult to deny war crimes committed by the Serbian side and confronted the public with the cold-blooded nature of the crimes.

Corruption

2004	2005	2006
5.00	5.00	4.75

Corruption formed an integral part of governance under Milosevic, and both the Milosevic regime and the Zoran Zivkovic government lost elections because of corruption scandals. The fight against corruption has not been a high priority of post-Milosevic governments, despite rhetorical commitments⁴⁴ and the potent power of corruption allegations in ousting governments. As a result, corruption remains deeply entrenched at all levels. According to Transparency International’s 2005 Corruption Perceptions Index, Serbia’s score of 2.8 is 97th among countries surveyed, constituting only a slight improvement from the 2.7 score in 2004.

Corruption reports dominate domestic media, from examples of petty corruption to bribes and corruption at the government level. One of the key corruption scandals that shaped public debate in Serbia in 2005 involved a payment to doctors at the well-respected Institute of

Cardiovascular Diseases in Sremska Kamenica to reduce the waiting time for heart surgery. The case was filmed by hidden camera and broadcast on TV.⁴⁵

The most high-level corruption scandal involved the company Mile Dragic, which allegedly overcharged the army for equipment and paid (relatively minor) bribes to army officials and the Ministry of Defense. Minister of Finance Mladjan Dinkic made the case public, resulting in the resignation of the minister of defense. The latest in a series of military corruption scandals, this case helped make the army more responsive to civilian fiscal control. In a similar case, the Ministry of Finance accused the railway company, Serbian Railways, of purchasing train cars in contravention of the Law on Public Procurement.⁴⁶ In another case, the Movement Force of Serbia was accused of offering bribes to MPs to join their party.⁴⁷ Much corruption reporting is sensationalized, lacks firm evidence, and eventually fizzles out, resulting in mutually incriminating accusations among political elites. This does little but distract from real cases of corruption and its causes.

The Kostunica government has taken some steps to improve anticorruption measures, as much of its political legitimacy rests on the fight against corruption and international pressure from the EU and Council of Europe. In past years, Serbia has undertaken serious efforts to reduce state obstacles toward private business, often creating opportunities for corruption. In a World Bank study released in October 2005, Serbia and Montenegro is listed as the country that undertook the most efforts to improve the business climate. These measures include reducing obstacles to the establishment of businesses, bankruptcy procedures, and business operations.⁴⁸

In the past two years, the Serbian Parliament introduced key legislation to combat corruption, such as new laws on public procurement, conflict of interest, party financing, and access to information and a new criminal code. Despite these new laws, additional measures are required to complete the legal framework and implement the anticorruption strategy. In October 2005, the State Union Parliament ratified the UN Convention Against Corruption but has not ratified other international anticorruption instruments.

In contrast with the apparent commitment to introduce anticorruption legislation, the government has been unwilling to work in earnest with the Anticorruption Council, established as an advisory body to the government in 2001. The council has been raising and documenting high-level corruption cases without government support or consideration.

Following a government proposal developed with the Council of Europe, the Parliament voted in favor of a National Anticorruption Strategy in December 2005—a step called for by NGOs and international organizations for years. The strategy is to be followed by a detailed action plan for all relevant ministries and agencies. A separate law is also planned to establish an anticorruption body to cooperate with public prosecutors. The strategy discusses goals in combating corruption in all fields, incorporates key international initiatives, and defines corruption.⁴⁹

Following the Law on Conflict of Interest in 2004, the Committee for Resolving Conflicts of Interest began work in January 2005 after a long passive period. The law is less strict than demanded by NGOs. According to Transparency Serbia, the law does not cover all cases of conflict of interest and has a weak implementation mechanism.⁵⁰ Public officials must submit a financial report before taking office and 15 days afterward. The independent body can reprimand but not punish public officials for a conflict of interest. Between January and November 2005, the committee had 29 meetings and launched 78 complaints of conflict of

interest. In about 50 percent of the cases, the officials resigned or were dismissed, and in 30 percent, officials assured the committee they would abide by its decision.⁵¹

Transparency International–Serbia welcomed the new criminal code for making cases of corruption a criminal offense.⁵² Another key statute is the antimonopoly law passed by the Parliament in October 2005. Prohibiting monopolistic behavior and imposing high fines, the law is key to improving the business climate. At the same time, the law does not define monopolistic behavior but leaves such a decision to the government, allowing political abuse of the regulation.⁵³

According to Transparency International–Serbia, the Law on Party Financing is the most problematic. It enables political parties to tap budget resources for electoral campaigns and regular operations. Each party receives an amount proportional to its parliamentary representation. The law aims to limit the influence of private donations by encouraging members to pay smaller dues rather than having a few wealthy members sponsor entire parties. Individual members can contribute up to 10 times the average monthly wage in Serbia, whereas legal entities (such as businesses) can give up to 100 times the average wage. However, the law prohibits donations from foreign countries, organizations, anonymous persons, public sector and state-owned firms, humanitarian organizations, religious communities, and a number of other legal entities.

One shortcoming, unfortunately, is its failure to regulate campaign financing in the case of referendums to recall mayors, introduced in the Law on Local Government of 2002 and used several times in 2005. Additionally, the Ministry of Finance has been unwilling to provide funds for campaign financing foreseen in the law, amounting to 0.1 percent of the national budget. Furthermore, the body established to monitor the reports by parties on income and property lacks the administrative capacity to verify the information received.

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