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Alarming facts

YUGOSLAVIA NUMBER ONE IN EUROPE FOR CORRUPTION

Yugoslavia ranks second in the world for corruption. Only Nigeria has a higher index, says Transparency International, presenting the results of its latest research. This leading international organisation for fighting corruption has some 75 national branch offices throughout the world, including offices throughout the Balkans.

At a time when considerable assistance is expected from the international community in the process of reconstructing and developing the country, a high level of corruption in the Yugoslav community presents a huge problem for foreign donors and investors. The foreign institutions which are to assist Yugoslavia financially as well as with technical equipment and other resources are faced with the problem of ensuring that this assistance does not end up in the hands of various local officials, as is known to have happened in Bosnia, for example. For this reason, a rapid and efficient response to crime is a high priority in the

Obstacles for foreign and domestic investments

development of Yugoslavia if the standard of living is to be raised in the near future.

The great risk of funds arriving from abroad and landing in the pockets and companies of people in certain positions is the main cause for hesitation of foreign investors and lenders. Yugoslavia's leading politicians are well aware

of the situation and have made the fight against corruption the first priority, knowing that until adequate efforts to resolve this issue are made there will be no real inflow

of foreign capital into the country.

International organisations are also of the opinion that Yugoslavia must first provide adequate conditions in the field before the funds intended for development begin to flow. The first of these conditions is adequate mechanisms of control over state expenditure, at all three levels of government: federal, republic and municipal. Once funds are approved for a republic or a municipality, donors and

creditors want to see that these bodies have adequate mechanisms for controlling the use of funds. It is also necessary that the person entrusted with this monitoring be responsible, rather than becoming an accomplice in various forms of abuse. The experience of neighbouring countries in transition over the past ten years or so shows that citizens' organisations and the media have proved to be the best auditors of the work of the public administration.

This explains the insistence of the international community on making civil society organisations and the media capable of becoming efficient controllers of the administration in the shortest possible time.

Media, the best auditors

The first concrete program aimed at achieving this has been launched in Yugoslavia with the aim of introducing mechanisms of control and, at the same time, training controllers. "Increasing Transparency of budgeting and Public Procurement in Serbian Municipalities" began a pilot program in three Serbian municipalities, Niš, Kikinda and Čukarica.

Increasing the transparency of budgeting and public procurement in Serbian municipalities

INTRODUCING EUROPEAN STANDARDS

The program is aimed not only at creating conditions to establish efficient control of the expenditure of budgets (i.e. of the taxpayers' money) but also at triggering more comprehensive reforms in the functioning of municipal services in order to meet the needs of the public. The priorities of the program are:

- A - improving the functioning of municipal services**, and
- B - the advancement of budgeting and public procurement.**

Activities in the first quarter (November - January) may be summarised as follows:

- A poll was conducted to evaluate the status quo in the three municipalities, determining just how satisfied the stakeholders are with the work of their municipalities and what aspects most meet with their disapproval. The respondents included members of the public and companies, as users of municipal services, as well as municipal employees and their managers;
- The European Movement organised a seminar for representatives of municipal administrations and representatives of the civil society. In the course of this a consultant from the European

Standardising budgeting software in line with European standards

Union providing training in creating a budget which meets European standards;

- Each municipality is to be provided free of charge with standardised budgeting software;
- With the goal of improving the attitude of municipal civil servants to the public, a campaign is to be launched in all

three municipalities by the end of January under the title *Citizens' Award for the Best Civil Servant*;

- Residents of the three municipalities will be informed about all reforms which are being carried out and about ongoing activities by means of posters, bulletins and

through local media. These will also be used to educate and inform the public on other important issues, such as the exact responsibilities of the municipal-

Improving the functioning of municipal services and the advancement of budgeting and public procurement

ity, channels of complaint when losses are suffered either through the incompetence of

civil servants or because the person in charge insists on a bribe, and so on.

- The broader public will also be presented with information through the bi-monthly bulletin *Transparentnost* (Transparency), the first edition of

which is to be published at the end of January, 2001, a special Web site, press conferences and presentations in the press, on radio and television.

So far, the project has been well accepted by the domestic public. Another ten municipalities have expressed interest in being included in the program. (Vršac, Zrenjanin, Mladenovac, Zvezdara, New Belgrade, Čačak, Kraljevo, Kragujevac, Pirot, Leskovac, Zemun, Kraljevo and Dimitrovgrad).

Preparations are also underway for the drafting of a national anti-corruption strategy. Once completed this will be presented to the federal and republic governments.

All these activities have had the full support of international organisations (UNDP, the Pact for Stability and others). These have expressed their eagerness to support the expansion of these activities to other municipalities as well as to the republic and federal levels.

Timeline of Activities October 2000 - September 2001

October - November 2000 - Survey of the quality of municipal services in three municipalities: Niš, Kikinda and Čukarica. The survey included members of the public as the principal users of municipal services, managers and employees of companies as well as the municipal officers and their supervisors themselves. A domestic research team prepared a report on the main information and conclusions of the survey. The report was then presented to representatives of local

government, local initiatives in the civil society, media and foreign experts.

November 2000 - A **workshop in Belgrade** to present results of research into existing practices in budgeting and public procurement in Niš, Kikinda and Čukarica. Experts will also present recommendations for reforming public administration in the municipalities in order to upgrade efficiency and transparency.

Workshop: Preparing a budget in line with European standards

BUDGETING FOR BEGINNERS

The first workshop under the working title "How to prepare a budget in line with European standards" was held at the premises of the European Movement on November 24 and 25, 2000. Eminent local and foreign experts from the European Union, UNDP and Transparency International took part. The principal speaker was Reinhard Danneleit, a European Union consultant specialising in local government finances. Three representatives of local municipal authorities and three representatives of residents from each of the three municipalities of Čukarica, Kikinda, Niš and New Belgrade attended the seminar, a total of 24 trainees.

The workshop aimed at teaching people in the municipalities a clear and comprehensible form in which to present their municipal budgets to potential foreign partners. Mr Danneleit explained to the participants how a municipal budget is made, phase by phase, step by step. At the end of the process, the representatives of each municipality were asked to complete the budget form, designed in

line with European standards, ready for presenting, along with the accompanying indices, to the next workshop, which is planned for the end of February.

Mr Danneleit also explained in detail the principles of audit and reporting which follow the budget. The participants were particularly interested in learning how to secure additional sources of funding, an important activity in view of the poor financial situation of the municipalities. Mr Danneleit presented a number of proposals for acquiring additional funding. These included more efficient methods for collecting parking fines, new methods of charging and collecting payment for advertising in public places and other methods which have proved highly efficient in other countries in transition.

UNDP consultant Ragaa Makharita also spoke at the seminar as a member of the organisation's four-member mission to Yugoslavia. The goal of this mission was

to determine priorities for assistance to Serbia and draw up a proposal for a program of assistance.

Mr Makharita informed the delegates from the municipalities that one of UNDP's priority programs would certainly deal with training and re-training of the unemployed, with the support of adequate micro-loans. This would alleviate the burning problem of unemployment. Another important program would be aimed at training people in municipalities to write projects and monitor and control their implementation.

Sara Morante of Transparency International emphasised the importance of this one-year program as the first practical program in Yugoslavia to aim at fighting corruption in the field. Ms Morante undertook to ensure personally that a representative of Transparency Greece takes part in the workshop on public procurement planned for Belgrade in the spring. This representative would present positive experiences from a similar project undertaken in Piraeus.

Control and reporting on budget

European model of budgeting

Additional sources of financing

December 2000 - Financial tables will be filled in by participants and returned to Mr Danneleit for review. After Mr Danneleit has read these he will return them to municipal officials together with his amendments. Once the tables have been successfully completed, the project manager will collect and prepare them for discussion at the next workshop.

December 2000 - The software firm INKO will send an expert team of engineers, together with the beta version of the budgeting software to Kikinda, Niš and Čukarica in order to test it. Because ninety per cent of the work has already been done, INKO experts expect that

the software will be ready for commercial use by the end of December.

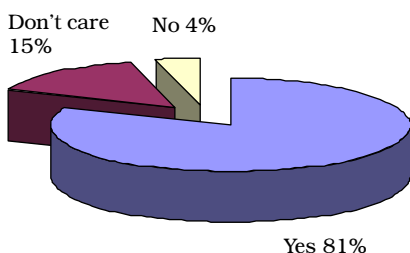
December 2000 - Preparation of the first issue of the bimonthly newsletter *Transparentnost* (Transparency) which will include the most interesting findings of the survey undertaken in the three municipalities as well as a brief overview of the entire project. Readers will also be informed about the *Citizens' Award for the Best Civil Servant* project which will begin in the three municipalities in January. They will also find more detailed information on the activities planned for the next two months.

Survey on the performance of the Niš, Kikinda and Čukarica municipalities

PUBLIC EXPECTS IMPROVEMENTS

The most common complaints from members of the public about the functioning of the municipalities refer to the complexity of procedures, long waiting in queues and the hostility of staff. Most citizens (81 per cent) expect their municipalities to improve the way their services function.

Do you expect the municipality to improve the quality of service?

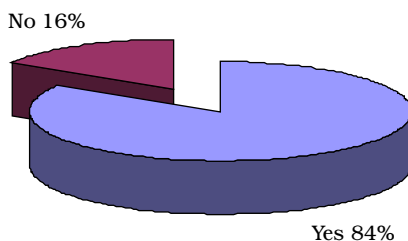


These are some of the key results of research on the functioning of municipal services which was conducted by Strategic Marketing during November for the anti-corruption program of the European Movement in Serbia. The polls were conducted in the three municipalities of Čukarica, Kikinda and Niš which are included in the program "Increasing the Transparency of Budgeting and Public Procurement in Serbian Municipalities". The research included both consumers and providers of services, citizens employed in various companies and organisations on one side and, on the other, municipal civil servants and their managers. In order to ensure the quality of the analysis as well as its objectivity, pro-

fessionals were engaged to act as consumers and thus had the opportunity to inspect the functioning of the services on the spot.

The results of this research indicate, at first glance, that members of the public are relatively satisfied with the functioning of the services in the municipalities which were included in the project. However, asked if they would prefer to have someone else deal with the municipal council for them (in other words, not have to go there personally), a significant majority said that they would.

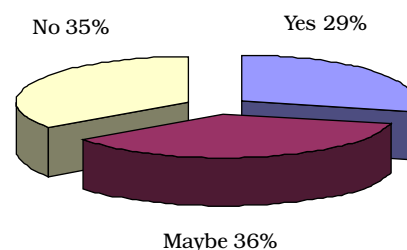
Would you prefer someone else to deal with the municipality for you?



The most frequent reasons for going to the municipal offices are tax payments and certification of documents. More than half the respondents are of the opinion that procedures in the municipal councils are too complicated; 23 per cent complain of having to wait in queues for too long and many respondent complain about poor organisation and say that the attitude of clerks is hostile.

Most respondents (65 per cent) expressed interest in being better acquainted with the activities of the municipal councils and their way of functioning. They believe that council operations should be more transparent and thus clearer to the broadest public.

Are you interested in information on the work of municipality?



As far as companies are concerned, a large number of directors deal personally with the municipal administration, which is time-consuming and gets in the way of their management duties. The main reasons for visits to municipal council offices are the settling of taxes and other fees and having certificates issued. The most common complaints refer to the lack of

EFFICIENT

Under an agreement with the INKO consultancy, budgeting software was tested in the municipalities during December with the final version completed in the second half of January, 2001. This software will enable municipalities included in the program to draw up and balance their budgets efficiently, according to the required standards. The software is provided free of charge to the municipalities.

CORRUPTION IN SILENCE

Asked whether they had ever been asked for bribes, only three per cent of citizens replied in the affirmative while only six per cent admitted to having given tokens such as coffee or drinks. On the other hand as many as two thirds of respondents reported having heard of such cases.

December 2000 - Meeting with the PR agency team in order to begin preparations for the *Citizens' Award for the Best Civil Servant* campaign. The PR agency will also be briefed to prepare a logo for the entire anti-corruption program. The logo was used on posters, papers, publications, the Web site and so on. The PR agency will also be engaged to begin the education phase of the PR program with posters which should explain to citizens what are municipal responsibilities and what are not. PR will also prepare one-day training courses for civil servants in each of the three municipalities. These will be an

integral part of the *Citizens' Award for the Best Civil Servant*. The courses were held on a Saturday in each of the three municipalities.

January 2001 - Meeting with mayors to present the PR agency proposal for the *Citizens' Award for the Best Civil Servant* campaign.

January 2001 - Reaching a final agreement with the mayors on the *Citizens' Award for the Best Civil Servant* campaign.

January 2001 - Saturday one-day training course for civil servants.

January 2001 - Meeting with international trainers in investigative journalism to arrange

NON-GOVERNMENTAL ORGANISATIONS - A KEY FACTOR IN FIGHTING CRIME

CHOOSING THE BEST

The "Citizens' Award for the Best Civil Servant" was launched in the first half of January in all three municipalities. The first phase includes training of employees for customer communication and solving potential conflict situations. In early February the public will evaluate the work of counter services for efficiency, politeness and so on in a two-month project. Full details and rules of this project will be advertised on posters in the public areas of council buildings and a special commission will be established to monitor the running of the competition. The best public servant will receive a medal and a cash award and the entire campaign and its winner will be promoted through the media.

efficiency and laws which are frequently very complex, bureaucratic and contradictory.

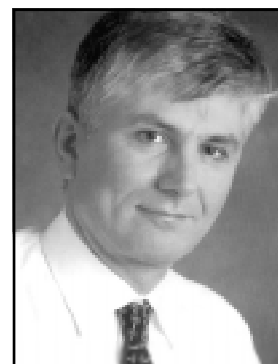
According to the survey, the municipal employees are the most dissatisfied of all. As many as 87 per cent of them say that their situation is very poor, ten percent assess it as medium and only three per cent as satisfactory. Three quarters of the employees say that their job is very difficult. Asked to specify the most annoying factors, municipal employees cite poor working conditions (29 per cent) and an inadequate information system (25 per cent) more frequently than their personal financial situation (18 per cent) or heavy workload (14 per cent). According to Strategic Marketing, these results are almost identical to the results of similar research conducted at the higher levels of public administration and in public companies.

Examining the overall results of the research leads to the conclusion that all categories of respondents have a similar (negative) impression of the functioning of municipal services and expect improvements to be made by the current regime. The priorities defined by members of the public and the employees of the municipal authorities themselves may be summarised as the simplification and standardisation of municipal functions, better organisation, an improvement in the working conditions and financial status of employees and modernisation of the information infrastructure.

The civil society ousted Milošević and now non-governmental organisations such as the European Movement in Serbia are ready to be both the key and independent partners in fighting corruption, said Peter Eigen, the head of Transparency International, a leading world organisation for fighting corruption which has more than seventy branch offices throughout the world and whose network covers the entire Balkans.

BINDING STATEMENT

"With the republic elections over, Serbia will file for membership of international organisations involved in fighting corruption and organised crime. This initiative will be forwarded to the Pact for Stability in South-East Europe, within which a program for fighting corruption and for the democratic control of power has been organised. The countries which have agreed to join this initiative are obliged to submit their institutions to audit and allow the level of corruption to be assessed. In this way, international investors and organisations will, over time, gain confidence in the institutions of the country and invest there. The priority of the Democratic Opposition of Serbia is the establishment of a non-corrupt and credible government. Our desire is to build a financially transparent regime in which the government and the people are partners. This will be the most important task in Serbia because monopolistic groups, after lying low for the past two months, have made bids for the control of all sources of power, money and privileges," said Zoran Đinđić, the new prime minister of Serbia.



Zoran Đinđić

Yugoslav President Vojislav Koštunica has also cautioned the public several times that corruption is one of the key problems in the country and that steps must be taken to deal with it as soon as possible.

details of training course for a group of Serbian journalists.

January 2001 - Meeting with the coordinator of the Stability Pact in Yugoslavia in order to offer assistance related to the Stability Pact Anti-corruption Initiative (SPAI).

January 2001 - Meeting with the deputy federal minister for internal affairs to discuss EMINS proposal for a draft Yugoslav National Anti-corruption Strategy.

January 2001 - Meeting with the Serbian prime minister to obtain support for the National Anti-corruption Strategy at the republic level.

January 2001 - First session of the Sub-Working Table of Justice and Home Affairs of the Stability Pact Working Table III.

February 2001 - Launching the campaign *Citizens' Award for the Best Civil Servant* in all the three municipalities: Niš, Kikinda and Čukarica.

February 2001 - Launch of the draft National Anti-corruption Strategy.

February 2001 - **Second Workshop on Budgeting** - On the first day of the seminar Mr. Danneleit will introduce European standards in municipal budgeting to representatives of the municipalities which were in-

TRANSPARENCY INTERNATIONAL

In the seven short years since TI was founded, we have succeeded in playing a major role in creating an understanding among governments and society at large of the detrimental impact of corruption and how vital it is that we develop the means of containing it.

Peter Eigen, Chairman, Board of Directors, Transparency International

Transparency International is a leading organisation specialising in fighting corruption. Founded in 1993 as a non-profit organisation, Transparency International today has 77 national branch offices throughout the world, including the Balkans. The organisation

in its anti-corruption activities is the *World Bank*. In 1997, the *World Bank* defined *The Agenda on Corruption*, aimed at: a) preventing corruption in projects it finances, and; b) assisting countries in fighting corruption. *Transparency's* corruption index (CPI) is

world experience in fighting crime and the solutions which have proved most effective in practice. A special chapter is dedicated to particularly interesting case studies. Each year, *Transparency* publishes an index of corruption (CPI) which is the most highly regarded

FIGHTING CORRUPTION AT THE WORLD BANK

The World Bank financially supports all institutional reforms throughout the world with some five billion US dollars annually. The priorities are: **a)** deregulation; **b)** reforms in public administration such as customs and tax administration; **c)** boosting support for institutions such as audit services, anti-corruption committees and the judiciary, whose task is to ensure the accountability

of authorities, and; **d)** decentralisation of public administration.

Apart from finance, the World Bank plays an important role in sharing knowledge and experience. The Bank organises workshops and training courses in investigative journalism, parliamentary procedures, the role of the chief auditor, the functioning of parliamentary committees and so on.

does not deal with individual cases of corruption but concentrates on setting up mechanisms and institutions aimed at fighting corruption. The organisation is financed from various donations approved by governments, foundations, the private sector and international organisations.

One of *Transparency International's* most important partners

used by the *Bank* as an important criterion when deciding on whether to invest in a country. In addition, the *Bank* actively participates in international anti-corruption activities organised by *Transparency International* and other organisations.

Transparency International regularly publishes *The TI Source Book*, which offers a summary of

of its kind and is used by the *World Bank*, the *International Monetary Fund* and various other international institutions.

All relevant information on *Transparency International* is available on the Web site:

www.transparency.org

The majority of literature and information on corruption is available through the link:

www.transparency.org/coris

cluded into the program after the first workshop. (Each municipality will have two representatives - one from local government and the other from the local civil society.) On the second day, participants from Niš, Kikinda and Čukarica will join their colleagues from these cities in analysing budgeting tables with the assistance of Mr. Danneleit. Certificates will be presented to participants who successfully complete the budgeting seminar. Each municipality will also receive free budgeting software.

March 2001 - The second issue of *Transparentnost* will be published and distributed.

March 2001 - Launch of Web site aimed at informing visitors about anticorruption activities in Yugoslavia.

March 2001 - One and a half day training course in investigative journalism for a selected group of about a dozen journalists who cover corruption issues.

March 2001 - Announcement of winners of the *Citizens' Award for the Best Civil Servant* in Niš, Čukarica and Kikinda.

April 2001 - **Workshop on Public Procurement** (one day).

April 2001 - Third issue of *Transparentnost* published and distributed.

ANTI-CORRUPTION PROGRAMS AS A PREREQUISITE FOR RECEIVING FOREIGN AID

International financial institutions, organisations and countries are setting conditions, such as administrative reform and anti-corruption programs, for providing aid to less developed countries. The most recent example of this was the program for writing off the debts of indebted, impoverished countries. This was launched in 2000 and currently includes 22 countries. For a country to join this program it

must adopt a plan for administrative reforms and anti-corruption activities. In each of these countries, non-governmental organisations are of significant importance in the control and monitoring of progress in transparency and accountability of the governments receiving the assistance. Evaluations and recommendations from Transparency International are held in high regard by the donors.

NEW WORLD ROLE FOR NON-GOVERNMENTAL ORGANISATIONS

The recent building of a crude oil pipeline in Chad and Cameroon proves that non-governmental organisations are being given a completely new role in the world. The construction of the pipeline was financed by multinational oil companies, with part of the funds provided by the World Bank. Until recently, these projects were designed and contracted in the offices of the World Bank, far from the eyes of the local public. In this case, however, local non-governmental organisations had reacted strongly against the scheme, arguing that the local population would not benefit from the crude oil pipeline while there would be a devas-

tating effect on the environment. The criticism turned the local public against the project to the point where it was doubtful that it would be built. Powerful oil companies as well as the Chad and Cameroon governments were forced to seriously consider the objections raised by the non-governmental organisations and redefine the project.

The project was a turning point in the attitude of the World Bank and the International Monetary Fund to non-governmental organisations. Both institutions introduced regular consultations with local non-governmental institutions as standard practice for all

major projects, insisting at the same time that governments do the same. The impoverished and heavily indebted countries included in the most recent program for writing off debts were also bound by the provisions of this program, setting the stage for the involvement of non-governmental organisations in planning and monitoring of a strategy for alleviating poverty.

In this way the non-governmental organisations have won a new and major role in management and their own place at the table with the major players - governments and multinational companies.

April 2001 - Beginning of a new one and a half month *Citizens' Award for the Best Civil Servant* in Niš, Čukarica and Kikinda.

May 2001 - **Workshop on Public Procurement** (one day).

May 2001 - Announcement of winners of the *Citizens' Award for the Best Civil Servant* in Niš, Čukarica and Kikinda.

June 2001 - Fourth issue of *Transparentnost* published and distributed.

June 2001 - Interviews with a hundred citizens in Niš, Čukarica and Kikinda to get their opinion on whether the quality of municipality services has changed during the previous six months.

July and August 2001 - Preparation of the final paper which includes project conclusions and recommendations for further activities in both vertical and horizontal directions.

September 2001 - **Conference** at which the findings and recommendations of the project expert team will be presented.

September 2001 - Fifth issue of *Transparentnost* published and distributed.

September 2001 - Preparation of the project **final report**, which will include project conclusions and recommendations for future actions at both the municipal and republic (federal) levels.

Pact for Stability Anti-Corruption Initiative

ANTI-CORRUPTION INITIATIVE CRACKS THE WHIP FOR YUGOSLAV NORMALISATION

On November 30, 2000, during his visit to Yugoslavia, Didier Fau, the special coordinator of the Stability Pact Anti-corruption Initiative, met the deputy secretary-general of the European Movement in Serbia, Danijel Pantić and the head of the anti-corruption project, Dr Predrag Jovanović.

Mr Fau briefed Dr Jovanović and Mr Pantić on the particular measures under the anti-corruption initiative whose implementation the SPAI mission would primarily discuss with the Yugoslav government. They are the following:

- Establishment of a working group to investigate the efficiency of existing control measures in state institutions for the use of foreign assistance. Within a period of ninety days the group would submit a report which will be presented to the Yugoslav public and members of the SPAI;
- Establishment of a working group to review existing legal solutions in the field of public procurement. This group would present its proposal for legislative amend-



Danijel Pantić, deputy secretary-general of the European Movement in Serbia

Stability Pact Anti-corruption Initiative (SPAI)

ments required to regulate public procurement in line with European standards;

- Providing information to the public through the media on the anti-corruption initiative, its purpose, importance and contents. The SPAI document, along with a statement binding on the Yugoslav government, would be published and distributed widely. The importance of the civil society in the process of successfully implementing this would be particularly emphasised during the SPAI presentation.

- A public invitation to the local business community and civil society organisations to join and actively participate in the SPAI;

- The provision of free access to information on the work of the government;
- Securing standard information on budgeting and administration which would be

applied in the process of implementing operational changes.

Mr Fau further underlined that the transparency of the budget is a key issue in fighting organised crime. This has been confirmed by the experience of other Balkan countries. Within the program of the European Movement

for Serbia he particularly supported the fact that representatives of the civil society and the

Budget transparency - a key issue in fighting corruption

media are being trained alongside government representatives. In this way the weakest link in the chain of the anti-corruption struggle, the civil society, will be strengthened.

The lack of corruption-fighting skills in the civil society is not only a problem for countries in transition: it is also a stumbling block for democratic societies such as France, Mr Fau noted.



Predrag Jovanović, head of the anti-corruption project

He added that it was still very difficult to identify the proper partners in a civil society who are competent and well organised, and thus able to effectively come to grips with corruption. Dr Jovanović and Mr Pantić offered the assist-

ance of the European Movement in Serbia, within the limit of its capacity, to non-governmental organisations and the media, as well as to the authorities. For his part, Mr Fau undertook that the Pact for Stability would continue to provide the most efficient and constant support for all efforts to build the role of the civil society both in Yugoslavia and in the entire region.