

**Effects of the new Law on Public Enterprises –
politicization or professionalization**

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Summary of main findings and conclusions

About 700 public enterprises in Serbia employ more than 100,000 people. Public companies in Serbia pose a problem on several levels. Due to poor organization or political influence on business conditions, these companies record some of the biggest losses¹. Due to poor supervision and control, there is a widespread conviction on the abuse of companies' funds, and those doubts were partially confirmed by the findings of the Supreme Audit Institution. Public enterprises have been used for parties' purposes for years - for indirect funding of parties², through employment by party affiliation, by placement of party officials or its personnel in PEs' management bodies or for buying influence in the media.

Party division of public companies is a standard part of negotiations when forming a coalition. Until recently, this division included the possibility of arbitrary election of directors and appointment of members of the supervisory and managing boards. The membership in these bodies brings 'appanages' (of which one part was given back to the parties), as well as personal influence with vague accountability.

The Law on PE³ was adopted in December 2012 as a regulation whose application was supposed to break a long-standing practice of using public enterprises for party purposes.

This law passed a number of innovations that were presented as the key to increasing transparency, professionalism and accountability of public enterprises. Among them are those relating to the election of the officials (director and supervisory board members) in public enterprises, reporting on the election of officials, publication of the explanations, publication of annual business programs and periodical reporting on the implementation of annual programs. The Law passed the obligation of announcing the competition for the election of directors, the obligation of the dismissal of any directors found responsible for failing to meet the annual work program, and the election of the supervisory board with professional qualifications in accordance with the PE field of work. One of the anti-corruption provisions is the ban in advertisement of products and services for which PE has no competition in the market, without the consent of the founder. However, such restrictions have not been introduced for sponsorships, which left room for abuse and favoritism of party interests.

These are big improvements in comparison to the previous Law (2000), but it was clear from the beginning that there are certain provisions in the new Law on PE that leave room for non-transparent behavior, and thus for corruption, as indicated in the National Strategy for the fight against corruption for the period from 2013 to 2018⁴

¹ Data of the Ministry of Finance, <http://www.naslovi.net/2014-04-16/rts/gubitak-u-javnim-preduzecima-51-milijardu-dinara/9622092>

² 'NIS' 2011 Serbia – section 10, Political Parties
<http://www.transparentnost.org.rs/images/stories/materijali/publikacije/PROCENA%20SISTEMA%20DRUSTVENOG%20INT-EGRITETA%20U%20SRBIJI%20-%20Izvestaj%202011%20strana%20po%20strana.pdf>

³ <http://www.parlament.gov.rs/upload/archive/files/lat/pdf/zakoni/2012/3845-12Lat.pdf>

⁴ Although the requirements for the election of directors were established, there were no clear criteria on which the relevant ministry proposes candidates to the Committee and on the basis of which the Committee makes the final selection of candidates who met all requirements. Therefore, the selection, dismissal and evaluation of the directors still present a risky process from the point of abuse and the emergence of corruption.

In order to look at the effects of the new Law, Transparency Serbia conducted a survey that followed the implementation of the Law in the following areas:

- 1) **The election of directors in public competitions** (with special focus on meeting deadlines, criteria for election, and the transparency of the process);
- 2) **The preparation of annual work plans** of public enterprises;
- 3) **The reporting on the implementation of the work plans and rewarding or sanctioning management** depending on the implementation of the annual plans;
- 4) **The comparison of operating results of PE** in the period before and after the election of supervisory boards and directors and comparison of **costs for PE sponsorships and marketing** before and after the implementation of the new Law
- 5) The compliance with the provisions on **work transparency**

Monitoring included 25 public companies founded by the Serbian Government, Provincial Government and Local Governments (Assemblies of Cities and Municipalities). The sample⁵ was constructed to include all levels of government, all regions of Serbia, PE from different areas of activity, as well as various political options that make the majority in the municipalities and cities of the observed PE. At the level of Serbia and Vojvodina the sample is representative (34% and 50%).

The research has shown that many of the Law provisions were not applied at all, that the deficiencies of legislation led to the expected adverse effects, and that the application of legal innovations did not lead to termination of the long-standing bad practices.

Thus, although the Law clearly stipulates that vacancies for directors in all public enterprises will be announced no later than 30 June 2013, the Serbian government decided not to announce a competition for the election of the Director of PE in which the directors were appointed before the new Law came into force. Among the observed PE, that was the case with PE 'Srbijagas', PE 'Srbijasume', Public water company 'Srbijavode', PE 'Elektromreza Srbije' and PE 'PTT Srbija'. Among these companies are also those headed by senior party officials⁶.

Until the legal deadline of 30 June 2013, the Serbian government announced competitions for the directors of only two out of the 13 observed public enterprises - 'Elektroprivreda Srbije' and 'Skijalista Srbije'. After the deadline, competitions were announced in six more companies: 'PEU Resavica' (3 July 2013), 'Putevi Srbije' (5 July 2013), 'NP Fruska Gora'

⁵ The sample of surveyed public enterprises is available under the Section 1.2 of this report.

⁶ **PE 'Srbijagas'** - Public competition was not announced, the PE is led by director Dusan Bajatovic whom the government appointed after it adopted the draft Law on PE and sent it to the Assembly for approval on 28 November 2012. Bajatovic is an official of SPS.

PE 'Srbijasume' - Public competition was not announced, the PE is led by Igor Braunovic, deputy director general. Director Dusko Polic submitted his resignation in 2010 and since then deputy Braunovic has been serving as director. Braunovic is an official of PUPS. As a deputy director, he is not subject to the obligations that the Law on the Anti-Corruption Agency imposes on public officials (declaration of assets, transfer of management rights, etc.).

PE 'Srbijavode Beograd' - Public competition was not announced, the PE is led by director Goran Puzovic, who was appointed to this position on 2 November 2012, before the adoption of the new Law on PE. Previously, he was a member of the 'Srbijavode' board, and was resolved only on 28 November, nearly one month after he was appointed director.

PE 'Elektromreza Srbija' - Public competition was not announced, the PE is led by Nikola Petrovic, an official of 'Srpska Napredna Stranka'. On 26 September 2012 he was appointed acting director, and on 21 December 2012, four days before the entry into force of the new Law on PE, the Government appointed him the director general.

PE 'Posta Srbije' - Public competition was not announced, the PE is led by Milan Krkobabic, the president of PUPS (at the time of the appointment he was deputy president). On the 26 September 2012, he was appointed director general.

(10 July 2013), 'Zavod za udzbenike' (15 July 2013), 'Sluzbeni glasnik' (2 August 2013) and 'Nuklearni Objekti Srbije' (7 August 2013).

The competitions in public enterprises that were scheduled for the period June-August 2013 were not completed until the preparation of this report (October 2014), with the exception of the competition for the director of 'EPS', which ended on 2 October by the appointment of the former acting director. The Committee for the appointment of directors in PE founded by the Serbian government has not responded to the TS to provide information on the stage of the competitions, and information about this matter is available only through media statements. Due to the fact that in five of the 13 observed state PE competitions were not announced, as well as according to the statements of the representatives of the ruling coalition, it can be concluded with quite certainty that there was no political will to finalize the competitions and to elect directors who would contribute to the professionalization and departisation of management in PE.

In most cases, the provincial and local PE competitions ended after 30 to 90 days, or directors were appointed during the period July-December 2013. An exception is the City of Belgrade, where the competition was announced on 28 June 2013 and the Committee established lists of candidates with proposals for the appointment of directors. In the meantime, the political option that managed the City was changed, the Interim Authority made a decision to reject all the proposals of the Committee only in April 2014, and on 18 September 2014 the directors were appointed after the new competition. This case illustrates how the broad discretion power functions in practice, where the Law left to the authority responsible for the appointment of directors - to elect any or none of the candidates from a list proposed by the Committee for appointment. It remains unclear whether the previous directors were proposed in the electoral process on the basis of party affiliation, whether they performed bad in the past, and what is the guarantee that it will never happen again, only now with the actors from other parties, and in the competition announced by the new City government.

The Law and Regulation do not prescribe criteria for the appointment of directors of public enterprises established by provinces, cities and municipalities. That is why the Transparency Serbia requested the founders and the Committees for the appointment of all the observed regional and local companies to submit the criteria and documents that show how they were applied in the selection procedure. This turned out to be an extremely difficult request, because a separate document of this kind usually does not exist. So it happened that the criteria were decided on the same committee session when the candidates were appointed, that in practice formalities were 'skipped' and decisions were made on the basis of what was 'well known' as the moral quality of a candidate or his/her good performance as acting director. Another indication that the new Law did not significantly contribute to depoliticisation of public enterprises, even in cases where competitions were conducted, is the lack of interest of candidates to participate in these competitions and **a massive appointment of former acting directors whose party affiliation** was clearly identified in the local media.

While awaiting the end of competition, public companies on the state level **are led by acting directors** appointed by the government, with occasional announcements of politicians that they would be replaced (by new acting directors?) in case of 'poor performance'. The law provides that acting director can be appointed for a term not exceeding six months, and in particularly justified cases and in order to prevent property damage, this

condition can be extended for another six months. The government breached this Law provision as well. There were cases when the mandate of the acting director was not extended upon the expiration of six months, and in some cases acting directors were nominated twice for a period of six months, but that period also expired⁷.

The process of alignment of founding acts and statutes was also conducted in a very slow manner, with significant breaches of legal deadlines (where such were prescribed). It was found that out of 25 surveyed PE, only in four cases (16%) both the founding and general acts were aligned within the prescribed period (until 26 February 2013). Moreover, this percentage is 0 in case of observed republican PE (0 of 13), 100% in provincial PE (2 of 2) and 20% in local PE (2 of 10).

The Law has brought significant innovations in the field of election, composition and competence of the supervisory board (SB). Members have to be experts in one or more areas of the activities of a public company, they must have at least three years of experience in a leadership position and possess expertise in finance, law and corporate governance.

The absence of the statutory deadline for the election of SB members government used not only passively (long term delay of appointment under the new Law) but also actively, so that, although the new Law came into force on 25 December 2012, three or four months later, in March and April 2013, the president and members of managing boards of certain public enterprises⁸ were appointed under the provisions of invalid (i.e. previous) Law on public enterprises and the activities of general interest, while simultaneously referring to the transitional provisions of the new Law. Certain party officials were elected in this manner, even though they often do not meet the requirements in terms of skills required by the new Law.

Supervisory boards were appointed in 12 of the 13 observed republican PE, in most of them in the period from September to December 2013 (nine to 12 months after the application of the Law). In one company (PE 'Nuklearni Objekti Srbije') SB has not been appointed yet, although the Law came into force 21 months ago⁹. In the two provincial PE, supervisory boards were appointed in July 2014 (19 months after the application of the Law), while in the local PE, they were appointed during the period from April to October 2013.

After the supervisory boards were appointed in 24 of 25 surveyed public enterprises, TS requested their founders to submit evidence that the elected members of the supervisory boards fulfill the statutory requirements. A detailed review of the findings, which highlighted the numerous problems from the standpoint of meeting the requirements of competence and / or independence for all surveyed PE, is available in Section 3.3 of this report. The Law did not specifically regulate the method of electing employee representatives on the supervisory boards. Therefore, the practice is not uniform and there are examples (the predominant method of election in the republican PE) that the director nominates a member of SB on

⁷In PE 'Putevi Srbije' public competition was announced on 5 July 2013. Zoran Drobniak has been at the head of that PE since 2007. He was dismissed on 27 December 2011 and he was appointed acting director. On 28 November 2013, the government stated that his mandate of acting director had ceased and appointed him again acting director on 29 November 2013. The period of six months expired on 29 May 2014, and Drobniak still leads the enterprise.

⁸MB PE 'Posta Srbije', MB 'Zavod za udzbenike' (1 March 2013), MB EPS (29 March 2013), MB PE 'Elektromreza Srbije' (29 March 2013), MB 'Srbijagas' (29 March 2013), MB 'Srbijavoda' (5 June 2013) and MB 'Srbijasuma' (18 June 2013)

⁹That PE has not yet adopted the new statute, that is, the founder, Serbian government has not yet given the consent for the new statute

behalf of employees, or that a member is elected by the board of directors, even though SB should then supervise the work of the same director.

The part of the analysis related to **sponsorships and donations**, observes very high costs of this type among PE that support sports federations and national teams, multiple breaches of planned expenditure in a PE that has been operating at a loss for years, as well as illogical specifications in marketing agreements. In one drastic case, the sponsorship expenditures of a local PE were four times higher than its achieved profit.

In terms of control and accountability of PE, the situation is no better. From the received responses, it is evident that all PE, especially local ones, had a lot of confusion as to whom to submit **quarterly reports on the program implementation**. In the meantime a regular practice was established and the conclusion is that all PE regularly fulfill their obligation. However, the problem is that large number of PE does not fulfill the obligation of publishing the report, and it is impossible for the public to inspect the functioning of PE - to what extent were annual business programs implemented. In addition, quarterly reports consist solely of income spreadsheets, and since the Law on PE and the statutes do not stipulate the obligation to submit annual narrative report on the work, one needs a high level of expertise and/or additional information about work condition within PE to make an unambiguous conclusion about the success of management performance and subjective responsibility or merit for (un) successful operation of PE based on submitted report.

Research has shown that there are **serious problems** not only with the implementation but also with **the adoption of the annual work programs**, especially for republican companies. These programs are approved with three or four months delay, and sometimes even more. According to current data, of the 13 republican PE included in our sample, the work programs for the current year 2014 were not approved by the government for as much as five PE up to 10 September (which was supposed to be done in December last year).

The Law on Public Enterprises also provides **incentives** for the management of a public company that operates with positive business results, while the removal of director is required if 'there was a significant deviation from reaching the main goal of business of a public company or of a business plan of a public company.' The Law stipulates that the government's by-law will define conditions and criteria for determining the height of stimulation, but that act has not been passed 21 months after the adoption of the Law. On the other hand, **the only decision on the removal** of director in the observed sample, and prior to the expiration of the mandate that serves as an example of the functioning of the accountability system, took place in Novi Sad, in the PUC 'Stan'¹⁰.

Public enterprises are required to **publish on their website the approved annual work program and quarterly reports on the implementation of the annual program, audited annual financial statements and the auditor's opinion on those statements, the**

¹⁰ On 27 November 2013, the supervisory board issued a draft decision on the dismissal of the director because 'his acts in the form of payment of wages and non-payment of the taxes and contributions led to the blockage of the enterprise's account and violations of debt rescheduling with the tax authority, and due to the lack of social dialogue he disrupted employee relations which led to a permanent threat to the performance of activities of the company. His negligent attitude towards the plan of reorganization of PUC 'Stan', which was adopted by the Assembly of Novi Sad on 25 October 2013, has questioned its implementation on 1 January 2014. He also contributed to the difficult operation of the company in the coming period because the Pension Fund was not submitted data on workers who are on sick leave, and which was contrary to law. His total work brought into question the performance of activities for which the company was founded.'

composition and the contacts of the supervisory board and director, as well as other issues of importance to the public. During the survey we established that none of the companies fully comply with this requirement. Therefore, we sent them the letter pointing out the flaws, so they could update their websites in accordance with the Law.

From all the above, it can be concluded that the implementation of the Law on Public Enterprises from 2012, at least for now, poses one of the largest examples of failed promises and expectations. Failures of anti-corruption reforms in this area are caused by the lack of proper legal decisions, but also by the fact that the 'political will' (or its absence) still take precedence over the rule of law.

1. About the Project

1.1 The Environment and Reasons

Public companies (PE) pose a problem in Serbia on several levels - they are among the biggest insolvents¹¹ and for years have been used for political purposes - for indirect party financing,¹² recruitment by party affiliation, and appointment of party officials and staff at the head of public enterprises (PE).

In about 700 public enterprises, which is the total at the level of republic, province and local governments, more than 100,000 people have been employed. Due to poor supervision and control system, there is a belief that the public companies are misusing public funds, and these doubts were partly confirmed by the State Audit Institution findings.

The Law on Public Enterprises¹³ (Official Gazette of RS, no. 119/2012, 116/2013 - authentic interpretation and 44/2014 - another law) was adopted in December 2012 (entered into force on 25 December 2012) as a regulation whose implementation should discontinue a long-standing practice of using public enterprises for party purposes.

In the past, the political divisions of public enterprises were a part of the negotiations on forming coalitions, along with the distribution of ministerial seats; and departments within local authorities. During the election campaign, opposition parties regularly accused the ruling parties of using PE for partisan purposes, and so the announcement of the management professionalization in the PE, and their "departision" was a campaign promise of several parties before the elections in 2012. These parties became a part of a ruling coalition that has adopted a new Law on PE. Even before the adoption of the Act, in July 2012 those parties adopted a coalition agreement which, among other things, obliged them to reform public enterprises in order for them to function more efficiently and to improve the quality and competitiveness of their services¹⁴.

In accordance with the coalition agreement, five months later, the Law on Public Enterprises has been adopted, with a number of provisions that were presented as the key to increasing transparency, professionalism and accountability of the PE. Among them are those related to the election of the authorities in public companies (directors and supervisory boards), reporting on the authorities election, the publication of the statement of reasons, the publication of annual work programs and periodic reporting (and the publication of those report) on the implementation of the annual program. The Law passed on the obligation for the announcement of the contest for the election of directors, the obligation to directors' dismissal if found responsible for the failure to meet the annual work program and the selection of the supervisory board with professional qualifications in accordance with the activity field of PE. One of the anti-corruption provisions is the limitation of advertising of

¹¹ Data of Ministry of Finance <http://www.naslovi.net/2014-04-16/rts/gubitak-u-javnim-preduzeccima-51-milijardu-dinara/9622092>

¹² NIS 2011 Srbija – chapter ten of Political Parties
<http://www.transparentnost.org.rs/images/stories/materijali/procenaintegriteta/National%20Integrity%20System%20Assessment%20Serbia%202011.pdf>

¹³ <http://www.parlament.gov.rs/upload/archive/files/lat/pdf/zakoni/2012/3845-12Lat.pdf>

¹⁴ The Review of Coalition Agreement, July 2012.doc - 10 -

PE products and services that have no competition in the market, without the consent of the founder. However, such restrictions have not been introduced for sponsorship, which left room for abuse and favoritism of party interests.

Although immediately after the adoption became certain that there are provisions in the new Law on PE that leave room for non-transparent behavior, and thus for corruption, as defined in the National Strategy for the Fight against Corruption for period 2013 - 2018¹⁵, the new Law on PE was a major step forward compared to previously existing Law on Public Enterprises and Activities of General Interest (Sl. Gazette of RS, no. 25/2000, 25/2002, 107/2005 and 108/2005 - corr.). For example, the previous law did not stipulate a public tender for the election of directors or the disclosure of explanations for those appointments. The law also did not contain any provisions on transparency, as well as the obligation of periodic reporting on the fulfillment of the annual program operations.

However, it was recorded that the new Law on Public Enterprises, particularly its anti-corruption provisions were not respected. Thus, the Serbian government has decided not to announce a competition for the selection of all directors of republic PE, while the alignment of the founding acts, statutes and supervisory board proceeded extremely slowly, with significant breaches of legal deadlines (in cases where deadlines were prescribed). The progress was expected for the period after the reconstruction of the Government in September 2013, when the new Minister of Economy announced the introduction of order in PE as one of its priorities. However, the minister resigned after a few months, which was followed by new elections (May 2014) in which, unlike the campaign of 2012, public enterprises were barely mentioned.

¹⁵Although the requirements for the election of directors were regulated, there were no clear criteria on which the relevant ministry proposes candidates to the committee and which are the basis of the committee's final selection of candidates who have met all requirements. Therefore, the selection, dismissal and evaluation methods of the directors are still a risky process from the point of abuse and the emergence of corruption.

1.2 Methodology

The monitoring included sample of 25 PE, founded by the Government of Serbia, Government of Vojvodina province and local government units (assembly of cities and municipalities). The sample was constructed to include all levels of government, all regions of Serbia, PE from different areas of work, as well as various political options that make the majority in the municipalities and cities of those PE. It should be noted that in the case of state and provincial PE, the sample can be considered representative, since it covers 34% of PE founded by the Government of Serbia (13 of 38) and 50% PE founded by the Government of Vojvodina province (2 of 4). In the case of local PE, the sample covered different regions, areas of work, development levels of local governments and various political options that are in power, and should provide insight into this field, regardless of a relatively small number of PE (10 out of 650).

The sample includes:

PE founded by the Government of Serbia:

1. PE "Elektroprivreda Srbije"
2. PE "Srbija gas"
3. PE "Srbijasume"
4. Public water management company "Srbijavode"
5. PE "Elektromreza Srbije"
6. PE "Sluzbeni Glasnik"
7. PE for underground coal mining "Resavica"
8. PE "Putevi Srbije"
9. PE "Poste Srbije"
10. PE for ski resorts
11. PE "Zavod za udzbenike"
12. PE National Park "Fruska gora"
13. PE "Nuklearni objekti Srbije"

PE founded by the Government of Vojvodina province:

14. Public water management company "Vode Vojvodine"
15. PE "Vojvodinasume", Petrovaradin

PE founded by the City of Belgrade:

16. Public Utility Company (PUC) "Parking servis"
17. Public Utility Company (PUC) "Gradska čistoca"

PE founded by other units of local government:

18. PUC "Informatika", Novi Sad
19. PUC for water and sanitation "Naissus", Nis
20. PUC "Paracin"
21. PE "Ingas", Indjija
22. PE "Turistički centar Grada Zrenjanina"
23. PE "Direkcija za urbanizam", Kragujevac
24. PUC "Vodovod", Surdulica
25. PE "Direkcija za gradjevinsko zemljište i puteve", Bosilegrad

Within this research, Transparency Serbia (TS) monitored the implementation of the Law in the following areas:

1. The election of directors in public competitions (with special focus on meeting deadlines, the criteria for selection, process transparency)
2. Development of PE annual work plans
3. Reporting on the implementation of the annual plans and rewarding or sanctioning management depending on the implementation of the annual plans
4. Comparison of business results of PE in the period before and after the election of supervisory boards and directors; and cost comparisons between PE sponsorship and marketing before and after implementation of the new Law
5. Compliance with the provisions on work transparency

Given that in the period from February to September 2013, the TS conducted the first monitoring of implementation of the Law on PE¹⁶, the results of new research are partly compared with the findings of the first monitoring, in order to determine whether progress has been made in the law compliance.

Data were collected from the monitored PE, their founders, relevant ministries, the committees for directors' selection, by sending requests based on the Law on Free Access to Information of Public Importance, from websites, media or direct contact (phone or email) with authorities' representatives or with PE. The following questions were asked:

- If and when were the founding and general acts aligned with the Law
- Are the elected monitoring committees compliant with the Law, who are the members of those committees, how it was determined that these members fulfil the statutory requirements
- Whether there were tenders for the election of directors and whether the ads were published in accordance with the Law
- Whether the commissions for the election of directors were formed, and whether the criteria for the selection of candidates for directors were established and applied
- Whether the reports on the selection of directors were published
- What were the business results before and after the application of the Law on PE, what were the costs of sponsorships and marketing before and after this implementation
- If and when were approved annual work plans and whether they were published in accordance with the Law, if and when the founders gave their approval for the plans
- Whether PE reported regularly on the implementation of plans and whether they published the reports
- Whether the Ministry of Finance reported regularly to the Government on the degree of alignment of planned and completed PE activities
- Whether the directors of PE were rewarded for positive results, or whether there were any procedures for dismissal in case of failure to meet the business plan according to the Law

The final report on the implementation of the Law on PE includes the analysis of the election of directors and supervisory boards, the analysis of PE work transparency, the analysis of the

¹⁶ Analiza javnosti rada Vlade - septembar 2013.doc, http://www.transparentnost.org.rs/index.php?option=com_content&view=article&id=467&Itemid=41&lang=en#2013 (available in Serbian only).

adoption and publication of annual work programs and monitoring of their implementation and the analysis of expenditures on sponsorship and marketing. Separate part of the report consists of recommendations for improving the Law and its implementation and initiatives addressed to the authorities - for the improvement of the operation and /or transparency, as well as for initiatives for sanctions in cases with observed violations or deviations from Law enforcement.

2. Obstacles at the first step

2.1 Compliance with the law

The compliance of the Statute founding and general acts with the new Law on PE certainly cannot be described as particularly important anticorruption activity, but it is one of the first steps in the implementation of the Law and displays the relationship of the founder (republican, provincial and local government) and PE towards commitments to the Law. If they stumble at this step, what can be expected in terms of work transparency, timely preparation of annual programs, reporting on their implementation, and the analysis of responsibilities for gaps in their implementation? Therefore, this area was given a specific chapter in the study. It was found that out of 25 surveyed PE, only in four cases (16%) both, the founding and general acts were compliant within the prescribed period. Moreover, this percentage is 0 in case of observed government PE (0 of 13), 100% in the province PE (2 of 2) and 20% of local PEs (2 of 10).

The Law provides that the founders of public companies align founding documents of those companies with the provisions of the Law within two months from the date the Law came into force.

In only five of 25 observed PE this was achieved by the deadline, i.e. by 25 February 2013. Of 13 PE founded by the Government of Serbia, none were timely aligned with the founding act¹⁷. The earliest this has been done was in the case of the PE "Sluzbeni Glasnik" (20 March 2013) and the latest in the case of PE "Nuklearni objekti Srbije", whose founding act was aligned with nearly a year delay - 31 January 2014 (these results exclude PE "Srbijasume" for which there is no information regarding whether the founding act was even aligned).

The situation is better at the level of Autonomous Province of Vojvodina. The study focused on two PE and in both cases the founder timely aligned operations with the new Law - 14 February 2013. Out of the 10 local PE, the operations of four PE were timely aligned, and no drastic delays were recorded (as in the case of PE "Nuklearni objekti Srbije") - in all 10 cases, founding acts were aligned by 5 June 2013.

The following task in the implementation of the Law on PE was placed on PE and their boards of directors. Namely, the Law stipulated that public enterprises and corporations established by the Republic of Serbia, autonomous province or local self-government, as well as all of their subsidiaries engaged in the activities of general interest, have to comply their general acts with the Law and founding acts, within 30 days from the date of the alignment of founding acts with the provisions of the Law.

The deadline was reached by six of the 25 surveyed PE. Again, the situation was the worst in PE founded by the Government of Serbia. For one of the PE there are no information regarding whether the Statute is aligned ("Srbijasume", for which there is no data on the business alignment either), while in one case ("Srbijagas") TS was confirmed that the Statute has not been aligned, and that the procedure is still ongoing, although the business alignment

¹⁷PE "Srbijasume" has no data on the alignment of Statute and founding act. The decision was not published in the Official Gazette, and the founders did not provide an answer to the question of whether and why the founding act was not aligned.

started more than 14 months before. In case of the two PE ("Nuklearni objekti Srbije" and "Resavica") the Statute is aligned, but the founder has not given consent as yet, while the remaining nine completed the entire procedure. None of the PE achieved this within the prescribed period of 30 days from the date of the alignment of founding acts with the provisions of the Law.

However, in the case of republic PE we noted a (minimal) improvement compared to the research that we conducted in 2013, when in some cases the reason for Statute non-alignment was the fact that the Supervisory Board was not constituted in accordance with the new Law. Amidst was the ignorance or made up excuses for breaking the deadline. In the meantime, Statutes were aligned, and the selection of the supervisory board was not a prerequisite for that action. In case of almost all observed PE, supervisory board was selected after Statute alignment.

At the provincial level, the Statutes of both observed PE were timely aligned with the Law and the founding act, and soon afterwards the founders approved the amended Statutes. It was observed that in both PE Statutes were aligned on the same day, 29 days after the founding act was aligned.

All 10 Statutes of local PE comply with the Law and the amended founding acts, and in seven cases it was done within the prescribed period (PUC "Parking Servis" Beograd, PUC "Gradska cistoca" Beograd, PUC "Informatika" Novi Sad, PUC "Naissus" Niš, PE "Ingas" Indjija, PE "Turistički centar Grada Zrenjanina" and PE "Direkcija za urbanizam", Kragujevac). In the remaining three PE Statutes were aligned by the end of June 2013.

2.2 Compliance with founding acts and the Statute

The deadline for alignment of founding acts was 26 February 2013. The deadline for alignment of Statute was 30 days from the date of the alignment of founding acts. Generally, the review reveals, there is an evident unusual phenomenon that in some cases the period between the adoption of PE new Statute at the meetings of their management and supervisory board and the given consent was extremely short, and that in most cases the period between reaching the decision and given consent varied between six and ten months, but there were also the cases when this period exceeded ten months. This may indicate the relationship between the current leadership of the company and the Government as its founder, or the line ministry, which has the authority to decide whether an issue will be included on the agenda. In the best case, these delays could be interpreted as a positive signal, for example that the Government verifies that statutes are indeed compliant with the Law, but we do not have data on that.

The review of alignment of founding acts and Statutes:

PE "Elektroprivreda Srbije":

Founding act: decision was published in Official Gazette on 7 Jun 2013. (session of the Serbian Government was on 4 Jun 2013)

Statute: supervisory board passed the Statute on 30 January 2014. Government gave the consent on 21 February 2014.

PE "Srbija gas":

Founding act: published on 26 July 2013 (session on 23 July 2013).

Statute: supervisory board adopted the Statute, but at the same time, according to the specific finding of the 17 April 2014, it determined that the text of the Statute needs to be the subject of consultations with the Republic Secretariat for Legislation, and then submitted to the Government for approval. According to information received from this PE, "the process of alignment of general acts PE "Srbijagas" with the Law, the founding act and the Statute is still in progress."

PE "Srbijasume":

Founding act: no data.

Statute: no data (during the survey conducted by TS last year, in September 2013, PE "Srbijasume" replied that the alignment of the Statute is "in progress." This year there was no response from "Srbijasume", or the Serbian Government).

Public water management company "Srbijavode":

Founding act: 7 August 2013 (31 July 2013)

Statute: 27 February 2014, consent: 16 April, 2014.

PE "Elektromreža Serbia":

Founding act: 7 June, 2013 (4 June 2013)

Statute: 21 January 2014, consent: 29 January, 2014

PE "Službeni glasnik":

Founding act: 20 March 2013 (14 March 2013)

Statute: 14 June 2013, consent: 19 July, 2013

PE for underground coal mining "Resavica":

Founding act: 28 June 2013 (25 June 2013)

Statute: reached at the supervisory board session on 4 November, 2013. No consent from Government as yet.

PE "Putevi Srbije":

Founding act: 24 May 2013 (20 May 2013)

Statute: 18 July 2013, consent: 18 October, 2013

PE "Poste Srbije":

Founding act: 7 August 2013 (31 July 2013)

Statute: 30 October 2013, consent: 6 November, 2013

Public Enterprise for ski resorts:

Founding act: 21 June 2013 (18 June 2013)

Statute: 9 December 2013, consent: 4 April, 2014

PE "Zavod za udzbenike":

Founding act: 14 June 2013 (10 June 2013)

Statute: 11 February 2013, consent: 4 April, 2014

PE National Park "Fruska gora":

Founding act: 24 May 2013 (20 May 2013)

Statute: 3 September 2013, consent: 3 March, 2014

PE "Nuklearni Objekti Srbije":

Founding act: 31 January 2014 (29 January 2014)

Statute: Board of directors passed the Statute on 27 February 2014 and submitted it to the Ministry of Education, Science and Technological Development, but, as stated in the letter, "there was need for amendments" and on 12 May 2014, the board of directors performed "certain changes" and the amended text was re-submitted to the relevant ministry. Consent has not been obtained yet.

Public water management company "Vode Vojvodine":

Founding act: decisions reached at the session of the Government of Vojvodina province on 14 February 2013

Statute: Board of directors adopted the Statute on 15 March 2013, Government of Vojvodina province gave consent on the session on 3 April 2013.

PE "Vojvodinasume":

Founding act: 14 February 2013

Statute: Board of directors adopted the Statute on 15 March 2013, Government of Vojvodina province gave consent on the session on 3 April 2013.

PUC "Parking Servis" Beograd:

Founding act: decision reached at the session of City Assembly on 22 March 2013

Statute: 29 March 2013, consent: 31 May 2013

PUC "Gradska cistoca" Beograd:

Founding act: 22 March 2013

Statute: 1 April 2013, consent: 31 May 2013

PUC "Informatika" Novi Sad:

Founding act: City Assembly 22 February 2013

Statute: Aligned on 13 March 2013, consent: City Assembly on 22 March 2013

PUC for water and sanitation "Naissus", Nis

Founding act: City Assembly on 23 May, 2013

Statute: 31 May 2013, consent: 14. June 2013

PUC "Paracin"

Founding act: Municipal Assembly on 4 March, 2013

Statute: 23 May 2013, consent: 27 June 2013

PE "Ingas" Indjija

Founding act: Municipal Assembly on 5 June 2013

Statute: Board of Directors adopted the Statute on 19 June 2013, Municipal Assembly gave consent on 26 June 2013.

PE "Turistički centar Grada Zrenjanina"

Founding act: City Assembly on 15 March 2013

Statute: 21 March 2013, consent: 24 May 2013

PE "Direkcija za urbanizam", Kragujevac

Founding act: City Assembly on 22 February 2013

Statute: PE and the founder replied that the Statute is aligned and that consent was given on 19 March 2013.

PUC "Vodovod", Surdulica

Founding act: Municipal Assembly on 18 March 2013

Statute: Aligned on 30 May 2013, consent: Municipal Assembly on 12 June 2013

PE "Direkcija za gradjevinsko zemljište i puteve", Bosilegrad

Founding act: Municipal Assembly on 25 February 2013

Statute: consent: 23 April 2014

3. The Selection of Supervisory Boards

3.1. What does the Law say?

The Law on Public Enterprises has brought significant innovations in the field of election, composition and jurisdiction of a supervisory board. Instead of the previous managing and supervisory boards, only supervisory boards have been introduced with jurisdiction to:

- 1) Determine the business strategy and business objectives of public enterprises and manage their realization;
- 2) Adopt the reports of the degree of implementation of business plans;
- 3) Make annual business programs, with the consent of the founder;
- 4) Supervise the work of directors;
- 5) Conduct internal supervision of public enterprises;
- 6) Establish, approve and monitor the accounting, internal control, and financial reporting and risk management policy;
- 7) Establish the financial statements of public enterprises and submit them to the founder for approval;
- 8) Pass the statute with the consent of the founder;
- 9) Decide on status changes and the establishment of other legal entities, with the consent of the founder;
- 10) Make decisions on the allocation of profits, or how to compensate the loss, with the consent of the founder
- 11) Authorize the directors to undertake tasks or activities in accordance with the Law, the statute and the decision of the founder;
- 12) Appoint executive directors of public companies;
- 13) Conclude contracts for a specified time with the directors of the company, i.e. contracts with executive directors of the company;

To fulfill these tasks, it is essential that every member of supervisory board (SB) has a higher education degree (undergraduate studies of at least four years); that he is an expert in one or more areas of general interest for which public enterprise was established; to have at least three years of experience in a leadership position and to have expertise in finance, law and corporate governance.

In addition, the independent members of the supervisory board are subject to additional conditions - that they have not been employed by a public company, subsidiary of a capital or another capital associated with a public company in the last two years prior to their appointment; that they have not been engaged on other grounds in a public company or in the audit of the financial statements; and that they were not a member of any political party.

Independent member of SB is also one of the novelties brought by the Law on Public Enterprises. Supervisory board of a public company whose founder is the Republic of Serbia has a total of five members, with one member appointed from the rank of employees. Supervisory boards of provincial and local public companies have a total of three members, one of whom is a representative of the employees.

The Law did not precisely regulate the method of election of employee representatives in the supervisory board, but it stipulated that they should be nominated "in the manner specified by the statute of a public company."

SB members are appointed for a period of four years.

3.2 What is the situation in practice?

Prior to the enactment of the new Law on PE, members of supervisory and managing boards were party officials, and party representatives, whose compensation for membership was most often the 'appanage' for the engagement in parties. It is no secret that part of their income obtained on the basis of these appointments was deducted in a form of a donation or "membership fees" to the parties that have selected them for managing or supervisory boards. These payments were not entirely voluntary, but regulated as a commitment by political parties' acts. The situation was somewhat changed when, under public pressure, fees for membership in the managing and supervisory boards were significantly reduced and limited. These positions were no longer so lucrative, but they remained the target of political parties, that controlled public enterprises within their coalition quotas. So it happened that in some PE, even after the adoption of the new Law on PE, managing boards were populated under the old, invalid regulation, and represented by party officials that would be difficult to prove that they have the expertise in the area of PE activity.

A particular problem was the fact that the Law did not determine the deadline for the selection of supervisory boards. The transitional provisions of the Law on PE only stipulate that from the date of the Law's entry into force, the former supervisory boards of public companies will no longer operate, and its members' mandate will terminate, while managing boards will continue to perform the duties of (new) supervisory boards until the appointment of the president and members of supervisory boards in accordance with the new Law.

Failure to determine a time limit for the selection of SB was used to temporize the previous condition. So nine months after the implementation of the Law, in September 2013, only two out of the 17 PE observed by TS in the former study had the supervisory boards in accordance with the new Law.

According to the results of this research, supervisory boards have been appointed in 12 out of the 13 observed state PE, most of them in the period from September to December 2013 (nine to 12 months after the application of the Law). In one company ('Nuklearni Objekti Srbije') SB has not been appointed yet, although the Law came into force 21 month ago¹⁸. The two provincial PE appointed their supervisory boards in July 2014 (19 months after the application of the Law), while the local PE made these appointments during the period from April to October 2013.

The lack of deadline was used by the government not only passively (long term delay of appointment under the new Law) but also actively, so that, although the new Law came into force on 25 December 2012, four months later, on 5 April 2013, the government appointed the president and members of the managing board of PE 'Posta Srbije' under the provisions of the invalid Law on public enterprises and performing activities of public interest, while

¹⁸ This PE has not yet adopted the new Statute, and its founder, Serbian Government, has not yet approved the new Statute

simultaneously referring to the transitional provisions of the new Law.

In fact, the decision on the appointment states that the managing board of the Public Enterprise PTT saobracaja "Srbija"¹⁹ will continue to perform the duties of the supervisory board under the Law on Public Enterprises, until the appointment of the president and members of the supervisory board in accordance with the (new) Law.

Among the former appointed members of the managing board (MB) were also the four representatives of the ruling coalition parties - Meho Omerovic from SDP, a political scientist; the economist Dobrosav Maric, a member of 'Jedinstvena Srbija'; Milutin Stojinovic from URS, an agricultural engineer; and Milan Stevanovic, a mathematician from the SNS. As a reminder, the Law stipulates that members of SB must be experts in one or more areas of public enterprise activities; must have at least three years of experience in a leadership position and must possess expertise in the field of finance, law and corporate governance.

Similar appointments were made during this period, after the new Law entered into force - in case of MB of 'Zavod za udzbenike' (1 March 2013), MB of EPS (29 March 2013), MB of public enterprise 'Elektromreza Srbije' (29 March 2013), MB of 'Srbijagas' (29 March 2013), MB of 'Srbijavoda' (5 June 2013) and MB 'Srbijasuma' (18 June 2013)²⁰.

The only thing that changed in the period from December 2012 (when the new Law came into force) and June 2013 (when the first SB was appointed according to the new Law) was the fact that in April the government noted the existence of the new Law, and when applying the old Law, it at least published a note that the managing board will continue to perform the duties of the supervisory board stipulated by Law on Public Enterprises, until the appointment of the president and members of the supervisory board in accordance with the new Law.

Given the fact that, in the meantime, supervisory boards were appointed in 24 out of the 25 surveyed PE, TS sought the evidence from their founders that the elected members of the supervisory boards meet the statutory requirements.

The study paid special attention to the selection of independent members of the republic PE. Government of Serbia was requested to document that independent members meet the statutory requirements. The government has not responded to the request, which was followed by a warning, and then by the lawsuit with the Administrative Court.

For this reason, the data on the independent members were collected only through publicly available sources and are contained in Section 3.3 which presents data on all observed public enterprises. That chapter includes the data on collected evidence that other members of the supervisory boards meet the statutory requirements²¹.

A special curiosity presented the case of PE 'Putevi Srbije' in which almost all the members of SB are party officials, and two are political scientists by occupation (detailed in Section 3.3),

¹⁹ During the compliance of the founding act with the new Law, in August 2013 the company name was changed to PE 'Posta Srbije'

²⁰ The study from 2013 revealed two more PE whose SB members were appointed after the implementation of the new Law which abolished the SB - 'Transnafta' (29 March 2013) and 'Jugimport SDPR' (12 April 2013)

²¹ Data were not obtained from the Government of Serbia

and the independent member is from the party 'Ujedinjeni Regioni Srbije' Branislav Jovanovic, a former member of the inner presidency of URS. This was a direct violation of the Law. When the media got interested in this case, Jovanovic claimed that it was all a mistake, while the Anti-Corruption Agency said that this was an unlawful appointment. A month later²², in November 2013, the Government of Serbia removed Jovanovic from the supervisory board and elected a new member, while the former president of SB was appointed as an independent member. Back in July 2013, and two weeks after the appointment of SB members, the government was warned about the failure. On 19 July, the Administrative Committee of the National Assembly refused to give consent to Jovanovic (then URS deputy in parliament) to perform other functions, and warned the government that the Law stipulates that an independent member of PE cannot be a member of any party²³. It is particularly interesting that Jovanovic, who was also the head of the Directorate for the construction of the City of Nis, after his relegation claimed that, due to that action, Nis "lost at least 70 million RSD" for the planned projects, 'because, as soon as he was relieved from his position, the money went elsewhere, most likely to Belgrade, given that the supervisory board appointed a man from Belgrade.'²⁴

TS also analyzed the election of employee representatives in the supervisory boards of all 25 observed PE. This field was not precisely outlined by the Law, but it was left to be stipulated by statutes of PE. As a result, regulations and practices are completely uneven. There are examples (the most common method of selection in the republic PE) that the director proposes a member of SB on behalf of employees; or that the member is elected by the board of directors or that there is a statute which contains the detailed procedure for election by secret voting, conducted by the Commission, which is appointed upon the representative trade unions. However, the fact is that the supervisory board monitors the work of the director, and could challenge the provisions under which the director participates (directly or indirectly) in the election of members of the supervisory board. The practice noted a drastic case when the deputy director of PE 'Sluzbeni Glasnik' was also the employee representative in the supervisory board. Details of the procedures for the election of employee representatives in the supervisory boards of individual companies are presented in Section 3.3.

3.3. The election of employee representatives in the supervisory boards in PE founded by the Government of Serbia

PE 'Elektroprivreda Srbije'

The election of the supervisory board: on 13 December 2013, the Serbian government appointed the supervisory board of EPS. The president is **PhD Aca Markovic**, BSc. electrical engineer from Belgrade and members are: Aleksandar Trifunovic, BSc. mechanical engineer from Belgrade, Dejan Trifunovic, BSc. mechanical engineer from Belgrade, **Jelena Matejic**, BSc. economist from Belgrade (independent member) and **Aleksandar Jokic**, BSc. geographer (employee representative). The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

²² <http://www.juznevesti.com/Istrazujemo/Putevi-Srbije-demantuju-Jovanovica.sr.html>

²³ <http://www.naslovi.net/2013-07-19/blic/odlozeno-odlucivanje-o-funkciji-poslanika-propust-u-predlogu/6446066>

²⁴ <http://www.belami.rs/jovanovic-nis-izgubio-70-miliona-zbog-voje-smene/>

Earlier that year, in March 2013, the government appointed the members of managing board of EPS under the old (already invalid) Law: the president was **PhD Aca Markovic**, and the members were: **Aleksandar Jokic**, **Jelena Matejic**, Radoslav Komlenovic, Andrija Vukasinovic, Radmilo Todosijevic, Dragan Radojevic and four members from the rank of employees: Zorana Stojkovic, Milan Djordjevic, Slobodan Kujovic and Zoran Rajovic. It can be seen that Jelena Matejic, who was appointed to the MB in March, was later appointed to SB as an independent member, while Aleksandar Jokic, appointed to MB as a representative of the government, became the employee representative in the new SB. The PE EPS claims that they were not consulted on the choice of the employee representatives in the SB.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements. According to the information available from the media, Jelena Matejic is a managing director for investment and strategy in PE 'Elektromreze Srbije' and was elected for this function after the acting director of EMS became a close friend of Prime Minister, Nikola Petrovic. There is no information about the engagement in a political party.

The election of employee representatives to the supervisory board: the Statute adopted in January 2014 provides this appointment **at the director's proposal**. According to the data obtained from the PE EPS, the current employee representative in SB was appointed by Serbian government in December 2013, although the proposal did not originate from the PE.

PE Srbijagas

The selection of the supervisory board: on 13 December 2013, the Serbian government appointed SB. The president is Milivoje Miletic, BSc. mechanical engineer from Belgrade and members are **Vesna Rakocevic**, BSc. manager from Belgrade, **Sreten Jovanovic**, BSc. manager from Indjija, Zoran Jankovic, BSc. manager from Belgrade (independent member), Veljko Milosevic, civil protection engineer, the public enterprise "Srbijagas" from Novi Sad (employee representative). The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

Earlier that year, in March 2013, the government appointed members of MB of 'Srbijagas' according to the old (already invalid) Law: the president was Bratislav Gasic (member of 'Srpska Napredna Stranka'), and members were Branko Jokic, Boris Barjaktarovic (member of 'G17'), **Sreten Jovanovic**, **Vesna Rakocevic**, as well as three members from the rank of employees: Jovana Trivan, Sasa Cernicin and Veljko Milosevic.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements. The databases and the media provide information about Zoran Jankovic, director of 'Gas-product', the company that dealt with the introduction of gas into Belgrade households. It is not certain whether this is the same person. According to the available data of the Agency for Business Registers, Zoran Jankovic is no longer a representative of the company 'Gas-product'. There is no information about his engagement in a political party.

The election of employee representatives to the supervisory board: According to the draft

Statute (Serbian government has not yet approved the new Statute of 'Srbijagas'), harmonized with the attitude of the Ministry of Energy, a SB member from the rank of employees is elected at the proposal of the representative trade union organization. In the letter of PE 'Srbijagas' delivered to TS, it says that "they never practiced the proposal of members from the ranks of management."

PE 'Srbijašume'

The selection of the supervisory board: on 30 December 2013, the government appointed the president and members of SB. The president is **Milos Sreckovic**, BSc. lawyer from Novi Sad, and members are: Sasa Stamatovic, BSc. forestry engineer from Belgrade (independent member), Boban Djurovic, BSc. forestry engineer from Podunavac, **Sasa Radulovic, BSc. forestry engineer from Belgrade**, Sinisa Jovanovic, BSc. forestry engineer, public enterprise for forest management "Srbijasume" (employee representative). The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

Earlier that year, in June 2013, the government appointed members of the managing board of 'Srbijasume' according to the old (already invalid) Law: The president was also **Milos Sreckovic** and members were: Radoslav Milojevic, a pensioner from Kragujevac, **Sasa Radulovic, marketing director of youth cooperative 'SID - Novi Milenijum' from Belgrade**, Dusko Jovicic, BSc. economist from Belgrade, Gojko Colic, political scientist from Krusevac, Miljan Randjelovic, BSc. political scientist from Knjazevac, Dragan Dubljanin, BSc. forestry engineer, public enterprise for forest management 'Srbijasume', representatives of PE for forest management 'Srbijasume': Djuro Gvozdic, BSc. forestry engineer, Milan Stojanovic, BSc. forestry engineer, Tihomir Muric, BSc. forestry engineer, Brano Vamovic, BSc. forestry engineer.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements. According to the media, Sasa Stamatovic was at the Ministry of Agriculture in the period from 2007 to 2009. There is no information about his engagement in a political party.

The election of employee representatives to the supervisory board: PE 'Srbijasume' has not responded to a request for information (a complaint was filed to the Commissioner). Statute of the company is not publicly available, so it is not possible to determine how the employee representative in SB is elected.

PE 'Srbijavode Beograd'

The election of the supervisory board: on 11 December 2013, the government appointed SB. The president is Slobodan Stanojevic, BSc. lawyer, assistant director general of the Public Utility Company 'Zelenilo Beograd', and the members are: MSc Miodrag Tolimir, BSc. agricultural engineer, deputy director of the corn institute 'Zemun Polje', Radovan Arezina, **the Mayor of Kladovo (special education teacher)**, Miodrag Curcic, director of the company for environmental and sanitation protection 'Visan Ltd. Zemun' (independent member) and Milos Batalo, BSc. civil engineer, public water management company "Srbijavode" (employee representative). The Serbian government has not responded to a

request to provide documents proving that members of SB meet the statutory requirements.

Earlier that year, in June 2013, the government appointed five members of MB of 'Srbijasume' according to the old (already invalid) Law: Ljubisa Zivanovic, BSc. agricultural engineer from municipal Raca, Dragomir Petronijević, a manager from Belgrade, Daniel Tucakovic, an economist from Kragujevac, Katarina Prodanovic, BSc. information engineer from Kragujevac and Goran Gavranic, MSc. traffic engineer from Novi Sad.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements. According to the media, Miodrag Curcic is the son of Predrag Curcic, the founder of the business system 'Visan'. There is no information about his engagement in a political party.

The election of employee representatives to the supervisory board: According to the Statute, **the director nominates** an employee representative to the founder, in consultation with the representative trade union. Current member, appointed before the new Statute entered into force, does not perform managerial positions in the company.

PE 'Elektromreza Srbije'

The election of the supervisory board: on 30 September 2013, the government appointed SB. The president is Drasko Markovic, BSc. economist from Belgrade and members are: Blagoje Conic, BSc. road traffic engineer from Ub, Vinka Milanovic, an economist from Novi Sad, Leposava Milic, BSc. economists from Belgrade (independent member), **Aleksandra Nauparac**, BSc. economists, public enterprise 'Elektromreza Srbije' (employee representative). The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

Earlier that year, in March 2013, the government appointed members of the MB of EMS according to the old (already invalid) Law: The president is Ph.D Milija Bulatovic, and members are Dragan Veljic, Slobodan Orlic, Vidoje Jevremovic, **Aleksandra Nauparac**, Blagoje Conic and three members from the rank of employees: Tanja Gavrilovic, Branislav Djukic and Milovan Andric.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that an independent member of SB meets the statutory requirements.

The election of employee representatives to the supervisory board: under the Statute, **the director of PE nominates** a SB member from the rank of employees to the founder, and there are no restrictions whether that members belongs to the management. It is evident that, upon the director's initiative, the same person who was previously appointed in MB as a government representative, now became the employee representative in SB.

PE 'Službeni Glasnik'

The election of the supervisory board: on 5 June 2013, the government appointed SB: the president is Veljko Odalovic, secretary general of the government, and members are:

advisor to the director of the Tax Administration of the Ministry of Finance and Economy Dejan Djurdjevic, director of the Republic Secretariat for Legislation, Zoran Lukovic, advisor to the director of the Tax Administration of the Ministry of Finance and Economy (independent member) and Zoran Balinovac, deputy director of the public enterprise 'Sluzbeni Glasnik' (employee representative). The statute of PE 'Sluzbeni Glasnik' stipulates that one member of SB is an employee representative, one is an independent member **and three members are appointed from the ranks of officials or civil servants in position - one from the ministry responsible for state administration affairs, one from the General Secretariat of the Government and one from the State Secretariat for Legislation.**

After personnel changes in the Ministry and the General Secretariat, and after the resignation of the director of Tax Administration and the departure of his advisor, the government replaced the president, one member and the independent member of SB of PE 'Sluzbeni Glasnik'. The new secretary general of the Serbian government, Novak Nedic, replaced the former secretary also as the president of SB; the secretary of state in the Ministry of State Administration and Local Self Government Ivan Bosnjak became a member of SB instead of Gordana Stamenic, while Maja Batic, head of the department for finance in the Agency for Public Procurement and Control of Public Procurement of Belgrade city administration was appointed as an independent member of SB. The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements. In 2012, Maja Batic was elected as Vice President of the 'Demohriscanska Stranka Srbije' and this information is present on the website of the party²⁵.

The election of employee representatives to the supervisory board: according to the Statute, the employee representative is **nominated by the director** of PE after obtaining the opinion of the representative union. There is also the possibility that a member of management can be a member of SB, as stated in the letter submitted to Transparency Serbia from PE 'Sluzbeni Glasnik'. In addition, the letter was signed by deputy director Zoran Balinovac, a member of SB.

According to the Decision on the harmonization of the operation of PE 'Sluzbeni Glasnik' with the Law on PE, the deputy director appoints the supervisory board. In this case we have a situation that on 24 May 2013, the union gave its approval for the appointment of Balinovac as a member SB, and then on 11 June 2013, the director proposed to the supervisory board that his former deputy gets re-appointed as deputy.

PE PUC 'Resavica'

The selection of the supervisory board: on 30 September 2013, the government appointed SB: the president is Marko Maljkovic, BSc. engineer industrial management from Jagodina and members are: Marija Blecic, BSc. **special education teacher** from Belgrade (resolved on 26 August 2014, at the personal request), Milija Bulatovic, PhD biotechnical sciences from Belgrade, Branko Petrovic, BSc. mining engineer from Lazarevac (independent member) and Slobodan Kokeric, BSc. mining engineer, public company for underground coal mining (employee representative). The Serbian government has not responded to a request to provide

²⁵ <http://www.dhss.org.rs/index.php/organizacija/potpredsednici>

documents proving that members of SB meet the statutory requirements.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that an independent member meets the statutory requirements.

The election of employee representatives to the supervisory board: TS has received a partial response to the request to PE to provide information on the manner in which employee representative was appointed: employee representative of SB was elected in accordance with the general act of PE PEU, and this act does not limit a member of the management to be a member of PE supervisory board. Neither the general act nor the Statute are available on the PE website.

'Putevi Srbije'

The selection of the supervisory board: on 5 July 2013, the government appointed SB: the president is prof. Milan Vujanic, professor at the Faculty of Transport and Traffic Engineering, University of Belgrade and members are: Radisa Dragojevic, **BSc. political science, the Mayor of Petrovac na Mlavi**; Bajram Omeragic, **BSc. political science and graduate lawyer, a special advisor to the Minister** without portfolio, Branislav Jovanovic, BSc. lawyer, executive head of the Directorate for the construction of the City of Nis (independent member), Velimir Kopanja, BSc. civil engineer, head of the department for supervision in the investment department of public enterprise 'Putevi Srbije' (employee representative). The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements. Two members of SB are party officials who are political scientists by degree, and are professionally involved in politics; so it is not clear how they met the requirements of expertise. In November 2013, instead of Branislav Jovanovic, a member of SB became Veselin Osmajlic, an economist from Belgrade, also a party official, and Milan Vujanic became an independent member. The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that an independent member of SB meets the statutory requirements. The case of Branislav Jovanovic, a party official who was appointed an independent member, has been described in detail in Section 3.2. There is no record that Vujanic had any party involvement before, but during the campaign for the local elections in Majdanpek (August / September 2014) it was noted that he participated in the pre-election activities of 'Srpska Napredna Stranka', and he was announced as the president of the supervisory board of 'Putevi Srbije'²⁶.

The election of employee representatives on the supervisory board: the member of SB from the rank of employees is **nomintated by the director** on the prior obtained opinion of the representative union. Statute does not limit the employee representative to be a member of the company management.

²⁶<http://www.rtvmajdanpek.com/index.php?prikaz=vest&id=11026>

PE 'Posta Srbije'

The selection of the supervisory board: on 20 December 2013, the government appointed SB: the president is Vesna Loncar, BA. lawyer from Belgrade and members are: Milan Stevanovic, BSc. mathematician from Belgrade, Dragan Grgurevic, BSc. mechanical engineer from Belgrade, Goran Djeric, BSc. traffic engineer, public enterprise 'Posta Srbije' from Belgrade (employee representative). The fifth member was appointed on 25 December 2013, and it is prof. PhD Sima Avramovic, **a professor of comparative legal traditions and rhetoric at the Faculty of Law** in Belgrade. The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

Government has previously, in April 2013, appointed the members of SB of PE PTT according to the old (already invalid) law: The president was Meho Omerovic, BSc. political scientist from Belgrade and members were: Dobrosav Maric, BSc. economist from Loznica, Aleksandar Djordjevic, BSc. lawyer from Belgrade, Dragan Grgurevic, BSc. thermal engineering from Belgrade, Milutin Stojinovic, BSc. agriculture engineer from Sabac, Milan Stevanovic, BSc. mathematician from Belgrade and three employee representatives: Slavko Topalov, Mr. Bogoljub Popovic and Jovica Petrovic²⁷.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements.

The election of employee representatives to the supervisory board: under the Statute and in cooperation with representative trade unions, the director decided on the manner of the election of employee representatives in SB of PE 'Posta Srbije'. In cooperation with representative trade unions, **the director nominates the member**. The union submits a proposal at the meeting, including the member's resume, evidence of professional qualifications, evidence of experience in a leadership position and expertise in accordance with legal requirements. The director considers the proposal and the reasons why the unions nominated that candidate. Then the Directorate for Human Resources verifies the evidence, and the director conducts an interview with the candidate, if necessary to obtain additional information. Director and unions then make a decision on the election of representative if they have agreed on a candidate, and if the unions have not agreed on a joint candidate but accept the proposal of the director for the selection of candidate. If the unions do not submit a proposal, and if they do not accept the proposal of the director, the director makes the appointment in his sole discretion and makes a decision on the election. From the above described procedure, it is unclear whether the director has the discretion to turn down the unions' proposal if the candidate meets the formal requirements and to propose a candidate of his choice.

PE 'Skijališta Srbije'

The selection of the supervisory board: on 26 November 2013, the government appointed SB: the president is Vlada Krstivojevic, professor of sport and physical education from Belgrade, and members are: Ognjen Cvjeticanin, professor of physical education from Novi Sad (independent member), Darko Jovanovic, MSc. environment engineer from Raska (employee representative). Subsequently, on 4 December 2013, another SB member was

²⁷More details on this appointment in chapter 3.2.

appointed, Slobodan Unkovic, BSc. hotel manager, and on 20 December 2013, the fifth member was selected, Vida Uzelac, BSc. economists. Vida Uzelac was resolved on 22 September 2014, and Dejan Kijanovic, BSc. economists was appointed as a member. The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements. According to the media, Ognjen Cveticanin (impossible to confirm whether it is the same person) is the assistant director of SPENS in Novi Sad, in charge of sports. He participated in party activities of SNS, and political opponents accused him of using SPENS resources for the party campaign²⁸.

The election of employee representatives to the supervisory board: at the moment, the employees representative is not a member of the management, but the Statute does not limit any member of management to be employee representative in the supervisory board.
Employee representative is nominated by the director.

PE 'Zavod za udžbenike'

The selection of the supervisory board: on 11 December 2013, the government appointed SB: the president is PhD Milan Jovanovic, professor at the Faculty of Political Sciences in Belgrade and members are: Vladimir Cvijovic, BSc. economist, deputy director of the Belgrade Student Center; Bojana Djurdjevic, BSc. lawyer, Business Registers Agency (independent member), Goran Pavlovic, BSc. mechanical engineer, director of marketing and sales in the public enterprise 'Zavod za udzbenike' (employee representative). Subsequently, on 20 December 2013, MP Meho Omerovic, BSc. political scientist was also appointed as a member of the supervisory board of the public enterprise 'Zavod za udzbenike'. On that day, Omerovic lost his seat at the MB of PE 'Posta Srbije', as the supervisory board was appointed.

The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

Previously, in March 2013, the government appointed two members of SB of 'Srbijasume' according to the old (already invalid) Law: Vladimir Cvijovic, BSc. economist from Belgrade and Bojana Djurdjevic, BSc. lawyers from Belgrade. They both kept their positions in the new composition of SB.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements.

The election of employee representatives on the supervisory board: PE did not respond to a request for information and TS has filed a complaint with the Commissioner for Information. The website of PE does not provide access to the Statute of the company, so the procedure on the selection of employee representatives in SB remains unknown.

²⁸http://www.b92.net/info/vesti/index.php?yyyy=2013&mm=12&dd=12&nav_id=788418

PE 'NP Fruška gora'

The selection of the supervisory board: on 13 December 2013, the government appointed members of SB: the president is Radovan Durutovic, BSc. lawyer from Novi Sad (independent member) and members are: prof. PhD Radovan Pejanovic, BSc. economists from Novi Sad, Milan Popovic, BSc. economists from Novi Sad, Svetlana Vucic, **philologist of modern languages** from Sremska Kamenica, Miroslav Zivanovic, BSc. forestry engineer, public enterprise 'NP Fruska Gora' (employee representative). Only two months after the appointment of SB, on 20 February 2014, Serbian government dismissed the director of PE Dobrivoje Antonic (it was noted that his mandate was terminated on the date of the decision), and acting director became newly elected president of SB Radovan Durutovic. On the same day Boris Kuzman was appointed "acting president of SB", and considering that Durutovic was an independent member, Kuzman was declared as an independent member.

The Serbian government has not responded to a request to provide documents proving that members of SB meet the statutory requirements.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements. The resume of acting president of SB (also an independent member) is not available, neither are any details about his profession (the decision on the appointment states only the name and surname). According to information from the media, a person with the same name and surname, a doctor of agricultural sciences from Beocin, was the candidate for the SNS for provincial delegates during the 2012 elections.

The election of employee representatives to the supervisory board: according to the Statute, employee representative in SB is selected **at the proposal of the director**.

PE 'Nuklearni Objekti Srbije'

The election of the supervisory board: on 9 September 2014, the government appointed SB: the president is PhD Ilija Plecas, a research advisor, Institute of Nuclear Sciences 'Vinca', and members are: Katarina Stevanovic, BSc. physician-researcher from Belgrade, Branislav Mijatovic, a specialist vocational economist from Belgrade, Ranko Markovic, BSc. physicist in applied physics and informatics (independent member), Cedomir Belic, BSc. mechanical engineer for production engineering, MSc. physicist, PE 'Nuklearni Objekti Srbije' (employee representative). The Serbian government has not responded to the request to provide documents proving that members of SB meet the statutory requirements.

The independent member of the supervisory board: the Serbian government has not responded to a request to provide documents proving that the independent member of SB meets the statutory requirements.

The election of employee representatives to the supervisory board: the Statute, which is still awaiting approval, stipulates that a member of SB from the rank of employees in PE is appointed on the basis of agreed proposals of representative unions.

4. The Election of PE Directors

4.1. Public competitions

The Law stipulates that the competitions for directors of all public enterprises that fall under the new Law have to be announced no later than 30 June 2013. Director of a public company is appointed by the Government, for a period of four years, based on a public competition, while at other levels of government this is the responsibility of the assembly.

Director of the republican or provincial PE must be an expert in one or more areas of the activities of general interest for which the public company was founded, he cannot be a member of a political party, or more specifically, the Law provides that 'his function in the body of a political party has to cease', and he needs to have at least five years of work experience, of which three years in the field for which a public company was established, or at least three years in managerial positions. Local PE apply the terms of the Labor Law, which according to the law applicable at the time of the announcement of the competition in the monitored PE, meant that the director should be of legal age and legally competent, that he is a citizen of the Republic of Serbia, has university degree and at least four years of service at the same level of expertise. It is not clear why this difference has been made. In fact, it is hard to believe that even in smaller municipalities, and especially in larger cities, there are no candidates who would meet the prescribed requirements, and in any case this reflects negatively on the professionalization of public enterprises at the local level.

Implementation of a public competition begins by the decision made by the government, or the competent authorities of the province and local governments. At the national level ad is prepared by the competent ministry and submitted to the Committee for the appointment, which published the ad in the Official Gazette of the Republic of Serbia and at least one daily newspaper distributed throughout the territory of the Republic of Serbia. A public competition is also published on the ministry's website, or the competent authority in Vojvodina province, cities and municipalities.

Until the legal deadline 30 June 2013, the Government of Serbia announced competitions for the election of directors of two companies from the observed 13 PE - 'Elektroprivreda Srbije' (the Government's decision of June 10, published in the Official Gazette on June 18) and 'Skijalista Srbije' (Government decision of 25 June, published in the Official Gazette on June 28).

After the deadline, competitions were announced in six more companies: 'PEU Resavica' (3 July 2013), 'Putevi Srbije' (5 July 2013), 'NP Fruska Gora' (10 July 2013), 'Zavod za udzbenike' (15 July 2013), 'Sluzbeni Glasnik' (2 August 2013) and 'Nuklearni Objekti Srbije' (7 August 2013). The remaining five companies did not announce the competitions. There is no official interpretation or explanation of why the competitions have not been announced for the remaining PE, but from the political debates led in the Parliament in 2013 and the statements of some officials, it can be concluded that the Legislation Secretariat believes that the competitions were announced only for those directors of public companies where the

directors had the acting function²⁹. According to this interpretation, there is no need for competitions for those PE in which the government appointed directors before the entry into force of the new Law. Among the surveyed PE that is the case with 'Srbijagas', 'Srbijasume', 'Srbijavode', 'Elektromreza Srbije' and 'PTT Srbija'³⁰. Among these companies are also those headed by senior party officials.

Transparency Serbia considers this interpretation as wrong because the Law of PE clearly stipulates: 'Competitions for directors in all public companies to which this Law applies shall be announced no later than 30 June 30 2013.'

The issue was discussed in the Parliament in 2013. When the former deputy of the opposition 'Liberalno Demokratska Partija' Bojan Djuric asked why there were no competitions for public companies 'PTT Srbija', 'Srbijagas' and 'Zeleznice Srbije', which 'is not a public company in a formal sense, but it is the monopoly state-owned company and whether these competitions would be held, the group's leader of the 'Srpska Napredna Stranka', Zoran Babic responded that departisation cannot be solved by a single law, but 'this is a good path and the level of departisation is higher than in the previous period.' He said he would much rather 'talk about the results of the directors for that year, whether there were any embezzlement, theft, or illegal actions, and refrain from the talks about partisanship and departisation'.

Direct confirmation that the decision not to announce a competition for certain PE is solely political can be found in the response of the Ministry of Energy in 2013, addressed to the association 'Eutopija' that was conducting a research on the transparency of PE. 'Dusan Bajatovic was appointed under the old Law on Public Enterprises and in accordance with the coalition agreement on the proposal of 'Socijalisticka Partija Srbije'. "I believe that the next coalition agreement will exclude the possibility that the directors of public companies are appointed by political criteria" - states the response submitted to this association by the Ministry of Energy, Development and the Environment³¹. At that point, the Minister of Energy was Zorana Mihajlovic, who sharply criticized Dusan Bajatovic. Similar responses or confirmations were not submitted from other PE that held no competitions. The relevant ministry gave an explanation to 'Eutopija' that the competition for the director of PE 'Srbijavode' was hindered by the reconstruction of the Government, and that the competition for director of 'Srbijasume' was not announced because the founding act of the company, which is a prerequisite for competition, was not in compliance with the Law on Public Enterprises. The Government of Serbia did not reply to the questions of why there were not competitions for the directors of public companies 'Elektromreza', 'Srbijagas', 'Transnafta', 'Srbijasume', 'Srbijavode' and 'PTT Srbija', and on what basis did the Government on 21 December 2012 decided to appoint directors under the old law, even though the new Law on Public Enterprises was already adopted.

²⁹ We did not have a chance to make sure if there is indeed such an opinion, and what is its content; the statements are given on the basis of parliamentary discussions.

³⁰ The competitions were not announced in some additional PE that were not included in the sample

³¹ pistaljka.rs/public/banners/javna-preduzeca.pdf

4.2 The election procedure

Public competition for the election of directors is conducted by the Committee for the appointment of the government, Vojvodina province or local government. The committee for the appointment of Vojvodina province or local governments is formed by the body that is statutorily designated as responsible for the appointment of directors. At the local level one committee member must be appointed on the proposal of the Standing Conference of Towns and Municipalities.

Republican committee has a president and four members, of which the president and two members are appointed by the government for a period of three years, one member is appointed by the National Assembly Committee in charge of the economy for a period of three years, and one member is appointed by the government for each individual appointment of directors.

The member appointed by the National Assembly Committee responsible for economic affairs is elected by that committee by the two-thirds majority of all committee present members. The member who is appointed for each individual appointment of directors must be a member of the supervisory boards of the company that elects the director.

The president and members of the Committee cannot be MPs, deputies and councilors, as well as appointed officials in state government, provincial or local governments.

The Anti-Corruption Agency commented on the provisions that determine the composition and method of election of committees, pointing out the negative factor of the lack of precise conditions and criteria for the appointment of members of the committee, because it leaves room for discretion of the government or the competent authority of the autonomous province or local government units, in the selection of these individuals.

'... Despite the proclaimed principle of depoliticization, the existing legal provision allows that a member of the Committee appointed in each individual case becomes a person who performs the function within a political party, except when the member of the committee is appointed as an independent member of the supervisory board. Considering all the above, it is recommended that the provisions of the Law relating to the appointment of the Committee is amended by determining precise and clear conditions and criteria for the appointment of Committee members. Also, in accordance with the principle of depoliticization, we point out that it would be appropriate to predict that the members of the Committee cannot be the individuals who perform the functions in the political parties' - states the recommendation for the amendment on the Law on Public Enterprises that the Agency submitted to the Ministry of Economy and the Government of Serbia³².

The Serbian Government has appointed a president and two members of the Committee for the appointment on 12 February 2013. The President is General Secretary of the Government Veljko Odalovic and members are Novak Nedic and Tamara Stojcevic, Deputies of Secretary General of the Government. In the meantime, Odalovic become Secretary General of the

³²http://www.acas.rs/sr_cir/component/content/article/41-ostali-tekstovi/1103-rizici-od-korupcije-u-zakonu-o-javnim-preduzecima.html

Ministry of Foreign Affairs, and Nedic replaced him at the head of the General Secretariat of the Government, but the composition of the Committee has not been changed. Parliamentary Committee for economics appointed the fourth member, dentist Dr. Nenad Djordjevic on 28 March 2013³³.

Up to 30 September 2014, from the observed 13 republican PE, the fifth member of the Committee for appointment was elected in seven cases. This member was not appointed in five cases, as there were no competitions for the election of directors, as well as for the election of directors of PE 'Nuklearni Objekti Srbije', although the competition was announced back in August 2013.

In five companies, which at that point had not yet appointed supervisory board under the new Law, the fifth member of the committee was appointed from the members of the existing management boards of these companies ('EPS', PE 'PEU Resavica', PE 'Skijalista', 'Zavod za udzbenike' and PE 'NP Fruska Gora'). Upon the election of supervisory board, in three of these five cases the member of the committee was also changed.

There is a specific case of the Committee for the appointment of PE 'NP Fruska Gora'. The member of the MB of this PE Ljuba Josic was appointed as the fifth member of the Committee for the appointment on 4 October 2013. The Supervisory Board of this PE was appointed on 13 December 2013, and on 30 December the president of the supervisory board Radovan Durutovic was appointed as the Committee member instead of Josic. Two months later, on 20 February 2014, the government replaced the director of PE 'Fruska Gora' and the former president of SB Radovan Durutovic was appointed as acting director. The composition of the Committee for appointment has not been changed since 30 September 2014, so the acting director and the member of SB is also a member of the Committee for the appointment of directors.

Among the observed local and regional companies, committees for the appointment of directors were appointed during the period from March to July 2013.

According to the Law, Committee prepares a list of candidates who meet the requirements for appointment and carries out the electoral process. In the selection procedure, by means of evaluation of professional qualifications, knowledge and skills, the Committee determines the result of the candidates according to the criteria established for the appointment of directors of public companies. Details on the criteria are discussed in Section 4.5.

The Committee makes the ranking list of the candidates who fulfill the criteria established for the appointment of directors of public companies. The list for appointment, with the maximum of three best-ranked candidates including numerically expressed and established results according to the set criteria, is submitted to the relevant ministry, or the administrative authority of the autonomous province or local self-government unit. At the same time, the Committee submits the report on the electoral process. Based on the list for the appointment and the report on the electoral process, the competent ministry prepares a draft act on the appointment and submits it to the government. The government decides on the appointment of directors of public companies by adopting the decision on the appointment of the proposed candidate or any other candidate from the list.

³³ http://www.parlament.gov.rs/20_sednica_Odbora_za_privredu_regionalni_razvoj_trgovinu_turizam_i_energetiku.18121.941.html

The decision on appointment is delivered to the elected person and published in the Official Gazette of the Republic of Serbia. The decision with an explanation has to be published on the website of the authority responsible for the appointment of directors.

4.3 Initiative to amend the Law on Public Enterprises and removal of corruption risks

During the survey conducted in 2013, Transparency Serbia indicated on corruption risks in the Law on PE, particularly in the provisions related to the procedure for the appointment of directors.

In August 2014, the Anti-Corruption Agency filed an initiative to the Ministry of Economy and the Government of Serbia for amendment of the Law and elimination of corruption risks³⁴.

4.4 Competitions and acting positions

The competitions in public enterprises that were called in the period June-August 2013 were not completed until the conclusion of this report (October 2014), with the exception of the contest for the director of 'EPS', which ended on 2 October with the appointment of the former acting director. Committee for the appointment of PE directors, founded by the Serbian government, has not responded to TS to provide information about the stage of the competitions, and information on this subject are available only through media statements. Due to the fact that six of the 13 surveyed republican PE did not announce competitions, as well as according to the statements of the representatives of the ruling coalition, it can be quite safe to conclude that there was no political will to implement the competitions until the end and to elect directors who would contribute to the professionalization and departisation of PE management.

The provincial and local PE competitions in most cases ended after 30 to 90 days, or directors were appointed during the period July-December 2013 (more details in the table in the appendix, in the review by PE in this chapter and in chapter 4.5 on directors election). The exception is the City of Belgrade, where the competition was announced on 28 June 2013 and the Committee has identified the lists of candidates for the appointment of directors, along with its proposals, forwarded them to the relevant city secretariats, which determined the proposals for appointment in September. In the meantime, the political option that manages the city's structures was changed. The Mayor was dismissed, the City Assembly held no sessions since November, acting directors of PE resigned in December, and acting presidents were appointed. Not until the April 2014 did the Interim Authority³⁵ make a decision to reject all proposals for the appointment of the directors of PE whose founder is the city of Belgrade, including the candidates for directors of two PE that are observed in the survey. In both cases

³⁴ http://www.acas.rs/sr_lat/component/content/article/1103-rizici-od-korupcije-u-zakonu-o-javnim-preduzecima.html

³⁵ City's interim government, provisional team to administer the capital city until early elections.

the acting directors at the time of the previous government were nominated for these positions³⁶.

Interim Authority did not explain why the proposal of the Commission was rejected, whether the proposed candidates (former acting director) were politically appointed and whether there was a suspicion that the standards and criteria for the selection of directors were poorly made or badly implemented. The new Committee for the election of directors was appointed on 23 June 2014, four days later a new competition was announced, and on 18 September 2014 new directors were appointed. The identical situation from the previous competition occurred - in most cases, including the two observed PE, the first ranking and then appointed directors were acting directors set by the Interim Authority after the government change. TS has not received a response from the Committee for appointment to provide standards and documents that show how they were implemented. Instead, the City Assembly forwarded the answers of two line city secretariats. The Department for Transport stated that the contest for the election of directors (at the time) was still in progress, and the response from the Department for Utilities and Housing Services described the procedure of the election of directors, which commenced with the competition in June 2013 and was completed with the decision that none of the candidates from the list would be appointed, upon which new competitions were announced.

This case illustrates how the broad discretion right functions in practice and which was left by the Law to the body responsible for the appointment of directors - to choose any or none of the candidates from the lists proposed by the Committee for appointment. It remains unclear whether the previous directors elected under the new Law were chosen on the basis of party affiliation, while underperforming in the past; and what is the guarantee that this did not happen again, only with actors from other parties, and the competition announced by the new government.

Meanwhile, at the national level competition process could be followed only according to the statements of the authorities, due to the fact that the government and the Committee for appointment did not respond to requests for submitting documents in accordance with the Law on Free Access to Information of Public Importance.

The competition for the director of 'EPS' was announced on 16 June 2013, and on 1 July, without explanation, the government decided to extend the deadline for submission of applications. Three weeks later, on 20 July, it was reported that 62 applications were received for this competition.

The former Minister of Energy, Zorana Mihajlovic said that all the resumes of candidates for the director of 'EPS' would be published, so that the public could see who was elected. On the contrary, 14 months later, the director was elected, and the information on this appointment was not even released in the announcement from the government meeting. The public was informed about it from the statement published on the website of 'EPS' and in the Official Gazette. At the time of writing this report (October 2014), the resumes of candidates were not

³⁶ According to the research of 'Eutopija' - 'Transparency of public enterprises', from November 2013, in the 19 out of 20 PE in Belgrade the first place at competitions was taken by former acting directors who were 'staff' of DS, SPS and PUPS. The only case in which former acting director was not only a top-ranking candidate former director who was the top-ranking candidate was the acting director PE 'Sava Centar', which was a result of the coalition agreement, under which 'Sava Center' was 'assigned' to PUPS-in.

publicly available on the website of the government or the line ministry, except that the director's biography was presented within the press release of 'EPS'.

In the meantime, the media have ceased to be interested in the competitions. In the beginning media occasionally published news about the number of candidates, the procedure and the announcement that competitions would continue for few more months, because 'the documents to be processed are huge.'

So, in August 2013, Secretary General of the Government and the President of the Commission for the appointment Veljko Odalovic said that for every directorial position competed an average of 15 candidates, and that 'EPS' received 78 applications. 'During this and the following week, the Serbian government will complete all formal actions necessary for the election of directors of public companies and the focus on their selection be intensive until the end of August and in September' (2013), announced Odalovic.

A year later, in August 2014, Prime Minister Aleksandar Vucic made the same announcement as the Minister Mihajlovic in July 2013 - that competitions for the election of directors of public companies would be transparent so that everyone could have access to the biography of each candidate.

Until the end of the competition, public companies are managed by acting directors appointed by the government. The Law on PE stipulates that the body responsible for the appointment of directors of public companies elects an acting director, if the director's mandate ceases due to the expiration of the period of appointment, due to resignation or due to dismissal before the expiry of the term, in case a decision on the suspension of directors is made or in the event of death or loss of legal capacity of the director.

The Law also stipulates that the **acting director** can be appointed for a term **not exceeding six months**, and **in particularly justified cases**, in order to prevent material damage, the body responsible for the appointment of directors of public companies can make a decision on the appointment of the acting director **for additional period of six months**.

The government violated this provision of the Law as well. In some PE that called competitions, the period for acting directors expired and they were not reappointed, and in some cases acting directors were nominated twice for a period of six months, but even that period expired:

PE 'Elektroprivreda Srbije' - Public competition was announced on 18 June 2013. The deadline for applications was extended in July 2013. The term of acting director Aleksandar Obradovic was extended to six months on 10 September 2013, and then on 11 March 2014 for another six months. After that period, the acting function has not been extended. Obradovic was acting directors until 2 October, when the government appointed him the director.

PE 'Srbijagas' - Public competition was not announced, the PE is led by the director Dusan Bajatovic who was appointed by the government after it adopted the draft of Law on PE and sent it to the Assembly for approval on 28 November 2012. Bajatovic is an official of SPS.

PE 'Srbijasume' - Public competition was not announced, the PE is led by Igor Braunovic, deputy director general. Director Dusko Polic resigned in 2010 and the deputy Braunovic has

been acting director since then. Braunovic is a 'staff' of PUPS. As the deputy director, he is not subject to the obligations that the Law on the Anti-Corruption imposes on public officials (declaration of assets, transfer of management rights, etc.).

PE 'Srbijavode Beograd' - Public competition was not announced, the PE is led by director Goran Puzovic, who was appointed to this position on 2 November 2012, before the adoption of the new Law on PE. Previously, he was a member of the MB of 'Srbijavode', and was resolved from that position only on 28 November, nearly one month after his appointment as the director.

PE 'Elektromreza Srbije' - Public competition was not announced, the PE is led by Nikola Petrovic, a 'staff' of 'Srpska Napredna Stranka'. On 26 September 2012 he was appointed as acting director, and on 21 December 2012, four days before the entry into force of the new Law on PE, the government appointed him the director general.

PE 'Sluzbeni Glasnik' - The public competition was announced on 2 August 2013. The term of acting director Rados Ljusic was extended to six months on 9 December 2013, and again on 22 June 2014 for another six months.

PE 'PEU Resavica' - Public competition was announced on 3 July 2013. The term of acting director Vladan Milosevic was extended on 3 October 2013, and again on 4 April 2014 for another six months.

'Putevi Srbije' - Public competition was announced on 5 July 2013. The PE was led by Zoran Drobnjak since 2007. He was dismissed on 27 December 2011 and he was appointed acting director. On 28 November 2013, government stated that his mandate as acting director ceased and appointed him again as acting director on 29 November 2013. The period of six months expired on 29 May 2014, and Drobnjak is still at the head of the enterprise.

PE 'Posta Srbije' - Public competition was not announced, the PE is led by Milan Krkobabic, the president of PUPS (at the time of the appointment he was the deputy president). On 26 September 2012, he was appointed as director general.

PE 'Skijalista Srbije' - A public competition was announced on 28 June 2013. The PE is led by Dejan Ljevanic. Previous director was dismissed on 29 December 2011, at the personal request, and Ljevanic, who was executive director, was appointed as acting director. There is no information that the mandate of the acting director has been extended.

PE 'Zavod za udzbenike' - Public competition was announced on 15 July 2013. The PE is led by Dragoljub Kojcic, who was appointed as acting director on 28 February 2013, when the mandate of the former director Miloljub Albijanic expired³⁷. There is no information that the mandate of the acting director has been extended.

PE 'NP Fruska Gora' - Public competition was announced on 10 July 2013. The PE is led by Radovan Durutovic, who was appointed as acting director on 20 February 2014 when the former director Dobrivoj Antonic was dismissed. Three months earlier Durutovic was appointed as president of the supervisory board.

³⁷Albijanić has been the Advisor to the Director of the Institute since then

PE 'Nuklearni Objekti Srbije' - Public tender was announced on 7 August 2013. The PE is led by Dalibor Arbutina, who was appointed to that position on 28 February 2014, after the former acting president resigned. The acting position was extended to six months from 29 August 2014.

'Vode Vojvodine' - Public competition was announced on 4 September 2013. It was concluded with the appointment of director.

'Vojvodinasume' - Public competition was announced on 11 September 2013. It was concluded with the appointment of director.

PUC 'Javne garaze i parkiralista Parking servis Beograd' - Public competition was announced on 28 June 2013. The acting director resigned in December 2013, and Interim Authority appointed a new acting director. On 17 April 2014, the Interim Authority rejected the proposal for the appointment of the director. The new competition was announced on 27 June 2014 and was concluded with the appointment of the director.

PUC 'Gradska cistoca Beograd' - Public competition was announced on 28 June 2013. The acting director resigned in December 2013 and the Interim Authority appointed new acting director. On 17 April 2014, the interim authority rejected the proposal for the appointment. The new competition was announced on 27 June 2014 and was concluded with the appointment of director.

'Informatika Novi Sad' - The public competition was announced on 5 June 2013 and was concluded with the appointment of director.

PUC 'Naissus Nis' - Public competition was announced on 25 June 2013 and was concluded with the appointment of director.

PUC 'Paracin' - Public competition was announced on 3 July 2013 and was finalized with the appointment of director, who then resigned. The PUC is led by acting director, and new competition has not been announced yet.

PE 'Ingas Indjija' - Public competition was announced on 24 July 2013 and was finalized with the appointment of director.

'Turisticki centar grada Zrenjanina' - Public competition was announced on 21 June 2013 and was finalized with the appointment of director.

PE 'Direkcija za urbanizam Kragujevac' - Public competition was announced on 15 June 2013 and the elected director then resigned. The new competition was announced on 25 April 2014 and was finalized with the appointment of director.

PUC 'Vodovod Surdulica' - Public tender was announced on 31 July 2013 and was finalized with the appointment of director.

PE 'Direkcija za gradjevinsko zemljiste i puteve opstine Bosilegrad' - Public competition was announced on 21 June 2013 and was finalized with the appointment of director.

4.5 Criteria for the appointment and their application

4.5.1 Criteria at the republic level

The Law on Public Enterprises refers to 'prescribed criteria' for the appointment of directors, but not to who should prescribe them. Specifically, the Law merely states that 'The electoral process, by means of evaluation of professional qualifications, knowledge and skills, determines the result of the candidates according to the criteria prescribed for the appointment of directors of public companies', that 'the selection procedure can be conducted in several parts, by means of written test, verbal interview or any other appropriate method' and that 'candidates who met the criteria prescribed for the appointment of directors of public companies are placed on the ranking list by the Committee (for the appointment).'

On 22 November 2013, the Government of Serbia adopted the Regulation criteria for the appointment of directors of public companies whose founder is the Republic of Serbia (Regulation). The Regulation prescribes the criteria according to which the result of the candidate is determined by evaluation of **professional qualifications, knowledge and skills**.

According to the Regulation, professional qualifications, knowledge and skills of candidates are evaluated **by examining the data from the application and the evidence** submitted with the application to public competition, **written and verbal verification**, or by **'other appropriate methods** in accordance with the needs of the public enterprises.'

The professional competence of candidates is evaluated by verifying the eligibility of the candidates for the practical application of knowledge and skills and the verification of candidate's **knowledge**: the expertise in one or more areas from for which the public company was established, or expertise in other activities performed by a public company, the knowledge of regulations governing the legal status of public enterprises and companies, the knowledge of regulations governing the conditions and manner of performing activities of public interest, as well as general labor regulations, the knowledge of one or more foreign languages, as well as specific areas of knowledge. Skills are assessed by testing: analytical reasoning and logical reasoning skills, leadership skills, organizational skills, communication skills - skills in interpersonal relations, strategic planning and management skills, the skills of managing resources (material, financial, human and other resources important for the operation of a public company) and computer skills.

The professional competence of candidates is tested **by examining the documentation and verbally**, in an interview with the candidate. **The knowledge**, in addition to knowledge of foreign languages, is tested by the Committee for appointment **in an interview** with the candidate. Foreign language proficiency is tested **orally or in writing**, and that verification is done by an expert in an interview with the candidate, or by verifying the answers of the test composed by an expert.

The skills, in addition to computer skills, are tested in **writing**, via standardized tests. The test of computer skills is conducted by an expert who submits the findings of the qualification to the Committee for appointment. Communication skills - skills in interpersonal relationships are tested **in an interview** with the candidate by the Committee for appointment.

The Committee for appointment determines and numerically shows the result of each candidate, by calculating his average grade, according to the criteria prescribed by the regulation. If two or more candidates have the same result, the following criteria is applied: longer working experience in managerial positions, longer working experience in the activities for which public company is established and the higher level of higher education. Transparency Serbia has thoroughly analyzed the content of the regulation and suggested³⁸ the Anti-Corruption Agency to initiate the amendments of the regulation with the relevant authorities, in order to eliminate a number of uncertainties and discretionary powers that create the opportunity for corruption. The Agency submitted the initiative to the Ministry of Economy and the Government of Serbia³⁹.

4.5.2 Criteria at the provincial and local level

The Law and Regulation does not prescribe criteria for the appointment of directors of public enterprises established by provinces and local governments. For that reason Transparency Serbia requested the founders, or the Committee for appointment of all the observed regional and local companies, to submit the document that contains criteria and documents that show their application in the selection process. This turned out to be an extremely difficult request. In most cases we did not get the document that contains criteria, and the following individual examples of the application of the criteria in the selection of directors show what this looked like in practice. So it happened that the criteria were decided on the same committee meeting when the candidates were elected, and that in practice formalities were 'skipped' and decisions were made on the premise that the moral qualities of a candidate are 'well known', as well as his good performance as the acting director.

'Vode Vojvodine' - Three members of the Committee (appointed by the Government of Vojvodina)⁴⁰ were elected on 19 June 2013. The fourth member, Deputy Secretary of Agriculture Branislav Knezevic, was appointed on November 20, 2013, three weeks before the announced the decision on the selection of directors. President of the Committee is Romana Rudic, the Secretary of the Provincial Government, and two members are Darija Sajin, Deputy Secretary of Provincial Secretariat for Economy, Employment and Gender Equality and Dusan Vlahovic, Deputy Secretary of Provincial Department of Finance. The question referred to the Committee for the appointment of directors, regarding criteria for appointment their application and to submit a rank list of candidates and the records of scoring candidates, as well as documents with which candidates proved that they are experts in one or more areas and that they are not members of any political party, Secretary of the Government and also the president of the Committee replied by letter of two paragraphs, without providing the requested documents. The letter states that the Government Decree on the criteria for the appointment of directors of PE founded by the Republic of Serbia published on 22 November 2013 and entered into force on 30 November 2013, thus the

³⁸ <http://goo.gl/77ERx2> - document 'the initiative regarding regulation of the selection criteria for directors of PE, July 2014 Agencija.docx'

³⁹ http://www.acas.rs/images/stories/Analize_propisa_na_rizike_od_korupcije/Inicijativa_-_jvna_preduzeca_-22_avgust_14_-_final_.pdf

⁴⁰ The decision on the Committee establishment provides that the Commission has a president and four members, of which the president and two members are appointed by the Government of the Autonomous Province of Vojvodina for the period of three years, one member is appointed by the Board of Agriculture of the Autonomous Province of Vojvodina for the period of three years, and one member is appointed by the Provincial Government for each individual appointment of directors.

Commission did not take into account the provisions of the Decree. In response, however, does not indicate why the Committee has not established criteria, given that the decision to establish the Committee stated that the task of the Committee to conduct and compile the list of candidates with the results, "according to the criteria laid down for the appointment." The Committee has just announced that "when ranking candidates guided by certified photocopies of diplomas, certificates of public authorities, and employers, as well as statements by the candidates themselves, and determined the order of candidates after conducting individual interviews". Minutes of the "individual interviews" are also not provided.

'Vojvodinasume' - Three members of the Committee were appointed on 19 June 2013. The fourth member, Assistant Secretary of Agriculture Slobodan Teofanov, was appointed on November 20, 2013, three weeks before announced the decision on the selection of directors. About the details of the application of criteria, or their absence, it is stated in the previous paragraph, where a case of PE Vode Vojvodine is explained.

The City of Belgrade

The response of the City Administration to the letter that was sent to the Committee for appointment of the directors in PE and PUC founded by the City of Belgrade shows that there is no continuity in the work of city services, as would be expected if professionalization and departmentation had been conducted. The competition conducted during the previous government was not taken into consideration and no information was provided about the existence and application of the criteria at the time of the competition, which was announced and implemented on the basis of the decision of 28 June 2013. At the time of addressing the City Assembly (or the City Administration, which received the forwarded request) the second request was still in progress, but the criteria, i.e., the document that contains these criteria was not submitted to TS. After the elections (September 2014) TS sent a request for submission of documents which present the manner in which the criteria were applied in the second election cycle. No answer was received until the conclusion of this report.

PUC 'Javne garaze i parkiralista Parking servis Beograd' - The Committee was appointed on 26 June 2013. After the interim authority did not accept any of the proposals for the appointment of a director, a new Committee was established on 23 June 2014. According to the procedure, the committee compiles and ranks the candidates list and the list of three candidates is submitted to the competent secretariat - in this case, the Secretariat of Transportation. The Secretariat submits the proposal for the selection to the appointing authority - the City Assembly (or the interim authority). The response of this Secretariat to the request to provide criteria for the appointment of PE directors and documents that show how these criteria were applied to the selection of the director of this PUC, as well as to provide the list of candidates and the records of scoring candidates, stated only that the public competition for the appointment was announced on 27 June 2014, that the competition is still in progress and that the requested information will be submitted upon the realization of the appointment. That has not been done until the conclusion of this report, even though the competition ended with the appointment at the meeting of City Assembly held on 18 September 2014.

PUC 'Gradska Cistoca' - The Committee was appointed on 26 June 2013. After the interim authority did not accept any of the proposals for the appointment of a director, a new

Committee was established on 23 June 2014. The preparation of the proposal for the election of directors PUC 'Gradska Cistoca' is the responsibility of the Secretariat for Utility Services. The response of this Secretariat to the request of TS stated that the competition from 25 June 2013 has not resulted in the appointment of the director, that the Committee compiled a ranking list based on a numerical score and determined the appointments list of the top three candidates that was submitted to the Secretariat, and the Secretariat prepared a draft act on the appointment of the director and submitted it together with the list to the City Assembly on 30 August 2013.

On 24 September 2013, the Assembly relieved the Mayor, new authorities were not elected, the Assembly was dismissed, and Interim Authority was formed. On 17 April 2014, the Authority decided not to appoint any candidate from the proposed list. The decision on the implementation of the new competition from 23 June 2014 initiated a new procedure for the election of the director, and the ad was published on 27 June 2014.

Thus, the Secretariat took the opportunity to recount in detail what was already a common knowledge, but it failed to provide criteria and records which show how the criteria was applied - both in 2013 and 2014. In addition, in case of both competitions the nominated directors were the former acting directors. The only thing that changed in the meantime is the party that formed the backbone of the government that selected both the acting directors and Committee for appointment.

'Informatika Novi Sad' - The Committee was appointed on 31 May 2013. The Act on the method of scoring candidates for directors of PE was adopted at the session of the Committee for the appointment of 14 June 2013. On the basis of this act, the evaluation and ranking of candidates were performed according to the parameters set in the competitions published in each PE. Expertise was evaluated on the basis of diplomas, professional title, proof of work experience, recommendations and certificates. The Act on criteria provides that the degree is scored 6-9 points, length of service and experience 2-6 points, special skills and abilities are assessed through interviews with candidates and at the examiner's discretion, with emphasis on the personality characteristics - all of this, including the ability for teamwork, leadership skills and expertise in the activities of PE result in candidate's score between 0-35 points. The Committee scored four candidates for directors who met all the formal requirements. Among them was the former acting director Dejan Celar, a management engineer, who was represented in the media as a candidate of 'Trecu Srbija'⁴¹, the party that participates in the government of Novi Sad. His final score was 44 points - 6 for the degree, 4 for years of service, and 34 out of a maximum of 35 for the interview. Beside him, other nominees were a Master of Science (41 points - 8 for degree, 6 for years of service and 27 for the interview), and two economists (a total of 35 and 12 points respectively, as the fourth candidate did not show up for the interview). Given that there is no record of the interview on the basis of which Mr. Celar received the most points, or at least such record was not submitted to Transparency Serbia, it is impossible to objectively assess whether the criteria were properly applied. The recommendation of TS is a mandatory written test for all candidates, followed by a written report on each interview in order to keep a permanent record available to the public. This record would be the basis for the assessment whether the election was conducted fairly.

⁴¹ http://www.danas.rs/danasrs/srbija/novi_sad/imenovani_direktori_javnih_preduzeca_.40.html?news_id=264112
<http://www.021.rs/Novi-Sad/Vesti/Na-celu-javnih-preduzeca-iskljucivo-stranacki-kadrovi.html>

'PUC Naissus Nis' - The Committee for the appointment of the director was established on 14 June 2013. The City Assembly submitted the decision to establish the committee and its composition. These decisions can be found on the website of the City of Nis⁴² in the segment Committee for the appointment of directors, as well as the ranking lists and public advertisements and competitions. However, as the response indicates, the criteria do not exist as a separate document, but the Committee was guided solely by the terms stipulated by the competition, and the fulfillment of those terms was established by 'estimating the entire enclosed documentation of candidates as well as the verbal interview in the selection procedure of candidates.'

The text of the competition only states the following: 'In the electoral process, professional qualifications and knowledge and skills necessary to successfully perform the functions of the director are verified in the verbal interview.'

The total of 22 candidates, with proper and timely applications, registered for the competition. The Committee compiled a ranking list where the top candidate was a graduate economist Dejan Andrejevic, with 5.0 points, the second-best candidate had 3.2 points, the candidate in third place 2.2, and all the others had two or less points. By the way, Andrejevic is one of the few candidates who was ranked first, without previous engagement as the acting director of PE for which he applied (10 out of 14 elected directors of PE in Nis previously held acting status)⁴³. Before the election for director, Andrejevic was chief of the Mayor's Office, or Chief of the Cabinet. It is interesting that the president of the Committee for the appointment Sanja Milijic, who was previously employed in the Mayor's Office, took Andrejevic's position and became the head of the department, upon his selection for the director of PUC 'Naissus'. The submitted documents do not indicate whether the president of the Committee exempted herself from the election of Andrejevic, her former boss.

Local media not only identified all elected directors of PE among the political parties, but also identified the members of the Committee for the appointment, in which they were assisted by city officials. Thus, the president of the Committee for the appointment Dejan Jovanovic explained that Sanja Milijic was 'proposed by 'Srpska Napredna Stranka' and that she is part of the Committee in order to create 'good communication between the Mayor's Office and the work of the commission.' Two members of the Committee were proposed by URS, one by SPS, and one by DSS.

The website of the Committee published a large number of documents⁴⁴, but not the crucial ones - the criteria for the selection of directors and minutes of meetings at which directors were elected. This created the illusion of transparency by disclosing the documents such as:

'The conclusion on the opening of the webpage for the Commission for the appointment of directors of public companies of the City of Nis, as a part of the official website of the City of Nis' on the grounds that this has been done 'in order to enable the transparency of all the acts and actions of the Committee for the appointment of directors of public companies of the City of Nis, as well as timely information to the public on the same subject.'

The website also published the 'Conclusion on the sessions of the Committee for the appointment of directors of public companies of the City of Nis held after working hours and

⁴³ www.juznevesti.com/drushtvo/izabrani-novi-direktori-u-nisu-21845.sr.html

⁴⁴ <http://www.ni.rs/komisija-direktori-xiiivi.html>

on holidays', with the explanation that 'due to its volume and comprehensiveness, the procedure of the election of directors of public utilities and public enterprises founded by the City of Nis, requires the engagement of the president and members of the Committee for the appointment of directors of public companies of the City of Nis during weekdays, after working hours and on weekends, so as not to disturb the regular work activities of members of the Committee who are employed.'

PUC 'Paracin' - The Committee for the appointment of directors was selected at the meeting in Paracin on 27 June 2013. The decision on the implementation of a public competition for election of directors of the PUC was adopted at the same meeting. This decision prescribed the criteria and method of implementation of the electoral process.

The decision stipulates that the Committee makes a list of candidates who meet the requirements for appointment and carries the electoral process among them. During the selection procedure, the results of candidates are determined according to the criteria prescribed for the appointment of directors of public companies by evaluating professional qualifications, knowledge and skills. Professional competence, knowledge and skills are evaluated through verbal testing, assessment of proposed measures for improving efficiency, and a vision of improving the efficiency of the company for which the candidate applies. It is planned that verbal test has the same questions for all candidates, which are prepared by the Committee and which are asked in the same order. Each Committee member ranks each candidate from 1 to 5, and each Committee member individually implements proposed measures, upon which the total number of points is determined.

The electoral process can be implemented in several parts, by written test, verbal interview or other appropriate means.

The announcement of public competition stipulates that the Committee verifies the knowledge of local government system, the system of PE functioning in accordance with the Law on PE, general knowledge, communication skills, logical and analytical reasoning, organizational skills, knowledge of the activities of PE for which the candidate applies, and also assesses the proposed measures for improving efficiency with a vision of improving the efficiency of the company.

The submitted documents do not evidence that everything prescribed was applied in practice. All questions given to candidates were related to knowledge of local government system and the system of functioning of PE in accordance with the Law on PE, but none of them were related to general knowledge, communication skills, logical and analytical reasoning or organizing skills. There were no questions regarding the knowledge of the activities of PE for which the candidate applies, since the question of basic legal acts of PE referred to all PE, while the question of whether the candidates held director's position before and what were their results may be interpreted as a question of organizational skills, even though the answer is biased and reveals no organizational skills, but experience in management.

The Committee conducted voting procedure in four sessions, held in the period from the 1st to 27th of August. At the first session, Rules of Procedure were adopted, the members were informed about the election procedure and they roughly agreed on the method of work. At the second session, the applications were screened, the committee brought a decision on rejecting untimely, incomprehensible and incomplete applications (submitted without all the required

evidence), they composed a list the candidates who meet the criteria, and Committee members were introduced to the proposed measures for improving efficiency with a vision of improving the efficiency of the company submitted by the candidates. The four PE in Paracin received 16 applications for directors, seven was rejected, and the Committee made a list of nine candidates. At the third session, the Committee was further introduced with the proposals for improvement and increased efficiency in the functioning of companies and it established the question that will be given to candidates. Finally, at the fourth session, the Committee performed verbal verification and scoring and composed the ranking lists.

According to records provided to TS, all candidates were asked the same questions and in the same order, the Committee members scored them in accordance with the decision on the implementation of a public competition, they added up the scores and calculated the average score, and ranking list was determined.

In case of the observed PUC 'Paracin', there was only one candidate, former acting director Tomislav Saletic, who eventually had 45 points. The candidate answered the following questions - 'Have you held the position of director in the past, in which companies and what were the results of operations of those company at the time'; 'What is the primary activity of PE you are applying for'; 'What are the basic legal acts of PE you are applying for'; 'What are the jurisdictions and rights of the director'; 'What is the legal relationship between the PE and the municipality or municipal assembly'.

In less than six months after the election, Saletic resigned, on 7 May 2014 the municipal assembly adopted a decision on terminating the office of the director of PUC 'Paracin', and acting director was appointed. There is no information that a new competition was announced in the meantime.

PE 'Ingas Indjija'

The Committee for the appointment of the director of PE was formed by the decision of ruling municipal assembly of Indjija at the meeting on 26 June 2013. The competition for the election director was announced on 24 July 2013, and the ad specified that professional competence, knowledge and skills would be assessed by means of verbal test, written examination (testing) and the evaluation of the submitted proposals of PE program.

The Committee would also test the knowledge of local government system, the system of PE functioning, and it would also evaluate the submitted proposals of work programs.

The only candidate for the director of 'Ingas' was the former director Dobrivoje Sudzum. The Committee established that Sudzum had a total of 11 points - 5 for the verbal testing and 5 for the program of work. The written tests of the candidates and their program of work have not been submitted to TS.

At the meeting on 5 September 2013, the Committee established the candidates' test result for the written verification of professional qualifications, knowledge and skills and determined the total number of points based on the proposal of candidates' work program. At the next meeting, on 7 September 2013, the Committee established the ranking list of the candidates for appointment of directors.

Although the requirement of the Law on PE is that the director 'is not a member of any political party, and that his function in the political party is ceased, refers only to directors of PE founded by the Republic and / or the Province, TS asked each Committee if and in which

way did the candidates prove this condition. The materials submitted to TS from municipal assembly Indjija state that this condition was proved by 'certified statements - statements of the membership in the party or political organization.'

PE 'Turisticki centar Grada Zrenjanina'

The Committee was appointed on 19 June 2013. At the meeting of 11 July 2013, the Committee adopted the conclusion that established procedures and methods of work and determined that the election process would be conducted by verbal interviews with the candidates with timely, understandable and complete applications. **The method and manner of determining the competence of candidates was established at the same meeting at which the Committee discussed the applications, evaluated the candidates and determined ranking list.**

The meeting started at 9:00 AM.

The first item on the agenda was the method and manner of determining the competence of candidates for the director of PE. Committee members decided how the candidates would be evaluated. They reached the agreement and passed the conclusion about the procedure and method of determining the competence of candidates for the director of PE. The second item on the agenda was to review received applications. There were three candidates for the director of the observed PE. Committee members noted that one application was incomplete and that the remaining two would be considered.

The third item on the agenda was verbal interview with the candidates who met the requirements⁴⁵. It was decided that the president of the Committee would conduct the interview with the candidates, and other members would take part if necessary. The candidates were evaluated by the score of 1-5. The interview with the first candidate, the former acting director Dragan Velesovic, was conducted and it was scored with 5 points. The interview with the second candidate was scored with 4 points.

The fourth item on the agenda was making the ranking list of candidates for the appointment of the director. The Committee decided to make a ranking list with the name of one candidate who is competent and qualified to perform the duties of director, and upon the discussion the Committee unanimously accepted the proposal that the former acting director gets placed on the list.

According to the records, the meeting was concluded at 9:25AM. **The meeting lasted 25 minutes.**

The response from the Committee submitted to TS, in relation with the requirement that the director is not a member of any political party, pointed out that this requirement does not apply to the appointment of the director of PE founded by the local government, and that this fact was not determined at the election of director of PE 'TC Zrenjanin'.

⁴⁵ The record does not show, but it seems that the previous two candidates, whose applications were complete, were invited to come for the verbal interview during the session, and the third candidate was probably not. It is possible that a service that provides technical support previously had verified that which applications were complete and invited the two candidates for informal consultation with Committee members. Or the third candidate sat in front of the door, and after the second item on the agenda, the Committee thanked him for the patience and sent him home.

PE 'Direkcija za urbanizam Kragujevac'

The Committee was established by the decision of the City Assembly on 30 May 2013. The decision on the establishment can be found on the website of the City of Kragujevac⁴⁶.

According to the decision on the implementation of the competition, the Committee verifies the knowledge of the system of local self-government, the system of functioning of PE, the functioning of public-private partnerships, general knowledge, eloquence, the knowledge of business and functioning of the PE for which the candidate is nominated and evaluates submitted proposals for work program for the mandate. The proposal must include a projection of annual business program with elements contained in the Law on PE, based on the parameters from the final annual report for the previous year and proposed measures to improve the efficiency and operation of the enterprise, with a term plan for the period of four years. It was planned to perform verbal and written verification, testing and evaluation of program proposals. The initial competition for the election of the directors of PE 'Direkcija za Urbanizam' was announced on 15 June 2013, and the director was elected on 20 September 2013. However, the director resigned after protests within PE and dissatisfaction of employees about the PE functioning. In April 2014, a new competition was announced and data submitted to TS are related to the work of the Committee for the election of the director refers to this competition. The only candidate was the acting director Aleksandar Rudik Milovanovic, which was appointed after the former director resigned.

In the verbal test, the candidate answered the following questions: 'Why do you think you are the best candidate', 'What is the main activity of the company you are applying for', 'What part of the founding act of the company is not aligned with the Law on PE and what would be one of your first obligations as a director', 'Is it possible to amend the adopted plan of detailed regulation through the analysis of the location; explain the answer', 'In which cases can the director of PE be resolved before the end of his term', 'In case of an organized strike, without the provided minimum work, what are the actions of competent authority in order to prevent harmful consequences for human health and the safety of people and property.'

The written test, in which the candidate scored 19 out of 30 points, included questions with four answers. Among others, it included the following questions: 'Who is in charge of determining the rate of direct revenues of local governments', 'What are the executive bodies of local self-government', 'Who gives the order for budget execution' (a total of 10 question from the area of the local self-government), 'Who performs the founding rights to the PE', 'Who is responsible for the lawful operation of PE', 'What is the maximum term for which the acting director of PE is appointed' (total of 10 questions from the area of PE) and 10 questions of general knowledge, such as: 'What was the name of Odysseus's wife', 'Who is the author of the painting Sunflowers', 'What is the length of an inch', 'What does the bird phoenix symbolize', 'Which Serbian ruler was assassinated', 'When was the Big Brother mentioned for the first time' and 'Who painted the Sistine Chapel.'

The candidate scored 27.86 out of the possible 40 points - 19 in the test, 4.36 in verbal assessment, and 4.5 for the program draft.

Candidate stated that he was not a member of any political party, although the Law provides this condition only for republican and provincial PE.

⁴⁶<http://www.kragujevac.rs/Dokumenti-342-1>

PUC 'Vodovod Surdulica' - The Committee for the appointment of the director of PE was formed by the decision of Municipal Assembly Surdulica on 12 July 2013. Municipal Assembly and the Committee did not respond to the request of TS for the submission of documents containing the criteria and standards for the appointment of directors. All other documents were submitted, including the minutes of the meeting. Upon the repeated request for submission of the criteria and standards, TS was again delivered the record stating that verbal assessment would not be held, as professional, work and moral qualities of all candidates were already known to the Committee. Instead, the crucial factor for the formation of rankings would be the written declaration on the situation in the company and the measures to be taken in the future.

The minutes of the Committee work state that it was established that the applications were submitted by two candidates. The electoral process was carried out by the Committee stating the following: **'Given that** the Municipal Assembly Surdulica approved the plan and program of the company for 2014, as well as the goals and objectives for the upcoming period, **and the fact that professional, occupational and moral qualities (of the candidates) are known to the Committee members,** the Committee decided to conduct a written assessment. The candidates were instructed to express in writing their views on the situation in the company and the actions and measures to be taken to improve the working conditions and operations and reach the maximum performance in the company operation. The result of the written declaration will be decisive in determining the rankings.'

The former director Olivera Ristic submitted a written statement, while another candidate withdrew and notified the committee that created a ranking list with one candidate.

'Direkcija za gradjevinsko zemljiste i puteve opstine Bosilegrad' - The Committee was established by the decision of municipal assembly Bosilegrad on 25 April 2013 by the decision on the implementation of a public competition for the appointment of the director of PE 'Direkcija za gradjevinsko zemljiste' (Bosilegrad, 13 June 2013). The Committee is obliged to prescribe the act with the criteria for the appointment of the director. On two occasions TS sent requests to the Committee and Municipal Assembly Bosilegrad for submitting documents containing the criteria and the documents that show how the criteria was applied. Such an act was not delivered. Instead, TS received the decision on establishing the Committee, which, as the decision on the implementation of the competition, states that 'in the election process, the result of the candidates is determined by evaluating the professional skills and knowledge, according to the criteria prescribed for the appointment of the director of PE' and that 'the electoral process can be implemented in several parts, a written test, verbal interview, or any other appropriate method.' TS was also submitted the minutes from the Committee meeting of 17 July 2013 which discussed the application of candidates for the director, as well as the information that only one candidate applied and 'therefore, there was no ranking list or the minutes of scoring the candidate for the director of PE 'Direkcija za gradjevinsko zemljiste', as it could be seen from the minutes' (from the Committee meeting).

At the meeting on 17 July 2013, the Committee noted that the only applicant was former director Strasko Apostolov, that he fulfills the conditions required in the competition and that he submitted complete documentation. The record further states: 'The Committee confirms that the applicant can successfully perform the function of director, as he had performed same function in the previous period in a highly responsible and successful manner and that he

possesses enough professional knowledge and skills to perform the function of the director.' Then the candidate stated before the Committee that he accepts the function of the director, and the Committee submitted the report to the municipal administration in order to continue the procedure for the appointment of the director. The session lasted 50 minutes, from 4:00 to 4:50 PM.

The Committee has practically assumed the responsibilities of the supervisory board (supervision of the director) and the founder (assessment of the annual business plan) and did not implement the election procedure prescribed by the decisions on the establishment of the Committee and on the implementation of the competition; unless the verbal and presumptive positive assessment of the work of previous director is considered as the **'other appropriate method'** of the electoral process. The observed sample registered other examples where only one candidate, a former director, applied for the competition but unlike Bosilegrad, the procedure was carried out to the end.

As stated in the decision on his appointment, Apostolov is 'a professional mechanical engineer.' Since even after two requests TS was not submitted the documents on which the Committee determined that the candidate meets the competition requirements, or conditions prescribed by the Law, it is not possible to make an unambiguous conclusion whether the professional or academic title of the appointed director is in accordance with the prescribed qualifications for the position of the director of PE (University degree). In fact, 'professional mechanical engineer' is the title obtained by completion of basic professional studies (180 ECTS) and is equivalent to VI-1 level under the previous grading system.

4.6 The election of directors and explanation

In addition to the requirements for the election of directors prescribed by the Law, the Statute or the founding act of a public company, the additional conditions may be determined that a person must meet in order to be appointed as director of a public company.

Given that the competition for the election of directors of republican PE are either not scheduled or not completed, with the exception of 'EPS', where the director was appointed on 2 October 2014, we were unable to determine how the Committee determined that a candidate meets the requirements. The Committee for the election of director of PE founded by the Government of Serbia, as well as the Serbian government did not respond to requests for information of public importance, and we were unable to determine the stage of the competitions announced 14 months ago, whether the work of the Committee was completed and whether it was established (and how) which applicants meet the requirements.

Government of Vojvodina province, and the Committee for the appointment of directors of PE founded by the Government of Vojvodina province sent instead of the requested documents, brief information stating that the Commission for appointment, when ranking documents and certificates that were submitted by candidates, considered their statements and information from individual interviews. From this we can assume that the candidates submitted whether written or oral statements that are not members of any political party and on the basis of photocopies of diplomas and "individual talks" established:- That is the candidates are experts in one or more areas of general interest for which operation a public

company was established. Minutes from the Commission meetings, where this should be stated are not delivered to TS.

These information should be found in the explanation of the decisions on the appointment of directors, but we could not find them on the website of the Government of Vojvodina province. In fact, the Law provides that the decision on the appointment of the director has to be published in the Official Gazette of the Republic of Serbia (or in the Official Gazette of the local government unit, or the bulletin of the autonomous province), and **the decision with an explanation** must be published on the website of the authority responsible for appointing the director. This is especially important due to the fact that the candidate who is (re) elected director of 'Vojvodinasume' was also on the electoral lists of the party 'Savez vojvodjanskih Madjara' for the provincial and national elections, while the candidate who is (re) elected director of 'Voda Vojvodine' was the first on the list of a party 'Socijalna pravda i udruženi penzioneri' on the elections in Novi Sad.

'Vojvodinasume' - The Government of Vojvodina province' decision to 'join the competition' for the election of directors of PE was made on 19 June 2013, and was amended on 22 July. The competition was announced on 2 September (in the Official Gazette of the RS), and on 11 December 2013 the Government of the Autonomous Province of Vojvodina reached a decision and appointed the former acting director of 'Vojvodinasume' Marta Takac for a period of four years.

However, the decision on her appointment was overturned by the verdict of the High Court in Novi Sad on 3 July 2014. The media reported that the court found that Marta Takac failed to timely submit all the documentation that was requested in the open competition for the director of 'Vojvodinasume'. According to these allegations, the confirmation of the Commercial Court in Subotica that had no criminal record was added to her application after the competition closed. This is indicated by the date of issue of the certificate - 6 November 2013 - while the deadline for submitting applications expired on 30 October. The lawsuit against the provincial government for illegal actions was filed by Velibor Miletic from Pancevo.

The public competition for the director of 'Vojvodinasume' was announced by the Provincial Secretariat for Agriculture, Water and Forestry on 30 August 2013. It was then published in the daily newspaper 'Danas', on 2 September in the Official Gazette of the Republic of Serbia, and on 11 September in the Official Gazette of AP Vojvodina. The competition was open for 60 days. The deadline for applications, which is calculated from the date the advertisement was published in the Official Gazette of Serbia, expired on 30 October. The public competition specified conditions that a candidate for the director of 'Vojvodinasume' has to meet and which documents need to be submitted to the Committee as proof of meeting these requirements.

'Untimely, incomprehensible and incomplete applications are rejected by the Committee for appointment with the conclusion that does not allow a separate appeal', states the Article 29 of the Law on Public Enterprises. Marta Takac did not timely submit the proof of no criminal record with her application. In fact, the record shows that it was issued by the Commercial Court on 6 November, under the number 1 Su 3/2013-478, and the Provincial Government filed this report as submitted to the Committee for appointment on 24 October. At the meeting from 3 December last year, the Committee stated that three candidates 'timely' applied for the

competition: Marta Takac from Subotica, Aleksandar Obradovic and Velibor Miletic, both from Pancevo.

'The Committee reviewed the received applications with accompanying documentation and stated that all applicants submitted a complete documentation', states the record signed by Dusan Vlahovic, Darija Sajin and Djula Kis⁴⁷.

'Vode Vojvodine' - On 11 December 2013, the Government of Vojvodina province adopted a decision according to which the former acting director of 'JVP Vode Vojvodine' Mirko Adzic was appointed director. The media identified Adzic not only as the candidate of the DS, but also as the candidates of certain power within the DS. Before the session of the Committee for the appointment, Radio 021 claimed that out of the three best-ranked candidates 'who will enter the second round' one would 'certainly' be Mirko Adzic. That is, he would certainly be among the candidates proposed to the relevant secretariat in order to prepare a draft decision for the Government of Vojvodina province. This radio claimed that Adzic 'will remain the director, as he is supported by Dragoslav Petrovic, the eminence of Vojvodina DS', while 'Goran Jesic opposed the appointment of Adzic as acting director of 'Vode Vojvodine' back in February considering that as an administrative secretary for water management he is responsible for that company and that his most trusted professional should be appointed the director.'

The City of Belgrade

PUC 'Javne garaze i parkiralista Parking servis Beograd' and PUC 'Gradska cistoca Beograd'

The competitions were announced in June 2013 and ended on 17 April 2014, when the Interim Authority issued the decisions to reject the proposals for the appointment of directors of public companies submitted by the departmental secretaries. The Interim Authority also decided not to select any of the candidates from the lists for the appointment of directors established by the Committee for appointment. Among those PE were two observed in this report.

In the vast majority of cases, the top-ranking candidates at the competitions were former acting directors appointed during the time when DS and its coalition partners were in power in Belgrade. After the removal of Mayor Dragan Djilas and the dismissal of the Assembly, PE directors were either dismissed or resigned, and the Interim Authority appointed new acting directors. In most cases, those acting directors were elected as directors at the competitions announced by the new City Government - SNS and its coalition partners. One of the few exceptions was one of the observed PE - 'Gradska Cistoca', in which Miroslav Bogdanovic, a mining engineer, was appointed the director. Bogdanovic was a candidate of SNS on the elections in Belgrade. In 2012, the acting director of 'Parking Servis' Andrija Cupkovic, a traffic engineer, was appointed the director of that PE at the public competition. By the way, Cupkovic was the councilman of party G17 until 2012.

⁴⁷The media had previously quoted that in 2012 the current mayor of Novi Sad, and former president of the Municipal Board of the Serbian Progressive Party, Milos Vucevic accused Marta Takac of abuse of office, because, as he claimed, she used the money of 'Vojvodinasume' to buy an apartment Vucevic then publicly showed a copy of the contract between 'Vojvodinasume' and 'Agroglobe' from Novi Sad on procurement of seeds, which, he said, was paid at much higher prices than the market and said that a few weeks after the conclusion of the contract, Marta Takac bought an apartment of the co-owner and directors of Novi Sad company 'AgroGlobe' Bozidar Kostic. There is no information whether the authorities investigated this case.

Given the fact that the Committee for the appointment of directors did not provide the information about how the candidates proved to meet the requirements of the competition, as well as the fact that we could not find any explanation for the appointment on the website of the City of Belgrade, it is interesting to see the explanation of the former Secretary of the Interim authority for dismissal of acting directors appointed during the previous government.

'Directors of public companies were found in acting positions in an irregular condition, and none of them went through the procedure prescribed by the Law on Public Enterprises, but they were appointed to these positions for the period up to six months, so without any permanent and final status. Decisions made by the Interim Authority are in accordance with the Law on Public Enterprises. Finally, I want to point out that, despite the extremely poor state found in public companies, the Interim Authority made a gesture of fairness and offered other jobs to these people, which was certainly not the case in the past', said Goran Vesic in December 2013. He indirectly confirmed that the professionalization of the work of PE is not a goal to be achieved, because the unsuccessful directors (at least in the judgment of the Interim Authority) are offered 'a gesture of fairness' to stay in the PE. At the same time, the dismissal is explained by stating that acting directors did not pass the election procedure in the competitions, and four months later the proposals for appointment that are the result of the same procedure have not been accepted.

The fact that the Law on PE prescribe different requirements for directors of local versus national and provincial PE, in practice resulted in the fact that some local governments required more strict conditions for the directors, than others. It also happened that the observed competitions of two PE in Belgrade provided different conditions.

The competition for the director of PE 'Parking Servis' required the conditions as in a republican or provincial PE, and among other things, that the candidate has at least five years of work experience, of which three years in the field for which the public company was established or at least three years in management positions, that he is not a member of any political party and that his functions in political party was ceased, but not the requirement to be an expert in one or more areas of the operation of PE (although the selected candidate is a traffic engineer), while for the conditions of the competition for the director of 'Gradska Cistoca' were stipulated only in accordance with the Labor Law - the legal age and legal competence, the citizenship of the Republic of Serbia, university degree and at least four years of service in the field with the same degree of expertise.

PE 'Informatika' - The director of PE Dejan Celar, a management engineer, was appointed by the decision of the City of Novi Sad on 8 and 9 July 2013. This decision was published on the website of City Assembly, along with the explanation⁴⁸.

In the media, Celar was presented as 'staff' of 'Treca Srbija', the party that is in the ruling coalition in Novi Sad. As in many other cities, the media in Novi Sad identified all elected directors by the parties whose candidates took part in the competitions. Even before the end of the competition, Radio 021 announced which party 'got' which PE and that prognosis was confirmed upon the end of the competition and the appointment of directors at the meeting of City Assembly. SNS staff received director's seats in five PE, the SPO-RDS coalition received four, DSS and SPS got three each, and 'Treca Srbija' received two, one of which is 'Informatika'.

⁴⁸<http://www.skupstinans.rs/cirilica/resenja-o-prestanku-duznosti-i-imenovanju-direktora-jp-i-jkp>

After the 'Treca Srbija' assumed 'Informatika', the media launched the scandal in connection with the sponsorship of publishing the album of musician Slobodan Trkulja. The party 'Treca Serbia' distributed the album as a gift to the citizens of Novi Sad, while not missing out on the opportunity to boast that the album was sponsored by PUC 'Informatika' led by Dejan Celar. The media then presented the calculations according to which the production of 250,000 copies, what was a supposed circulation, cost 300,000 euros. Trkulja then confirmed that he had received money from 'Informatika', but said that the obtained amount was three million RSD and that the money was requested by 'standard procedures for sponsorship', and that the director of 'Informatika' Dejan Celar 'decided that the company would support the publishing of the CD'.

PE 'Informatika' confirmed that it sponsored the publishing of the music album of Slobodan Trkulja and stated that the money was designated as a step to bring Novi Sad closer to the title of the European Capital of Culture.

PUC 'Naissus Nis'

The decision on appointment of Dejan Andrejevic the director of the PUC for water and sanitation was adopted by the City Assembly of Nis on 2 October 2013. The website of Nis (the segment that contains the documents of the Committee for appointment) announced the decision along with the explanations. The explanation states that in the selection procedure the Committee assessed the professional qualifications of candidates and the knowledge and skills necessary to perform duties of directors, based on the review of the submitted documentation and verbal interview, and on the basis of the electoral process it established the score for each candidate according to the criteria prescribed for the appointment of directors of public companies. Even though the website of the City of Nis contains a large number of published documents regarding the election of directors and creates the illusion of transparency, there are no criteria for the appointment of directors, nor any minutes of Committee meetings. TS submitted two requests for access to information of public importance to the City of Nis and the City Commission for appointment, but no response was received.

The published explanation reveals that Andrejevic is a graduate economist with 22 years of experience, of which 16 in management positions, as the head of Mayor's Office, the director of one company with limited liability, the head of the regional center for Southern and Eastern Serbia of a firm from Belgrade.

Based on the list for the appointment and the minutes of the completed electoral process, the Administration for Communal Services prepared a draft act for the appointment of Andrejevic as the best-ranked candidate and submitted it to the City Assembly of Nis, which passed a decision on the appointment.

In addition, in 2014 Andrejevic was elected a deputy of 'Srpska Napredna Stranka' and held that position until 12 September, when he resigned as part of the party activity that its officials should not have more than one paid function. During the brief parliamentary mandate, the media accused him that he used the official car of PE to go to parliamentary meetings. At the same time, the information appeared that he used the same car for personal and not just official purposes, as well the information that, although he is the director of water utility company, he has substantial outstanding water bills.

PUC 'Paracin' - Municipal Assembly Paracin adopted the decision on the appointment of Tomislav Saletic the director of the PUC 'Paracin' on 6 November 2013. The decision with an explanation is posted on the website of the municipality⁴⁹. The explanation reminds of the legal basis and the procedure preceding the appointment - a decision on the implementation of the competition, the implementation of the competition, and the statement that the Committee for the appointment of directors of public enterprises established by the municipality Paracin submitted to the Municipal Administration the lists for appointment with numerically expressed results of candidates, as well as the record of the selection procedure of the public enterprises established by the municipality Paracin. Considering the lists for the appointment and the record of the electoral process, the president of the Municipal Administration Paracin prepared a document on the appointment and submitted it to the Municipal Assembly to decide on the appointment of Tomislav Saletic for the director of public utility company 'Paracin', as the only candidate from the list for the appointment of the director of PUC 'Paracin'.

The explanation provides no details about the election, the results achieved by candidate in the verbal and / or written assessment or the program he offered. Saletic, a mechanical engineer, has been the director since 27 July 2010, when he commenced his employment with PUC 'Paracin'. Three candidates applied to the competition, but two did not submit the required documents, so only Saletic's application was considered. The proposed measures to improve the operation of the company that the candidate gave to the Committee were submitted to TS. The candidate proposed a new systematization, new grading of costs, the alignment of the strategy of PUC 'Paracin' with the national strategy of solid municipal waste, new methodology of calculating the cost of municipal services (no specifications of what kind) and the increase of revenues by the application of this methodology.

Saletic was also an official of the party National Movement 'Svi za Paracin' which is part of the ruling coalition. Six months after the election of the director, in May 2014, he resigned due to, as explained, 'transition to another function'. TS was unofficially informed that Saletic, a sport pilot, moved to professionally lead Paracin Sports Association, where he previously worked as a volunteer.

PE 'Ingas Indjija' - On 2 October 2013, the Municipal Assembly of Indjija adopted a decision on the appointment of B.Sc. economists Dobrivoje Sudzum the director of PE 'Ingas'. The decision with an explanation is posted on the website of the municipality⁵⁰. The explanation describes the procedure, states that two applications were received of which one was incomplete, so only the application of the previous acting director was evaluated. As stated further, the Committee conducted the election process by verifying and evaluating professional qualifications, knowledge and skills of the candidate, according to the procedure and in the manner established by the Decision on the implementation of a public competition. The Committee established the list for the appointment with the numerically expressed and determined results, according to the criteria prescribed for the appointment; and together with the report on the electoral process submitted it to the Municipal Administration to prepare the draft act on the appointment. The administration determined the draft decision on the appointment and delivered it to the Municipal Assembly of Indjija for consideration and adoption.

⁴⁹http://www.paracin.rs/index.php?option=com_content&task=view&id=44&Itemid=75

⁵⁰[www.indjija.net 'Public companies and institutions / Comittee for the appointment of directors of public companies and institutions'](http://www.indjija.net/Public-companies-and-institutions/Comittee-for-the-appointment-of-directors-of-public-companies-and-institutions/)

The explanation provides no details about the test results (which were submitted to TS). However, TS was not provided with the tests solved by the candidate, as well as with the proposed measures for improving the work of PE submitted to the Committee.

Sudzum has been at the head of 'Ingas' since 2011. Before that, in 2007, he was Deputy Minister of Agriculture of Agricultural Operations.

'Turisticki centar Grada Zrenjanina' - On 12 July 2013, Zrenjanin City Assembly adopted the decision on the appointment of a private entrepreneur Dragan Vulesevic the director of the tourist center. The decision with an explanation was posted on the website of the city of Zrenjanin⁵¹.

The explanation reminds of the provisions of the Statute of the City of Zrenjanin, the decision on the implementation of the competition, the appointment of the Committee for the appointment of directors, and states that three candidates applied for the competition, of which two applications were timely and complete, and one application was rejected by the Committee as incomplete. 'At the meeting held on 11 July 2013, the Committee reviewed all submitted applications and conducted the electoral process in the form of verbal interviews with candidates and compiled a list of candidates. That list, along with the record of the selection procedure for the appointment, the Committee submitted to the Commission for personnel matters. The Commission for personnel matters adopted the draft decision and submitted it to the City Council for consideration and adoption.'

In the 2012 provincial elections, Vulesevic was a candidate on the SPS-PUPS-JS list, while the other applicant, Vesna Bugarin from SNS was a candidate for the City Council in 2012.

PE Direkcija za urbanizam Kragujevac - In the past, two directors of PE 'Direkcija za Urbanizam Kragujevac' were appointed in accordance with the Law on PE. Dragan Jevtovic, a mechanical engineer, was appointed after the completion of the first competition, at the meeting of the City Council on 13 September 2013. Jevtovic was the only candidate on the list for the PE 'Direkcija za Urbanizam'. The website of Kragujevac published findings on the number of points for the candidates for all PE that announced the competitions, as well as all the candidate lists and rankings.

Jevtovic was a member of the Political Council and member of the presidency of the Party 'Zajedno za Kragujevac', the backbone of the ruling coalition in the city. After the protests of employees against the poor condition of the PE and several months delays in the payment of wages, Jevtovic resigned in April 2014. A new competition was announced in which the only candidate was Aleksandar Rudnik Milovanovic, employed in the Directorate. Upon the resignation of Jevtovic, Milovanovic was appointed the acting director. In June 2014, the City Assembly of Kragujevac appointed Milovanovic the director.

PUC 'Vodovod Surdulica' - The decision on the appointment of Olivera Ristic, B.Sc. economists, the director of PUC 'Vodovod' was adopted by Municipal Assembly Surdulica on 27 December 2013. The decision with an explanation was posted on the website of MA Surdulica⁵². The explanation contains a description of the conducted procedure, without any details about the assessments and the programs presented by the candidates. The program was delivered to TS Serbia and what can be observed is the specific appointment of party officials

⁵¹ <http://www.zrenjanin.rs/userfiles/file/26%20Resenje%20o%20imen%20dir%20Turisticki%20centar.pdf>

⁵² <http://surdulica.org/Surdulica/uploads/site/2014ResenjeOlmenovanjuDirektoraJPVodovod.pdf>

as the directors of PE, or the difference between the party and the professional management of PE. The candidate, who was the acting director in the past, presents in detail the problems in the work of PE and specified the plans and the methods to improve the work and results of operations. She pointed out to the liberalization of prices and services of PE, but immediately added that when considering price increases on economic level the living standards of citizens must be taken into account. In that way, the candidate for director presented herself as a politician who cares about the voters, and not as a manager who cares whether higher prices would result in lower revenue and what would be the effects on income. A professional would recommend that social policy gets relocated from PE, that the state and / or municipality subsidizes the poor and that PE charge for its services at market prices, while a politician takes care of all voters, and the services are offered below the price both to socially disadvantaged and to those who can pay the full economic price.

In 2008, Olivera Ristic was a spokesman for a group of citizens 'Za lepsu Surdulicu' led by the Mayor of Surdulica Novica Toncev, at the time when he left SPS.

'Direkcija za gradjevinsko zemljiste i puteve opstine Bosilegrad' - At the session held on 12 September 2013, Municipal Assembly of Bosilegrad adopted a decision on the appointment of a professional mechanical engineer Strasko Apostolov the director of the 'Direkcije za gradjevinsko zemljiste i puteve'. The decision on the appointment was published on the website of the municipality. The decision cites the legal basis, reminds of the decision on the implementation of the competition and the establishment of the Committee for the appointment of directors, and states that one candidate applied for the competition. Therefore, the Committee for the appointment of directors considered the application and 'conducted the electoral process in the form of a verbal interview with the candidate.' The information about the candidate, together with the report on the electoral process, the Committee submitted to the Municipal Administration, and Local Government adopted the proposal of the solutions and submitted it to the Municipal Assembly for consideration and adoption.

In the 2008 local elections, Apostolov was the candidate of the 'Demokratska Stranka Srbije' the party in power in the municipality of Bosilegrad.

5 Business results, marketing and sponsorships

5.1 Business results before and after the adoption of the new Law

According to the Law on Public Enterprises, a public company is established and operated to ensure continuous performance of activities of public interest and adequate fulfillment of the needs of users of its products and services, the development and improvement of the performance of activities of public interest, the unity of technological and economic system and coherence of its development, making profits and achieving other legally established interests. Gaining profit may not be the primary interest for the establishment of PE, but the realization of losses certainly cannot be justified by other interests, such as meeting the needs of the users. Decades old practice notes common cases that the social policy of the state or local government is led through the public companies whose aim is to meet the needs of users; and that services are charged at prices significantly below market to ensure social peace among voters. In this way, the founders themselves amnesty PE from negative business that is a result of depreciated prices or bad service charge (which is not followed by the court proceedings) and hinder real progress toward professionalization. It should be noted that the negative effects of such a pricing policy could partly be compensated through responsible management of the enterprises, but, unfortunately, often is the other way round - social and political price policy is an excuse and a cover for further negative results that are consequence of non-host (non-professional) disposal of public property.

The observed sample includes PE that provide services relevant to the achievement of social peace (electricity, gas, water), and PE that meet the requirements to operate at a profit in the market. We wanted to compare the work results or the financial balance sheets of companies from the year before the implementation of the new Law on PE and the year when new supervisory boards and new directors were supposed to be elected and when they all had to move in the direction of the announced and promised professionalization.

In fact, the Law states that the supervisory board, among other things, determines the business strategy and business objectives of a public company and takes care of their realization, establishes the annual business program with the consent of the founder and oversees the work of the director. Director organizes and manages the work process, runs the business of a public company, proposes an annual program performance and takes measures for its implementation.

The main obstacle for the adoption of unambiguous conclusion about whether there has been progress toward professionalization lies in the fact that the republican PE directors are not elected, and that the supervisory boards were elected at the end of 2013; so any progress, whether positive or negative, cannot be attributed to any role of the new body. The supervisory boards in local PE were elected in mid-2013, and the directors at the end of 2013.

From the 25 observed PE, one local PE (tourist center of the city of Zrenjanin) submitted the financial reports in such a format that it was impossible to determine the year in question, and the reports are not available on the website of the Agency for Business Registers. Therefore, the analysis comprised the reports of ten republican, two provincial and nine local PE.

In 2012, from 24 observed PE, seven operated with loss and 17 with profit, whereby the losses were recorded among five republican, one provincial and one local PE, and profit among eight republican, one provincial and eight local PE. The total of seven PE ended 2013 with losses - five republican and two local, and 17 PE recorded a profit - eight republican, two provincial and seven local.

PE 'EPS' - Operating incomes in 2012 were 128.18 billion, and in 2013, 152.383 billion. Operating expenses in 2012 were 123.895 billion, and in 2013, 150.819 billion. With other incomes and expenses, the total net loss in 2012 was 1.8 billion, and in 2013 net profit was 1.88 billion.

PE 'Srbijagas' - Operating incomes in 2012 were 68.616 billion, and in 2013, 65.957 billion. Operating expenses in 2012 were 81.624 billion, and in 2013, 66.047 billion. With other incomes and expenses, the total net loss in 2012 was 36.739 billion, while in 2013, 49,704 billion.

PE 'Srbijasume' - Operating incomes in 2012 were 6.05 billion, and operating expenses 6,023 billion. With other incomes and expenses, the net profit in 2012 was 51.3 million, and in 2013, 13.7 million.

PE 'Srbijavode Beograd' - Operating incomes in 2012 were 170 million, and in 2013, 132 million. Operating expenses in 2012 were 156 million, and in 2013, 138 million. With other incomes and expenses, the net profit in 2012 was 2.475 million, and in 2013, the loss was 7,859 million.

PE 'Elektromreza Srbije' - Operating incomes in 2012 were 14.9 billion, and in 2013, 18.97 billion. Operating expenses in 2012 were 13.2 billion, while in 2013, 18 billion. With other incomes and expenses, net profit in 2012 was 1.48 billion, and in 2013, 1.6 billion.

PE 'Sluzbeni Glasnik' - Operating incomes in 2012 were 1,442 billion, and in 2013, 1,046 billion. Operating expenses in 2012 were 1,382 billion, and in 2013, 1,046 billion. With other incomes and expenses, the net profit in 2012 was 4.4 million, and in 2013, 5.18 million. There has been a significant reduction in profit compared to 2011, when it recorded 85.9 million.

PE for underground coal mining 'Resavica' - Operating incomes in 2012 were 7.67 billion, while in 2013, 7.8 billion. Operating expenses in 2012 were 7.59 billion, while in 2013, 8.2 billion. With other incomes and expenses, the net loss in 2012 was 1.79 billion, and in 2013, 448 million.

'Putevi Srbije' - Operating incomes in 2012 were 28.7 billion, and in 2013, 25.48 billion. Operating expenses in 2012 were 28.69 billion, while in 2013, 23.6 billion. With other incomes and expenses, the net loss in 2012 was 7.8 billion, and in 2013, 1,036 billion.

PE 'Posta Srbije' - Operating incomes in 2012 were 21.781 billion, and in 2013, 22,796 billion. Operating expenses in 2012 were 20.762 billion, and in 2013, 20,951 billion. With other incomes and expenses, the net profit in 2012 was 1.243 billion, and in 2013, 2,833 billion.

PE 'Skijalista Srbije' - Operating incomes in 2012 were 878 million, and in 2013, 834 million. Operating expenses in 2012 were 810 million, and in 2013, 785 million. With other incomes and expenses, the net profit in 2012 was 43 million (with a deferred tax income of 63 million), and in 2013, 560,000 RSD.

PE 'Zavod za udzbenike' - Operating incomes in 2012 were 864 million, and in 2013, 650 million. Operating expenses in 2012 were 901 million, and in 2013, 795 million. With other incomes and expenses, the net profit in 2012 was 191 million (with a large financial income), and in 2013, 233 million (a large financial income and other huge expenses).

PE 'Nacionalni Park Fruska Gora' - Operating incomes in 2012 were 436 million, and in 2013, 345 million. Operating expenses in 2012 were 444 million, and in 2013, 344.7 million. With other incomes and expenses, the profit in 2012 was 840,000, while in 2013, 935,000 RSD (significantly reduced sales and reduced investment, the costs of salaries only slightly reduced).

PE 'Nuklearni Objekti Srbije' - Operating incomes in 2012 were 284 million, and in 2013, 260 million. Operating expenses in 2012 were 323 million, and in 2013, 264.5 million. With other incomes and expenses, the net loss in 2012 was 58.7 million, and in 2013, 2.86 million.

'Vojvodinasume' - Operating incomes in 2012 were 3,593 billion, and in 2013, 3.8 billion. Operating expenses in 2012 were 3.592 billion, and in 2013, 3.76 billion. With other incomes and expenses, the net profit in 2012 was 43.6 million, and in 2013, 66 million.

'Vode Vojvodine' - Operating incomes in 2012 were 2,582 billion, and in 2013, 3,817 billion. Operating expenses in 2012 were 3.468 billion, and in 2013 3.91 billion. With other incomes and expenses, the net loss in 2012 was 2 billion, and in 2013, the net profit was 2.9 million.

PUC for public garages and parking 'Parking Servis Beograd' - Operating incomes in 2012 were 2.1 billion, and in 2013, 2.41 billion. Operating expenses in 2012 were 1.79 billion, while in 2013, 1,997 billion. With other incomes and expenses, the net profit in 2012 was 45 million, and in 2013, 49.5 million.

PUC 'Gradska Cistoca Beograd' - Operating incomes in 2012 were 5,186 billion, and in 2013, 5.241 billion. Operating expenses in 2012 were 4,794 billion, while in 2013, 4,734 billion. With other incomes and expenses, the net profit in 2012 was 21.5 million, and in 2013, 33 million.

'Informatika' - Operating incomes in 2012 were 652 million, and in 2013, 642 million. Operating expenses in 2012 were 569 million, and in 2013, 657 million. There has been a significant increase in operating expenses and decrease in operating incomes. With other incomes and expenses, the profit in 2012 was 49 million, and in 2013, 1.6 million.

PUC 'Naissus Nis' - Operating incomes in 2012 were 1,244 billion, and in 2013, 1.277 billion. Operating expenses in 2012 were 1,107 billion, and in 2013, 1.136 billion. With major financial expenditures and other huge expenses, the net loss in 2012 was 14 million, and in 2013, the net profit was 26.6 million.

PUC 'Paracin' - Operating incomes in 2012 were 169 million, and in 2013, 182 million. Operating expenses in 2012 were 157.8 million, and in 2013, 145.7 million. There has been a significant increase in other expenses in 2013. With other incomes and expenses, the profit in 2012 was 3.2 million, and in 2013, 10.7 million.

PE 'Ingas Indjija' - Operating incomes in 2012 were 675 million, and in 2013, 749 million. Operating expenses in 2012 were 658 million, and in 2013, 722 million. With other incomes and expenses, the profit in 2012 was 14.5 million, and in 2013, 2 million (increased financial revenues and other incomes, significantly increased other expenses).

'Turisticki centar Grada Zrenjanina' - No financial statements on the website of Agency for Business Registers (ABR), reports delivered in such a form that it is impossible to determine the year in question.

PE 'Direkcija za Urbanizam Kragujevac' - Operating incomes in 2012 were 148 million, and in 2013, 70 million. Operating expenses in 2012 were 142.6 million, and in 2013, 127.3 million. With other incomes and expenses, the profit in 2012 was 2 million, and in 2013, the loss was 58.6 million. In April 2013, the director resigned.

PUC 'Vodovod Surdulica' - Operating incomes in 2012 were 170 million, and in 2013, 132 million. Operating expenses in 2012 were 156 million, and in 2013, 138 million. With other incomes and expenses, the profit in 2012 was 2.475 million, and in 2013, the loss was 7,859 million.

The program that the acting director submitted for the election of directors, dating from the period of reports, (when she was elected as director) shows that in 2012 the company's machinery was engaged in the construction of water and sewage network, which resulted in profit and covered the difference in cost of services and total expenses because the costs of services were not on the economic level.

'Direkcija za gradevinsko zemljište i puteve opštine Bosilegrad' - There is no financial report on the website of ABR. From the data submitted to TS, it can be seen that in 2012, total incomes were 109 million (of which 98 million from the budget), and in 2013, 111 million (103.8 from the budget). Total expenses in 2012 were 104 million, and in 2013, 111 million (including a car purchased for 2.059 million). Profit in 2012 was 5 million, and in 2013, 7,939 RSD.

5.2 Marketing and Sponsorships

One of the anti-corruption provisions in the Law on Public Enterprises is the limited advertising of products and services for which PE do not have competition in the market. These PE can be advertised only with the consent of the founder. However, such restrictions have not been introduced for sponsorship. Since in the past all PE were publicly identified as 'party loots' designed to extract money for parties, there was a suspicion that the money is also extracted from PE through contracts for marketing services and through sponsorships. Due to the fact that certain PE did not submit detailed information and documents and due to the

limited sample and the volume of study in this area⁵³, this research has not reached unambiguous evidence for such a practice.

The research identified very high costs of sponsorships and donations in PE that support sport federations and national teams; multiple exceeding of planned expenditures in PE that for years operated with loss; and illogical specifications in marketing contracts. In one case the expenditure of sponsorship of local PE were four times higher than the profit of the PE. In case of 'Informatika Novi Sad' and the public scandal regarding sponsorship contract that was associated with party activities, we did not receive any information about sponsorship.

Overview of expenses of individual PE:

PE 'EPS' - The amount of expenses for 2012 and 2013 is present in the financial report under 'other expenses' - it presents the costs of sponsorships and donations and costs of advertising, trade shows and marketing.

Advertising and marketing: In 2012, 18,987 million was planned, and 12.9 million was realized. In 2013, 18,987 million was planned, and 3.5 million was realized. In 2014, 127.768 million is planned.

In 2012, 288.94 million was planned for sponsorships and donations, 130 million was realized. In 2013, 125.119 million was planned, and 166 million was realized. In 2014, 123.577 million is planned.

There has been a huge increase in planned expenditures for advertising in 2014, as well as the relatively high level of costs for sponsorships and donations in all previous years. It should be noted, that Serbia has a general practice where PE sponsor sports federations and national teams.

PE 'Srbijagas' - Advertising costs with sponsorship: In 2012, 47,118 million was planned, 55,272 million was realized. In 2013, 41,226 million was planned, 38,791 million was realized.

PE 'Srbijasume' - no submitted data

PE 'Srbijavode' - Data on the costs of advertising in 2012 was not submitted. In 2013, 1.850 million was planned, and 1.210 million was realized. In 2014, 800,000 RSD is planned. Sponsorships: In 2012, 3 million was planned, and 2,126 million was realized. In 2013, one million was planned, and 566,000 was realized. In 2014, 500,000 was planned.

PE 'Elektromreza Srbije' - Realized expenses for marketing in 2012 were 1.98 million (without VAT or 2,336 million including VAT); contract was signed with 'Bovan Consulting' - a procurement of low value. PE sent a request for a quote to 'Bovan Consulting' which submitted a tender in accordance with the technical specifications: to develop the communication program for purchaser within six months; to implement media relations (media lists, key media, editors, journalists for contacts, publicity, announcements, press

⁵³BIRN Serbia is working on a detailed database on donations and sponsorships of public enterprises for the period 2011 - June 2014 and should be published soon

releases, texts of interviews, placement of information); reputation management (situation analysis, emergency communications if necessary, development of a communication plan with the media in a crisis situation, the creation of documents in a crisis situation), the realization of two educational programs for six months - training in areas of business skills, work on improving the website (development of new concept for the website, the proposal of content and format and the support for design work).

In 2013, 1,710 million was realized, and contract was signed with the company 'Black and Roll' led by Davor Bosnjakovic. Specifications contained in the contract are the same as the year before, except for training in business skills, but it is interesting that the obligation includes what was supposed to be completed under the previous contract - creating a new concept of the website, the proposal of content and format, and the support for design work.

For 2014, 2,784 million is planned for marketing. There were no planned expenses for sponsorship.

PE 'Sluzbeni Glasnik' - In 2012, 32.5 million was planned for the expenses for advertising and promotion, and 28 million was realized. In 2013, 19.5 million was planned, and 10 million was realized. In 2014, 10 million is planned.

In 2013, 300,000 was realized for sponsorships and 1.7 million for donations. In 2014, the same amount is planned for these two purposes.

PE for underground coal mining 'Resavica' - In 2012, the following expenses were achieved: sponsorship of 1.4 million, donations of 1.6 million, advertising of 646,000, marketing of 306,000 and gifts of 2.7 million.

In 2013, the ratio of planned vs. realized was the following: sponsorship 450,000 vs. 3.4 million, donations 500,000 vs. 2.2 million, humanitarian activities generated 600,000, sport activities generated one million, national teams achieved 23 million, advertising and marketing 300,000 vs. 1.1 million, gifts 900,000 vs. 1.045 million. The plan for 2014 is 1.5 million for sponsorship, 856,000 for donations, 510,000 for humanitarian activities, 410,000 for sports activities, 116,000 for advertising, 100,000 for gifts and 10.5 million for national teams.

In a 2013 review, it is evident that this PE has been generating losses for years and repeatedly exceeded planned expenditures for sponsorship, donation, advertising and marketing. However, all these are a small amount compared to the expenditure for the national teams in 2013, which was almost three times higher than sponsorships, donations, advertising, humanitarian and sport activities altogether. In 2014, planned costs for national teams are halved compared to the amount realized in the 2013.

'Putevi Srbije' - The data they submitted state that in 2012, 2013 and 2014 there were no planned expenditures for sponsorship or the implementation of costs.

In 2012, 12.2 million was planned for advertising and marketing, and 12 million was realized. In 2013, 6.7 million was planned, and 6.9 million was realized. In 2014, 7.1 million is planned.

PE 'Posta Srbije' - In 2012, 53 million was planned for marketing (including VAT), and 27,112 million was realized. In 2013, 46,283 million was planned, and 27,761 million was

realized. In 2014, 64.291 million was planned, and 6.5 million was realized in the first six months. In 2012, 55.8 million was realized for sponsorship, while in 2013 that number was four million. In 2014, 18 million is planned.

PE 'Skijalista Srbije' - In 2012, 5.632 million was planned for advertising and marketing, and 4,971,794 was spent. In 2013, 7.181 million was planned, and 7,153,722 was realized. In 2014, 4,959, 500 is planned, and 287,057 RSD was realized in the first quarter.

PE 'Zavod za udzbenike' - In 2012, 42 million was planned for the cost of advertising, and 44 million was realized. In 2013, 37,150 million was planned and, according to the data from the annual business plan for 2014, in 2013, 14.6 million was realized. In 2014, 14 million is planned.

In 2013, there were no realized expenditures for sponsorship, and in 2013, 3.7 million was realized for donations. In 2014, there are no planned expenditures for sponsorships and donations.

PE 'Fruska Gora' - According to the submitted statement, in 2012, 1,535,000 was planned for advertising and marketing, and 2,102,098 was realized. In 2013, 1,570,000 was planned, and 1,057,674 was realized.

PE 'Nuklearni Objekti Srbije' - in 2012, 150,000 was planned for advertising and promotion, and 7,000 RSD was realized. In 2013, 200,000 was planned, and 0 was realized. In 2014, 30,000 is planned. Sponsorships are neither planned nor implemented.

'Vojvodinasume' - The ratio of planned and actual implementations by years: Sponsorship and Donations: 2012 - 5,3 / 4,1 million; 2013 - 5.4 / 2.7 million; 2014 - 4.3 million. Marketing: 2012 - 5,8 / 2 million, 2013 - 2.7 / 3.9 million and 2014 - 1.74 million.

'Vode Vojvodine' - In 2012, 303,000 was realized for advertising and marketing, in 2013 1.56 million was planned, and 702,000 was realized, and in 2014, 1.56 million is planned.

PUC for public garages and parking 'Parking Servis Beograd' – The only information received were about the realized expenditure aggregate for marketing and sponsorships in 2011: 11,486,887.20 dinars in 2013: 8,326,371.73 dinars in 2014, the planned expenditure of 18 million, and ending by 3. October, realized 2.87 million.

PUC 'Gradska Cistoca Beograd' - Marketing costs were not planned or implemented. Cost of sponsorship (planned / realized): 2012 - 1 million / 557,000; 2012 - 500,000 / 521,000 ; 2014 - 1 million.

'Informatika' - PE submitted the information that the procurement plans reported costs for marketing services, and that 'the same records are submitted to the City administration for utilities after the approval of the supervisory board.' These data are not publicly available, so TS has again requested information from the PE and filed a complaint with the Commissioner.

There is a doubt that PE is hiding the data. In 2013, the media launched an affair related with sponsoring music album of Slobodan Trkulja. After the first information that the album was sponsored by 'Informatika' with 300.000 euros, the artist himself stated that he had received three million RSD from PE, and that the money was obtained through standard procedures for

sponsorship and that the director of 'Informatika' decided that PE should support the release of the CD (this CD was distributed to citizens for free, by the party 'Treca Srbija' whose 'staff' is the head of 'Informatika'). Information about how many more projects were supported by PE according to 'standard procedures' was not released.

PUC 'Naissus Nis' - According to the submitted data, in 2012, 1,494 million was spent for marketing, and in 2013, 1,625 million. There was no sponsorship, and in 2012, 2.5 million was given for donations, and in 2013, this number was 86,800 RSD.

PUC 'Paracin' - In 2012, 2013 and 2014, there were no planned expenditures for marketing and sponsorship. Realized expenditure for sponsorship in 2012 was 30,000 RSD for communal sports games in Canj, through trade unions.

PE 'Ingas Indjija' - Overview of planned and actual expenditures for the years: In 2012 - the ads in the media: 800 000 / 645 240 RSD; ad public procurement: 200,000 / 125,661.87 RSD, and sponsorships and donations 8,000,000 / 6,133,429.33 RSD. It is evident that expenditures of sponsorship and donations amounted to almost half of the total profits of the company in 2012. In 2013 - the ads in the media: 700,000 / 590,000 RSD; ad public procurement 250.000 / 133.925 RSD; sponsorships, donations 8,000,000 / 7,987,944.00 dinars. Expenditures sponsorships and donations in 2013 were four times bigger than the total net profit of the company, and it is planned to further increase these costs in 2014: the ads in the media 780.000; ad public procurement 200,000; sponsorships and donations 9,257,524 RSD.

'Turistički centar Grada Zrenjanina' - Expenditures in 2012: 52,274 for informing the public; 60,000 for radio and TV broadcasting services; 160,922.72 for tenders and informative ads; 291,800.70 for other advertising services, 212.390 for advertising and marketing services; and 934,004.09 for other printing services. In 2013, the cost for radio and TV broadcasting services was 650.744.30; for tenders and informative ads 147,112, for other advertising services 260,683; for advertising and marketing services 274,730 and for other printing services 713,161.40. In 2014, the total amount planned for marketing is 2,270,000.

PE 'Direkcija za urbanizam Kragujevac' - No marketing or sponsorship costs in 2012 and 2013.

PUC 'Vodovod Surdulica' - In 2012, 50,000 was realized for sponsorship, and in 2013 this number was 73,000 RSD. There were no expenditures in 2014.

'Direkcija za građevinsko zemljište i puteve opštine Bosilegrad' - No planned expenditures for marketing and sponsorship in 2012, 2013 and 2014.

6. Annual business programs

6.1 The adoption of annual business programs

For each calendar year public companies adopt annual business programs and submit them to the founders for approval no later than December 1st of the current year for the following year. The program is considered adopted after the founder approves it, as prescribed by the Law on PE.

The program has to include the planned sources of income and purposes of expenses; planned method of profit distribution of a public company, or a planned method to cover the loss of a public company; elements for understanding the policy of prices of goods and services⁵⁴, wages and employment in the company; criteria for the use of assistance funds, sports activities and marketing, as well as criteria for determining the remuneration for the president and members of the supervisory board.

The public companies where the program was not implemented by the beginning of the calendar year for which it was made, profits are calculated and paid in the manner and under the conditions specified by the program for the previous year, until the adoption of the program in accordance with the Law.

Of the 25 surveyed PE, business programs for 2013 were adopted and submitted to the founders by the four PE by 1 December 2012 - two of the 13 republican PE and two of the ten surveyed local PE. Business plans for 2013 were adopted in the republican PE in the period from February to December 2013. The waiting time for government's approval was from three to 30 days, but there were cases when the period between the adoption of program at the meeting of the supervisory board (or managing board prior to the election SB by the new Law), and the approval was three to four months. The absolute record holder is the business program of PE 'NP Fruska Gora' in 2013, which was approved by the government on 17 January 2014!

Two provincial PE adopted the plans in December 2012 and January 2013, and the Government of Vojvodina province, approved both plans on January 30, 2013.

The situation is much better at the local level than the republican. All plans were adopted by January 2013, and consent was obtained in a few days or weeks.

In 2013, the situation has slightly improved. Only two of the 13 surveyed republican PE adopted business programs prior to December 1st. In addition, these are not the same PE that were punctual and efficient last year. Make it more absurd, in both cases the government did not approve these programs until the October 1st. Other republican PE adopted the programs for 2014 in the period between December 2013 and April 2014, and the government granted approval in the period from January to August 2014⁵⁵.

⁵⁴In line with the projected growth of wages in public sector, as determined by the Government for the year to which the program refers.

⁵⁵That was a progress, considering that in 2013, five PE adopted business programs for 2013 only in the second half of that year.

For one PE, there is no information that the annual business program for 2014 was adopted by 1 October 1 2014. Neither the program, nor the agreement could be found in the Official Gazette, and both PE and Serbian government have not responded to a request for information.

Two observed provincial PE in 2013/2014 had the same calendar as the year before. Their programs were adopted in December 2013, and January 2014, and the founder's consent was obtained at the end of January 2014.

There has been a slight improvement at the local level - most of PE adopted business programs and received approval in December 2013, and only in one case the program for 2014 was adopted in January that year, while the approval was obtained in February.

6.2. Quarterly reports on the implementation of business programs

As stipulated by the Law on PE, a public company is required to submit quarterly reports on the implementation of the program to the Ministry of Finance, the Ministry of Trade, the Ministry of Labor and the line ministry. Based on the reports, the line ministry prepares and submits to the Government the information on the degree of alignment of planned and completed activities.

If approved business programs of public enterprises founded by the Republic of Serbia are not implemented in accordance with the guidelines of the government economic policies, especially in the area of wage policy and employment, as well as in terms of regularity of payments to businesses, the Ministry of Finance and the Ministry of Labor and Employment will not verify the forms that the government prescribes to control the calculation and payment of wages in public enterprises.

If approved programs of public enterprises founded by the autonomous province or local self-government are not implemented in accordance with the guidelines of the government economic policies in the area of wage and employment in the public sector, or if the deadlines for settling obligations to business are not respected, the Minister of Finance may issue an order to suspend the transfer of the share of income tax and corporate income tax to the autonomous province, the share of the payroll tax to City of Belgrade, and the transfer of funds from the budget of the Republic of Serbia to the local authority.

The Minister responsible for finance was required to prescribe the forms for quarterly reporting within 30 days from the date of entry into force of the Law on PE. The form was prescribed with a three-month delay.

'Regulation⁵⁶ on forms of quarterly reports on implementation of annual business programs of public companies and subsidiaries of capital established by these company, as well as the capital of the company and its subsidiary company' provides that PE is required to report quarterly on the income statement, employee costs, employee dynamics, uncollected claims and outstanding debt, the price movement of goods and services, resources for special purposes, subsidies, loan indebtedness and public procurement.

The following bodies are required to submit the forms: public enterprises founded by the

⁵⁶ http://www.trezor.gov.rs/news-show_news_details-news_id-598.html

Republic of Serbia, the competent authority of the autonomous province (for public companies founded by autonomous province), the competent authority of the local government unit (for public companies founded by local government).

The forms should be submitted to the Ministry of Finance - organizational unit of the Treasury under the headquarters of a public company, or under the headquarters of the competent authority, the Ministry of Trade, the Ministry of Labor and the line ministry. Upon receipt of the form, the organizational unit of the Treasury electronically submits the forms to the Ministry of Finance and Economy - Department of public enterprises, within three working days of receipt of the forms.

As for the submission, the received responses indicate that public companies, particularly the local ones, recorded a lot of wandering in relation to that whom the forms should be submitted. In the meantime a regular practice was established and the conclusion is that all PE regularly fulfill their obligation. However, the problem is that most of them do not fulfill the obligation of publishing the report, and it is impossible for the public to inspect the functioning of PE - to what extent are the annual business programs executed. In addition, quarterly reports consist solely of spreadsheets of income, and since the Law on PE and PE statutes do not require them to submit annual narrative work reports, a high level of expertise and / or additional information about the condition of PE is required to make an unambiguous conclusion about the success of management performance and individual responsibility or credit for (un)successful operation of PE.

The annual business report which, together with the financial report, should provide broader representation of the realization of objectives and achieved results, would contribute more in terms of insight in the implementation plans and the functioning of companies management. Such report has not been found at any website of surveyed PE.

Details on how the surveyed PE complied with legal obligation to publish annual business programs and quarterly reports are listed in Section 8.

One of the most important questions related to quarterly reporting is - what it is for?

The law stipulates that line ministries, based on quarterly reports, compile and submit to the government the information on the degree of alignment of planned and completed activities.

This information states that the PE submitted a quarterly report in the prescribed forms and then lists the ratio between realized costs or incomes in that quarter and the amount planned for that quarter or in relation to the amount planned for the entire year. There is no detailed analysis and the assessment of whether the implementation was satisfactory, nor the accompanying recommendations for further action.

To illustrate the information, there is an example of data that the Republic Secretariat for Legislation (responsible for 'Sluzbeni Glasnik') submitted to the Government of Serbia as the quarterly report for the last quarter of 2013:

Based on the analysis of the forms, the degree of alignment of planned and actual activities is expressed as follows:

1) Planned business incomes for the fourth quarter of 2013 amounted to 285,829,375.00 RSD, and realized income was 249,006,914.56 RSD;

- 2) Planned net earnings for the fourth quarter of 2013 amounted to 88,319,144.00 RSD, and the realized earnings were 76,116,195.00 RSD, making the index of 22:28 compared to funds for the current year 2013;
- 3) The dynamics of employment in the fourth quarter of 2013 is represented by the index of 28.95.
- 4) Uncollected claims for the fourth quarter of 2013 amounted to 77,259,567.66 RSD. Outstanding debts for the fourth quarter of 2013 amounted to 96.386.540.16 RSD.
- 5) The movement of prices of products and services for the fourth quarter of 2013 are presented through the type of products and services and the cost in RSD per unit for October, November and December of current year.
- 6) Fundings for special purposes for the fourth quarter of 2013 are represented through the index of 3.23 for donations, index 14.72 for national teams and index 16:34 for advertising and marketing.
- 7) Subsidies for the fourth quarter of 2013 are not planned.
- 8) Credit indebtedness for the fourth quarter of 2013 is not planned.
- 9) Public procurement planned for the current year amounted to 243,100,000.00 RSD, and in the fourth quarter of 2013 was realized in the amount of 6,607,896.73 RSD

In this way, the form is satisfied, but the question is how the government and ministries actually monitor the work of PE, directors and the supervisory board based on the quarterly reports and how can the public evaluate the work of (professional) management based on a comparison of the annual report and program activities (if both were published on the websites of PE). What can be seen from the research is that ministries (at least some of them, because generalizations cannot be made on the basis of one example) monitor if public enterprises, including local (which submit the forms through the competent local authorities) fulfilled their obligation. An example of communication between PE 'Ingas' and the line ministry for the delay in submitting the quarterly report is described in Section 6.3.

On the other hand, at the request submitted to the Ministry of Agriculture (responsible for 'Srbijasume' and 'Srbijavode') to provide TS with the information they presented to the Government on the quarterly report of these PE, the Forest Directorate responded that they do not possess the requested documents.

In the case of PE Post Serbia, the relevant Ministry of Trade, Tourism and Communications gave the answer that contains full reports for this quarter and "Information on the degree of alignment of planned and completed activities." Delivered documents, in addition to specifying the data as they were seen in the answer of the Republic Secretariat for Legislation, contain also the conclusion that the company is operating in a given quarter, starting with the activities and budget foreseen in the Work Programme for 2013, as well as additional information that the quarterly reports are published on the website of the company. In this way, bringing a conclusion based on the analysis, the Ministry has taken responsibility and created the basis for considering whether it is necessary to implement stimulus measures or procedures for sanctioning management.

6.3. Annual business plans – back to the future

Details of the adoption dates of the annual program and consent of the observed PE are given in a separate table in the appendix. The following text indicates only a few specific examples.

'Fruska Gora'

MB adopted the business program for the year 2013 on 13 December 2013, but it was returned for the "alignment of the text according to the notes of line ministry," the final draft of the annual business program for 2013 was adopted on 12 August 2013, and the Government approved it on 17 January 2014.

According to data submitted by PE, SB adopted the business program for 2014 on 29 November 2013. Government has not approved it until 5 October 2014. According to available data, SB in this PE was appointed on 13 December 2013, so remains unclear how SB adopted the program in 2014 before it was appointed.

This PE regularly and timely delivers quarterly reports to the Ministry of Natural Resources (or Environment), Ministry of Labour, Ministry of Commerce and Ministry of Finance - Treasury.

PE 'Nuklearni objekti Srbije'

MB adopted the business program for 2013 on 19 June 2013, and the Government approved it on 12 July 2013. According to the PE, the problem posed the fact that there was no government decision on the allocation of resources within the ministry, and the resources allocated to this PE. Nevertheless, in the session on 21 December 2012, the MB brought general business program and submitted it to the line ministry, and only after the government's decision on 11 March 2013, the conditions for program adoption were created, which the committee fulfilled on 12 March 2013, but the final text, aligned with the opinions of relevant ministries, was adopted on 19 June 2013.

MB adopted the business program for 2014 on 5 March 2014 and submitted it to the relevant ministry. After the ministry gave its opinion, the MB adopted the aligned text on 23 April 2014. That text was submitted to the relevant ministry. The consent was not obtained, so the text was submitted again because the new government was elected and ministries were changed. According to the data, the consent was not obtained until 5 October 2014.

This PE regularly submits quarterly reports.

PE 'Ingas Indjija'

MB adopted the business program for 2013 on 29 November 2012. The Municipal Assembly approved it on 26 December 2012.

SB adopted the business program for 2014 on 29 November, and its changes on 23 December 2013. The Municipal Assembly approved it on 27 December 2013.

The PE's letter stated that, in accordance with the guidelines on the method of submitting forms for the quarterly report, from 7 May 2013, the forms for the first quarter of 2013 were submitted to the founder in electronic form on CD and in five printed copies. Upon the notification of the competent ministry on 2 July 2013 that the founder did not submit the forms for the first quarter, on 9 July 2013, when the notice was received, the urgency was addressed to the founder and independently of that act, the forms were submitted to the Ministry of Energy, Development and Environment, the Ministry of Foreign and Internal Trade, and the Ministry of Finance on 12 July 2013. All the later forms were timely delivered to the founder.

7. Reward and punishment

The Law on Public Enterprises provides incentives for the management of a public company that operates with positive business results, while the removal of directors is inevitable if 'there was a significant deviation from reaching the main goal of business of a public company or of a business plan of a public company.'

In fact, the Law stipulates that 'the director and executive directors are entitled to remuneration, and may have the right to incentive if a public company operates with a positive business results.' Decision on payment of incentives is made by the government or the authority responsible for appointing directors. Within this research, we wanted to determine whether the government and the authorities have made decisions on payment of such incentives in the past two years. The survey was not restricted only to the 25 PE which were the subject of the analysis, but we searched for the information among all PE founded by the Government of Serbia, Government of Vojvodina province and parliaments of cities and municipalities that were surveyed in the study - a total of nine units of local government.

Since the Law stipulates that the government bylaw will regulate the conditions and criteria for determining the stimulation, we wanted first to determine whether they are, 21 months after the adoption of the Law, the prescribed conditions and criteria. The Ministry of Economy replied on TS request that "regulation, which would determine the conditions and criteria for the stimulation of directors of PE in the case of achieving positive business results has not been passed."

However, we tried to determine whether there are examples of stimulation paid, Government of Serbia, Belgrade City Assembly and the Municipal Assembly of Paracin did not provide any response to our requests for information, the Assembly of the City of Zrenjanin requested additional time for the submission of these documents and the response was not received until the conclusion of this report, while the letter from the City of Kragujevac (which answered the second question, regarding the removal of the director) had no answer to the question about incentives. The rest - the Government of Vojvodina province and the five local government units (Novi Sad, Nis, Indjija, Surdulica and Bosilegrad) responded that they did not make the decision about the payment of incentives to directors.

We asked the founders for the details of any removals of PE directors. The Law on PE, in fact, prescribes two situations - obligatory and optional removal of directors:

According to Article 38, the body responsible for the appointment of directors of public companies (Government of Serbia, the Government of Vojvodina province, the assembly of local self-government) **has to dismiss** the director before the expiration of the period for which he was appointed 'if it is established that, due to improper and negligent performance of duty and conduct contrary to due diligence, or due to serious failures in the adoption and implementation of decisions and organizing activities in a public company, there was a **significant deviation** from reaching the main goal of the business of public company, and the business plan of a public company.'

According to the Article 39, the Law stipulates that the appointing body **may dismiss** the director before the expiration of the period for which he was appointed, among other things, if

he does not implement the annual business program, if he is determined to be detrimental to the public company due to directors' breach of duty, negligent conduct, or in some other way; or if it is determined that, because of improper and negligent performance of duty and conduct contrary to due diligence or due to serious failures in the adoption and implementation of decisions and organizing activities in a public company, there was a deviation from reaching the main goal of the business of public company, and the business plan of a public company.'

In both cases, one can question the lack of criteria for determining whether a director acted contrary to due diligence, whether he was incompetent or negligent in performing duty, and whether there was a (significant) deviation from reaching the main goal of business of a public company. These standards can be differently interpreted and applied in a practice, which creates space for possible abuse and makes it difficult to establish an effective mechanism for determining the liability of directors of public companies. This was emphasized by the Transparency Serbia and the Anti-Corruption Agency in the initiative submitted to the Government and the Ministry of Economy.

In addition, it was pointed out that in the case of optional dismissal of directors the authority responsible for the appointment was given broad discretion in each particular case in deciding whether or not a director of a public company would be dismissed. It was recommended that these provisions get changed and to specify and clarify which cases will lead to dismissal of a director of a public company.

The Law prescribes that the president and members of the supervisory board are dismissed before the expiry of the period for which they are appointed, if a public company does not fulfill the annual plan of business or achieve key performance indicators.

As in the case of incentives, the research of possible dismissals was not limited only to the observed PE, but we sought the information from the founders and the authorities responsible for appointment as to whether any director of their PE was resolved according to the Article 38 or 39.

There was no response from the Government of Serbia, City of Belgrade, and Municipality of Paracin, while the City Assembly of Zrenjanin requested additional time for the submission of these documents but the response was not received until the conclusion of this report.

The interesting fact in the case of Serbian Government is that the business program of PE 'Sluzbeni Glasnik' mentions the variable part of the income for management 'in the amount of 30%, according to the Law on determining the maximum salary in the public sector (which) will be paid in accordance with the standards and criteria that are to be determined by Serbian Government.' Since the Serbian Government ignores requests for free access to information, it is not clear whether this is the case of incentive in accordance with Article 24 of the Law on PE (since 'Sluzbeni Glasnik' recorded positive results in 2012 and 2013).

The City Assembly of Nis, the City Assembly of Kragujevac, the Municipal Assembly of Indjija, the Municipal Assembly of Surdulica and the Municipal Assembly of Bosilegrad responded that they did not make any decisions on dismissal of PE directors on the basis of Article 38 and 39 of the Law on PE, or for failing to meet annual business program.

The only decision to dismiss the director prior to expiration of the mandate among the surveyed cities took place in Novi Sad.

At the session on 29 November 2013, the City Assembly of Novi Sad, dismissed the director of the PUC 'Stan'. The legal basis was precisely Article 38, item 2 of the Law on PE. ('If it is determined that, because of improper and negligent performance of duty and conduct contrary to due diligence or due to serious failures in the adoption and implementation of decisions and organizing activities in a public company, there was a significant deviation from reaching the main goal of the business of public company, and the business plan of a public company.')

At the meeting on 27 November 2013, supervisory board adopted a draft decision on the dismissal of the director because 'his acts of payment of wages and non-payment of the taxes and contributions led to the blockage of company's account and violations of the debt rescheduling with the tax authority, and by the absence of social dialogue weakened employee relations, which led to a permanent threat to the performance of company's business. His negligent attitude towards the reorganization plan of PUC 'Stan', which was adopted by the Assembly of Novi Sad on 25 October 2013, has questioned its implementation from 1 January 2014. He contributed to inflicting the additional burden on the company's operations in the coming period, because the data on workers who were on sick leave was not submitted to the Pension Fund, which was contrary to law. His total work has questioned the performance of activities for which the company was founded' - states the announcement.

After the director's dismissal, acting director was appointed. Media did not fail to notice that it is a 'staff' of the same party as his predecessor, which in "party distribution" of power in Novi Sad gained PUC 'Stan'.

In addition, according to data from the website of the City of Novi Sad and starting from the beginning of October 2014, currently 10 out of 17 PE in Novi Sad have an acting director.

8. Transparency in the work of PE

The Law on PE, Section dedicated to 'work transparency' stipulates the obligations of public companies in terms of business transparency. The Law states that the transparency in the work of PE 'is provided by regular reports to the public about the work program of enterprises and the implementation of programs, as well as all other facts that may be of interest to the public, and in particular: the audited annual financial statements, as well as the auditor's opinion on the report, report of special or extraordinary revisions, the composition of the supervisory board, the names of directors and executive directors; the organizational structure of the company, or corporations, as well as the manner of communication with the public.' Public companies are required to publish on their website the approved annual business program and quarterly reports on the implementation of the annual business program, audited annual financial statements and the auditor's opinion on those statements, the composition and contacts of the supervisory board and director, as well as other issues of importance to the public.

During the survey we established that none of the companies fully comply with these requirements. Therefore, we sent them the notice pointing out the flaws, so they could update their websites in accordance with the Law.

Review of the content that could be found on the websites of PE before and after the notice sent by the TS:

'EPS'

During the first monitoring, the website contained the publication 'Annual Work Report' and financial statements up to 2012. (including the report of the independent auditor). There was no business plan or quarterly reports. There was the information on the composition of SB (but no contact), and a contact of PE director. After the TS notice, the financial statements for 2013 were displayed, but the website still does not provide quarterly reports as well as a business plan or contacts of SB.

'Srbijagas'

The website contains financial report only for 2012, the Information Booklet updated in August 2014, the composition and contacts of SB (except the president) and the name and contact of the director.

'Srbijasume'

The website contains the 'Statement of business policy for 2014', a business plan for 2013 (in the form of a table, not a business plan), the financial report for 2012, the financial report for 2013, as well as the Information Booklet updated in September and presenting the state of 11 August 2014. There is a composition of SB (but no contact), as well as the contact of the acting director.

'EMS'

There is a composition and contacts of SB, as well as the name and contact of the director. The segment called 'User Page' provides access to the page 'Documents' that contains the annual technical reports for 2013, 2012 and 2011. There are no annual business programs, financial statements or quarterly reports.

Information Booklet was updated in March 2014.

'Srbijavode'

The website provides the financial statements for 2010, 2011 and 2012, the auditor's report for 2012, the annual business program for 2012, 2013 and 2014. There are no quarterly reports, as well as the financial statements for 2013. There is the name of the acting director, the composition of SB and the contact of the directorate.

'Sluzbeni Glasnik'

During the first monitoring, the website presented the composition of SB and the name of the acting director, contact of director and deputy (who is also a member of SB), but there were no contacts of SB. The website published the business program for 2014, changes to the business plan for 2014, the financial report for 2012, the report of the independent auditor and quarterly reports for the second, third and fourth quarter of 2013, as well as for the first and second quarter of 2014. There were no business programs for previous years (to compare the plans with the reports on progress), as well as financial report for 2013. After the TS notice, the financial report for 2013 was published.

'PE for underground coal mining 'Resavica'

The website contains only the name and contact of acting director. There is no information on SB, or any business programs or reports.

'Putevi Srbije'

During the first monitoring, the website displayed the page of SB that included the decision on the election of SB members, but there was no information on the director. The contact with SB can be made by post, website form or email. The website contained business program for 2013, business program for 2014, the decision on approving the business program for 2014, the decision on adopting the business program for 2014, the explanation of the business program for 2014, the financial statements up to 2013 and the Information Booklet updated in March 2014. The website did not contain quarterly reports. After the notice of TS, quarterly reports for 2014 were published on the website.

'Posta Srbije'

The website contains the name of the director and the composition of SB, but there are no contacts. It includes the business program for 2013 and quarterly reports up to the second quarter of 2014 (where there is a mistake because that link again leads to the report for the first quarter), the annual financial report for 2013, the audit report for 2013, the financial report for 2012 and the report of the independent auditor for 2012.

'Skjalista'

The website displays the name of the director, the composition of SB, contact of the director's office, the Information Booklet updated in May 2014, the business program for 2014 and 2013, quarterly reports up to the first quarter of 2014, procurement plan for 2013, the program for distribution and use of funds subsidies for the 2013 and the financial report for the year 2012 (with notes).

'Zavod za udzbenike'

During the first monitoring, the website presented the name of the director, but there was no data on SB or their contacts. The website included the annual financial report for 2012 and the report of independent auditor on audit of the financial statements for 2012. After the notice of TS, the website published financial statements for 2013 and 2014, the business report for 2013 and quarterly reports for 2013.

'PE NP Fruska Gora'

The website contains the name and contact of the director. There is no data on SB. The website displays the management program for the National Park 'Fruska Gora' for 2014, which is not the business program in accordance with the Law on PE, but the document in accordance with the Law on Nature Protection and presents the operational development of the Management Plan for the area National Park 'Fruska Gora' for the period 2011-2020. As a part of the priority objectives, this document defines the specific activities to be implemented in 2014. There is a financial report for 2012 and the report of independent auditor. The Information Booklet was updated in October 2013.

'Nuklearni Objekti Srbije'

The website contains financial statement and the report of the independent auditor for the 2012, as well as a report on the implementation of the business plan for the period January - June 2013 and an annual business program of PE 'NOS' for 2013. The Information Booklet was updated in June 2012. There is no information on the director and SB.

'Vojvodinasume'

The website is confusing and data are difficult to find (by clicking on the Information Booklet). All data are contained in the segment 'Publications', sub-segment 'Reports and Papers' and are displayed when Information Booklet from 25 April 2012 is selected. In this way, one gets the impression that this Information Booklet has not been updated for two and a half years, although it is most probably the date when the first document was published. Clicking on the Information Booklet reveals the business plan for 2014 and operating plan for 2013, the financial statements for 2012, the annual business program for 2014 and quarterly reports from 2014. There are name and contact of the director and the description of the SB role, but not their composition or contacts.

'Vode Vojvodine'

The website displays the composition of the supervisory board, contact of PE, the name and contact of the director.

There are also the business programs for 2013 and 2014, updated Information Booklet, the financial statements from 2011, 2012 and 2013. As for the quarterly reports, the website contains only the income statement for the first quarter of 2014.

PUC for public garages and parking 'Parking Servis Beograd'

The website originally contained only one piece of information - the name of the director and the composition of SB, without any contacts. There was only a phone number of customer service center. The website did not present any of the documents - plans and reports, and the segment 'Documents' contained only a video 'Slow down by the school.' After the notice of TS, the segment of 'Documents' published financial report for 2013, the report of independent auditor, and quarterly reports for the first two quarters in 2014.

'Gradska Cistoca'

During the first monitoring the site contained the information on the director, but not on the composition and contact of SB. There were the reports of independent auditor and full financial report for the 2012. The segment 'Annual Reports' included business program for 2013 and quarterly report for the first quarter. There was no Information Booklet. After the notice of TS, the website published financial report for 2013, but removed the report for 2012. The business program for 2014 was published and the one for 2013 was removed. Quarterly reports have been updated so the website now contains the reports for two quarters of 2014.

'Informatika'

The website contains the financial statements up to 2012. There are no other reports, quarterly reports, business programs or Information Booklets. There is the name of the director, company phone number and no data on SB.

PUC 'Naissus Nis'

During the first monitoring, the website did not contain any documents. There was only the name of the director, the composition of SB, email contacts and telephone of the directorate. After the notice of TS, the website published financial report for 2013, the report of the independent auditor, the amendments of business plan for 2014 and quarterly reports for the first two quarters of 2014.

PUC 'Paracin'

PUC 'Paracin' does not have a website. The website of the municipality contains: report on the work of PUC in 2010 and the decision on the adopted work report for 2010.

PE 'Ingas Indjija'

This was the only surveyed PE whose website contained all the required information. There is a special banner 'Reports by the Law on PE' and that segment includes: quarterly reports for 2013 and 2014, the business programs for 2013 and 2014, reports on the execution of the business plan for 2012 and 2013, reports of independent auditor and financial statements for the period 2008-2013. There are data on the director, company's telephone number, banner 'Ask the Director', as well as data on the composition of SB.

'Turistički centar Grada Zrenjanina'

During the first monitoring, the website contained only the phone number of PE, there was no data on the director and SB, no financial statements, as well as no plans or Information Booklets. After the notice of TS, the website added a special banner called 'Reports', which published information on the director and the supervisory board, the statute and founding act, business program, final account for 2013, the auditor's report and quarterly reports for the first two quarters of 2014.

PE 'Direkcija za urbanizam Kragujevac'

The website contains the name of the acting director and the contact, but there is no data on SB. Segment 'Work Transparency' includes the statute, decisions of company's founding, registration certificate of the enterprise, the statement of registered data from the registry, the report of independent auditor, business program for 2014, price list, and a number of decisions of the supervisory board. These are, however, only the decisions on the adoption of specific documents, but the documents are not present - quarterly reports or the entire financial statements (only balance sheets that contain just the incomes, expenses and losses of PE).

PUC 'Vodovod Surdulica'

PUC 'Vodovod Surdulica' does not have a website.

'Direkcija za građevinsko zemljište i puteve opštine Bosilegrad'

The website contains only one company's number, there are no data on the director or SB. There is the information dating prior to the adoption of the new Law that the authorities of this PE are Management Board, Director and Supervisory Board. There are no financial statements, quarterly reports or business programs.

9. Recommendations

Bearing in mind the numerous problems identified in this study, TS has formulated recommendations for improving the legal framework and the removal of identified problems, so that the announced effects of the Law on Public Enterprises can actually be achieved in terms of professionalization of management of public enterprises, their departisation, efficiency and accountability.

Recommendations regarding the normative solutions:

1. The amendment to the Law should abolish discretionary decision of the government, city or municipality in selecting the director of PE (the current options are election of any one of the three best candidates without explanation, the ability to not elect any candidate or that the election is performed during an unlimited period of time after the end of competition)
2. The Law should prescribe a time limit for the election of supervisory board, in order to put an end to the current situation in which SB functions are performed by managing boards formed under the previous Law, although their members do not meet the conditions required for the members of SB under the new Law.
3. Since the Law did not specifically regulate the manner of the election of employee representatives on the supervisory board, but it stipulates that they should be proposed 'in the manner specified by the statute of a public enterprise', the Law should be amended so as to ensure the participation of all employees in the selection process and the absence of any influence from the individuals whose work is directly supervised by SB in this process.
4. Conditions and criteria for the appointment of members of the Committee for the election of directors of PE leave room for discretion of the government or competent authority of the autonomous province or local self-government, and it should be precisely defined. The criteria should be standardized for all PE, since the current regulation only applies the republican enterprises.
5. The Law should specify the criteria for the election of directors so as to ensure the selection of best-qualified candidates and reduce the scope for discretion. In particular, the Law should:
 - a. Make it mandatory that the candidates for the election for director make a proposal of measures to improve the efficiency of the company, as a mandatory part of the competition, while enabling candidates to collect data that will allow them to develop such proposals
 - b. Introduce testing the knowledge of all relevant provisions of the Law on Public Enterprises and the regulations pertaining to the operation of a particular PE as required and eliminatory part of the competition, with the identification of such acts in the ad

6. In order to reduce the scope for discretion, the structure of the electoral process and method of assessment of candidates according to the set criteria should be specified.
7. The limits for making candidates list and the proposed act should be specified, as well as the deadlines for making decisions on the appointment of directors of public companies, its publication and submission to the participants of the competition.
8. To the extent to which it is possible, to specify the criteria for determining whether a director acted contrary to due diligence, whether he/she was incompetent or negligent in performing his/her duty, and whether there was a (significant) deviation from reaching the main goal of a public enterprise operation. To monitor and to publish practice of applying these criteria in determining the liability of directors.
9. The amendment of the Law on Free Access to Information of Public Importance, so that all public companies were required to prepare and publish the Information Booklet and be held accountable if they omit or fail to update the required information.
10. The amendment of the rules of work transparency in the Law on Public Enterprises and special by-law to ensure the availability and comparability of all necessary information regarding the work and results of public companies (e.g. mandatory contents of the website; not to remove the information from the previous period)
11. Specification of the obligations of the competent authorities in the chain of control of work program and work reports, including the role of the line ministries, special government bodies, and the authorities from the other levels of government.
12. Establishing the obligation of reviewing quarterly work reports within the specified period and mandatory parts in term of the conclusions regarding those reviews (the extent to which the program was completed or the need for any additional measures) as well as the obligation to publish these findings.
13. Establishing the obligation of making narrative reports on the work of public enterprises, which would include all relevant information on the implementation of the annual work program and the purposes for which the PE was founded, including the comparisons with the situations from previous years, so that both the founder and citizens could have a reasoned idea on the work of PE.
14. To prohibit the use of PE funds for sponsorships.

Recommendations regarding acting practices:

1. To change public policy regarding the operating conditions of public enterprises, so that PE are fully committed to achieving the purposes for which they were established instead of implementing social politics, as a precondition for public companies to be managed by professionals and not by persons who are attempting to gain popularity among voters for themselves or their party.
2. The introduction of the practice of considering and approving the work program of public companies before the beginning of the year to which the application relates.

3. The termination of the practice of funding sporting and other activities by public enterprises (these earnings can be transferred to the budget and hence allocated to priority expenditures).
4. The announcement of the competition for directors of public companies that have not been announced for 16 months after the legal deadline.
5. The finalization of competition for directors of certain public enterprises that were announced during 2013.
6. The completion of alignment of founding acts and statutes of PE.
7. The election of president and members of the supervisory boards in all companies where this has not been done and a review of previous elections from the standpoint of meeting the legal requirements.
8. The implementation of the analysis of previous actions according to quarterly reports of public companies, determining whether this analysis produces results or presents unnecessary paperwork and establishing the way to improve the control system.
9. To insist on an active relationship and responsibilities of the supervisory board, through the transparency of information and periodic inspection of the work of PE and directors.
10. Taking actions (by the founders) to verify the fulfillment of the obligations of PE to publish information required by the Law, including the initiation of proceedings against the responsible directors.
11. To conduct training in public enterprises in order to improve implementation of the Law on Free Access to Information of Public Importance, which is applied unevenly at the moment, and regulate the issue of complying with the requirements by means of internal policies, particularly among larger PE.

Aneks 1

Šifra	Name of PE	Founder	Founder aligned the business (deadline 25 February 2013)	Aligned statute (deadline 30 days from the alignment of founding act)	Elected supervisory board (the law does not prescribe a time limit)	Appointed committee (for the republic PE fifth member of the committee)	Competition announced for directors (date published in 'Sluzbeni Glasnik') Deadline 30 June 2013	Director appointed	Work program for 2013 approved	Consent for the work program for 2013	Work program for 2014 approved	Consent for the work program for 2014
1	PE 'Elektropriroda Srbije'	Serbian Government	07-Jun-13	30 January 2014, consent 20 February 2014	13-Dec-13	9 August 2013 / 24 January 2014	18-Jun-13	02-Oct-14	14-Nov-12	04-Feb-13	19-Feb-13	07-Mar-14
2	PE 'Srbijagas'	Serbian Government	26-Jul-13	in progress	13-Dec-13	-	No announcement	-	09-Jul-13	09-Aug-13	30-Apr-14	31-Jul-14
3	PE 'Srbijasume'	Serbian Government	no data	no data	30-Dec-13	-	No announcement	-	22-Aug-13	25-Aug-13	no data	no data
4	Public water management company 'Srbijavod'	Serbian Government	07-Aug-13	27 February 2014, consent 16 April 2014	11-Dec-13	-	No announcement	-	11-Mar-13	21-Mar-13	27-Mar-13	11-Apr-14
5	PE 'Elektromreza Srbije'	Serbian Government	07-Jun-13	21 January 2014, consent 29 January 2014	30-Sep-13	-	No announcement	-	14 - Feb-13	28-Feb-13	06-Feb-13	20-Feb-13
6	PE 'Sluzbeni glasnik'	Serbian Government	20-Mar-13	14 June 2013, consent 19 July 2013	05-Jun-13	29-Aug-13	02-Aug-13	-	25-Feb-13	21-Mar-13	26-Dec-13	04-Feb-13
7	PE for underground coal mining 'Resavica'	Serbian Government	28-Jun-13	4 November 2013, no consent	30-Sep-13	09-Aug-13	03-Jul-13	-	02-Apr-13	05-Apr-13	28-Nov-13	no consent for the program as yet
8	PE 'Putevi Srbije'	Serbian Government	24-May-13	18 July 2013, consent 18 October 2013	05-Jul-13	30-Sep-13	05-Jul-13	-	04-Jul-13	09-Jul-13	22-Apr-13	26-May-14
9	PE 'Pošta Srbije'	Serbian Government	07-Aug-13	30 October 2013, consent 6 November 2013	20-Dec-13	-	No announcement	-	29-Nov-12	04-Feb-13	30-Dec-13	28-Jan-14
10	Public enterprise for ski resorts	Serbian Government	21-Jun-13	9 December 2013, consent 4 April 2014	26-Nov-13	09-Aug-13	28-Jun-13	-	31-Jan-13	06-Mar-13	06-Mar-13	14-Mar-13

Š	Name of PE	Founder	Founder aligned the business (deadline 25 February 2013)	Aligned statute (deadline 30 days from the alignment of founding act)	Elected supervisory board (the law does not prescribe a time limit)	Appointed committee (for the republic PE member of the committee)	Competition announced for directors (date published in 'Sluzbeni Glasnik' - Deadline 30 June 2013)	Director appointed	Work program for 2013 approved	Consent for the work program for 2013	Work program for 2014 approved	Consent for the work program for 2014
11	PE 'Zavod za udzbenike'	Serbian Government	14-Jun-13	11 February 2014, consent 4 April 2014	11-Dec-13	9 August 2013 / 30 December 2013	15-Jul-13	-	22-Mar-13	17-Apr-13	11-Feb-13	03-Mar-14
12	PE 'Nacionalni park Fruška gora'	Serbian Government	24-May-13	3 September 2013, consent 3 March 2014	13-Dec-13	4 October 2013 / 30 December 2013 SB changed	10-Jul-13	-	13 December 2012 / 12 Augusta 2013	17-Jan-14	29-Nov-13	no consent for the program as yet
13	PE 'Nuklearni objekti Srbije'	Serbian Government	31-Jan-14	27 February 2014, consent was not given on 12 May 2014	no appointment; MB performs the duty of SB	-	07-Aug-13	-	19-Jun-13	12-Jul-13	5 Mach 2014 / 23 April 2014	08-Aug-14
14	Public water management company 'Vode Vojvodine'	Government of Vojvodina	14-Feb-13	15 March 2013, consent 3 April 2013	09-Jul-14	19-Jun-13	02-Sep-13	11-Dec-13	24-Jan-13	30-Jan-13	16-Jan-14	29-Jan-14
15	PE 'Vojvodine of Vojvodina sume'	Government of Vojvodina	14-Feb-13	15 March 2013, consent 3 April 2013	09-Jul-14	19-Jun-13	02-Sep-13	11-Dec-13	27-Dec-12	30-Jan-13	27-Dec-13	29-Jan-14
16	PUC 'Parking servis Beograd'	Belgrade City Assembly	22-Mar-13	29 March 2013, consent 31 May 2013	30-May-13	26 June 2013, new committee 23 June 2014	28 June 2013, new competition 27 June 2014	18-Sep-14	26-Dec-12	27-Dec-12	26-Dec-13	30-Dec-13
17	PUC 'Gradska cistoca Beograd'	Belgrade City Assembly	22-Mar-13	1 April 2013, consent 31 May 2013	indirect confirmation of the appointment, no information on the date	26 June 2013, new committee 23 June 2014	28 June 2013, new competition 27 June 2014	18-Sep-14	24-Dec-12	22-Mar-13	26-Dec-13	30-Dec-13
18	PUC 'Informatika Novi Sad'	Novi Sad City Assembly	22-Feb-13	13 March 2013, consent 22 March 2013	30-May-13	30-May-13	05-Jun-13	12-Jul-13	no data	27-Dec-12	no data	27-Dec-13

Šifra	Name of PE	Founder	Founder aligned the business (deadline 25 February 2013)	Aligned statute (deadline 30 days from the alignment of founding act)	Elected supervisory board (the law does not prescribe a time limit)	Appointed committee (for the republic PE fifth member of the committee)	Competition announced for directors (date published in 'Sluzbeni Glasnik' Deadline 30 June 2013)	Director appointed	Work program for 2013 approved	Consent for the work program for 2013	Work program for 2014 approved	Consent for the work program for 2014
19	PUC for water and sewage 'Naisus Nis'	Nis City Assembly	23-May-13	31 May 2013, consent 14 June 2013	02-Oct-13	14-Jun-13	25-Jun-13	10-Oct-13	16-Jan-13	12-Feb-13	15-Jan-14	03-Feb-13
20	PUC 'Paracin'	Municipal Assembly Paracin	04-Mar-13	23 May 2013, consent 27 June 2013	27-Jun-13	27-Jun-13	03-Jul-13	06-Nov-13	04-Dec-12	11-Dec-12	19-Dec-13	26-Dec-13
21	PE 'Ingas Indjija'	Municipal Assembly Indjija	05-Jun-13	19 June 2013, consent 26 June 2013	05-Jun-13	26-Jun-13	24-Jul-13	10-Oct-13	29-Nov-12	26-Dec-12	29 November 2013 / 23 December 2013	27-Dec-13
22	PE 'Turistički centar Zrenjanin'	Zrenjanin City Assembly	15-Mar-13	21. marta 2013. saglasnost 24. maja 2013.	19-Jun-13	19-Jun-13	21-Jun-13	12-Jul-13	04-Dec-12	22-Dec-12	09-Dec-13	30-Dec-13
23	PE 'Direkcija za urbanizam Kragujevac'	Kragujevac City Assembly	22-Feb-13	consent 19 March 2013	24-May-13	30-May-13	15 June 2013, new competition 25 April 2014	20-Sep-13	07-Dec-12	28-Dec-12	19-Dec-13	27-Dec-13
24	PUC 'Vodovod Surdulica'	Municipal Assembly Surdulica	18-Mar-13	30 May 2013, consent 12 June 2013	12-Jul-13	12-Jul-13	31-Jul-13	27-Dec-13	03-Dec-12	09-Dec-12	09-Dec-13	18-Dec-13
25	PE 'Direkcija za gradjevinstvo i puteve Bosilegrad'	Municipal Assembly Bosilegrad	25-Feb-13	consent 23 April 2014	25-Apr-13	25-Apr-13	21-Jun-13	20-Sep-13	30-Nov-12	17-Dec-12	25-Nov-13	17-Dec-13