

V THE DIGITALIZATION PROCESS

In the period covered by this Report, there were no activities pertaining to the digitalization process, which is a major concern, since, under the Government's Digitalization Strategy, only nine months remain until the planned complete digital switchover is supposed to take place.

VI THE PRIVATIZATION PROCESS

1. On June 1, 2011, the Anti-Corruption Council presented the Report on the privatization of the News and Publishing Company "Novosti", submitted to the Government on May 17. In the memo accompanying the Report, the Council proposed a meeting in order to examine the options to remedy the consequences of irregularities in the privatization of "Novosti" and limit the damage suffered by the state. The representatives of the Council said on a press conference that they had not received any response from the Government. "We waited two weeks for a response and expected we would be talking about the report as we speak, as the number of irregularities that have marred the privatization of Novosti, would set off the alarm with any government", said the Chairman of the Council, Verica Barac. She added that the aforementioned report would be a test for the Prosecutor. "If the Prosecutor's Office fails to see the reasons for prosecution and if it fails to see elements of organized crime in this case, then we have no chances whatsoever to defeat corruption", Barac said. Council member Jelisaveta Vasilic explained that the privatization of Novosti had begun in 1991, under the then Law on Public Capital and that the procedure was finished with the decision of the Assets Assessment Directorate from July 19, 1999, which verified the value of the capital and the ownership structure, according to which 70% of "Novosti" were in private property and 30% of capital was public. However, such decision by the Directorate was repealed by the verdict of the Higher Commercial Court on February 16, 2000, after which the Directorate annulled, on February 29, all its previous decisions, all decisions of "Novosti" and public calls for subscription of shares. In the Council's opinion, this means that, at the time of the passing of Privatization Law in 2001, "Novosti" were not privatized under previous regulations and a lawful privatization procedure could have been implemented only by the Privatization Agency under the Privatization Law. Nonetheless, on October 12, 2002, "Novosti" passed a decision on determining the total capital and of the ownership structure by rewriting the same ratio as in the repealed decision of the Assets Assessment Directorate, while the Commercial Court in Belgrade performed the registration on the basis of such decision by "Novosti" from October 12, 2002. After that, on May 17, 2005, an offer was tabled for the acquisition of the shareholders company by a company affiliated to the German WAZ-

Mediengruppe. However, the Government passed a decision concluding that the ownership structure had not been determined. After the passing of the said decision, the Commission suspended the acquisition procedure. On February 16, 2006, the Government adopted a decision to make an audit of the assessment of the value of “Novosti’s” capital and ownership structure and ordered the Ministry of Economy to implement that procedure. The Ministry failed to comply with the Government’s order and remained non-compliant, even when “Novosti” embarked, on May 27, 2006, on the procedure of putting its shares on the market. Within 8 days, almost all small shareholders sold their shares. The shares were bought by the companies STADLUX REALESTATE PTY LTD, Belgrade and ARDOS HOLDING GmbH Austria. The Securities Commission did not react to the reports by almost all relevant media in Serbia that businessman Milan Beko was in fact behind the companies that had purchased the shares of “Novosti”. After ARDOS HOLDING GmbH had reduced its stake to below 25% and STADLUX REALESTATE had sold its shares, the following ownership structure was established: ARDOS HOLDING 24.89%, TRIMAX INVESTMENTS 24.99%, KARAMAT HOLDINGS 12.55%, the Republic of Serbia 29.52%, the Pension and Disability Fund 7.15% and other shareholders 0.90%. It was not until November 2010, when Milan Beko confirmed, while being interviewed in the program “Between the Lines” on RTV “B92”, that ARDOS HOLDING, TRIMAX INVESTMENTS and KARAMAT HOLDINGS were his companies, claiming that it was never a controversy. Finally, on June 16, 2011, the Anti-Corruption Council pressed criminal charges with the Highter Public Prosecutor in Belgrade against seven persons suspected of abuse of power, fraud, document forging and association in order to commit criminal offenses. According to media reports, charges were pressed against high profile individuals, including the former Economy and Privatization Minister Predrag Bubalo, the majority owner of “Novosti” Milan Beko, the President of the Securities Commission Milko Stimac, members of the Commission Dejan Malinic, Djordje Jovanovic and Dusan Bajec, as well as the Director of “Novosti” Manojlo Vukotic. We have repeatedly elaborated on the “Novosti” case in earlier reports, including when WAZ-Mediengruppe unsuccessfully tried to acquire it. The findings from the report of the Anti-Corruption Council warrant a detailed investigation of the case, while an additional concern voiced in the aforementioned report is that certain media are blatantly ignoring the “Novosti” story by failing to report anything about it. This illustrates the continued strong influence of certain centers of political and economic power on the media and the way they report about issues of undeniable interest for Serbian citizens.

2. Insistence in the Draft Media Strategy on the continuation of privatization and withdrawal of the state from media ownership, something we have already mentioned in this Report, has caused heated reactions among the opponents of privatization. The Draft Strategy was criticized by the municipal assembly of Kragujevac. The assembly is also the

founder of the public company Radio Television Kragujevac, which, under the Draft Strategy, should also be privatized. The daily “Blic” reported that other municipal radio and television stations, funded from municipal budgets, also feared that privatization would lead to their demise, which was indeed the case in most of the media privatized to date. At the same time, few speak about the undeniable fact that the financing of public media from municipal budgets has created unequal market conditions, which have caused many private and privatized media to disappear. The leader of the Association of Hungarians of Vojvodina (SVM), Istvan Pastor, and the President of the National Council of Hungarians, Tamas Korhec, have also voiced their opposition to the privatization of media reporting on minority languages, the daily “Danas” reported. Korhec even told the daily “Magyar Szo” they would try to indirectly wreck the Strategy, together with SVM’s members of the Serbian Parliament and other minorities, if the objections of the National Council to the Draft Strategy were not accepted. Otherwise, the National Council of Hungarians, which the founding rights to the state-owned “Magyar Szo” were transferred to, has dismissed the editor-in-chief of that newspaper Czaba Pressburger, as mentioned earlier in this Report. Pressburger was namely criticized for having insufficiently reported about the work of the Speaker of the Vojvodina Parliament Sandor Egeresi, a SVM member, as well as for failure to report from press conferences organized by the SVM and to air that political party’s press releases. The leader of the SVM and the President of the National Council of Hungarians, however, failed to propose any mechanisms for the protection of the editorial policy of state-owned media from situations like the one that happened to Czaba Pressburger and “Magyar Szo”. The Government of Vojvodina also insisted that multilingual media ought to remain the property of local governments, explaining that “the experience of privatization has so far demonstrated that the existence of minority language media has almost in each case been jeopardized.” Unfortunately, “the experience of privatization so far” is a term that is often used as a form of speculation. According to the data of the Privatization Agency, a total of 56 media have been privatized in Serbia since the adoption of the Broadcasting Law and the Public Information Law. In 18 of these 56 media, privatization contracts were terminated. The Draft Strategy for Development of Public Information System is far from being a perfect text without any flaws. However, the critics of privatization are typically people who have a personal interest in this process and who are not offering any solutions that would systemically protect non-privatized media from the influence of the state, or that of local governments that own these media, on the editorial policy. The only proposal for that came from the Kragujevac Initiative, which suggested that Advisory Boards should be set up, the members of which would be proposed by local councils from a concrete region, the NGO sector and religious communities and minorities. Such Advisory Boards would be in charge of appointing and dismissing the managing boards of state media. That proposal might have seemed incomplete and may rightfully be criticized, but it was the only suggestion put forward by the privatization

opponents, when it came to mechanism of the protection of state-owned media from the influence of the state, as an owner, on their editorial policy.