



State-owned enterprises – The giants of wasting public resources

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When it comes to the waste of public resources in Serbia, it seems that state-owned companies and the Government with projects of particular importance are competing for the championship first place.

There are several reasons for this. Some of the state-owned enterprises are not even established to be profitable, but to meet some needs in areas for which there is not enough interest from private capital. There are also state-owned companies that could not be privatized, for a similar reason. The reason for the unprofitability may also be the policy measures of the state or local self-governments, as a result of which the prices of the company's services are kept at an unrealistically low level.

The second group of reasons does not belong to the circle of objective circumstances or problems encountered, but stems from the fact that these companies, despite the legal solutions that have been in force for more than a decade, are still not managed by professional directors, but mostly by persons appointed by the Government having in mind their political suitability. Moreover, in two-thirds of cases, these are not only easily replaceable acting officials, but people whose mandate has long expired and who manage large state-owned enterprises without grounds.

Incompetent acting directors and consequences

The survey of Transparency Serbia shows that **out of 34 companies owned by the Republic of Serbia** in which a director was to be elected in a public competition after the adoption of the Law on Public Companies from 2012, 17 of them **did not have a single day in the managerial position selected in a public competition**. Of those 34 companies, **22 had an acting director in May 2024**. All of them are **in an illegal status** because their maximum legal term of acting status has expired. Only 5 out of 34 companies have directors elected through a public competition. Of these, four were the only candidates in the competition, and only in one case there were three candidates.¹

The appointment of indefinite incumbents ensures executives who are loyal to the political structure that appointed them. Acting officials usually lack the professional qualifications to perform this function, and it is unlikely that they would meet the basic requirements of the competition for these positions.

Driven in most cases by unskilled staff, these companies are equally unprofessional in the use of public resources. Some of them, which operate in strategically important economic areas, have not been restructured for years and have outdated infrastructure and an excessive number of employees. The process of transformation of the power supply company of Serbia (EPS ad), the former largest public company, began in April 2023, when the legal form of the company was changed², and a competition for the election of directors was announced a little later. The transformation of this company, which employs around 20,000 people, began after problems caused by incompetent management that resulted in an accident in the power system in December 2021, an interruption in electricity supply and damage to public resources measured in hundreds of millions of euros. At that moment,

¹ [Infographic: Illegal acting status as a regular situation](#), Transparency Serbia, June 2024,

² From a public company to a joint-stock company

public enterprise (PE) EPS, was managed by Milorad Grčić, in an illegal acting status (2016 – 2022), who was appointed to that position even though he did not meet the conditions prescribed by law.

Anti-Corruption Rules in State-Owned Enterprises

The existing legal framework (based on the Law on Public Enterprises of 2012 and 2016) is designed to prevent government influence on the day-to-day functioning of state-owned enterprises. In practice, however, supervisory boards and directors of companies in most cases operate under the direct control of political parties or individual ministries.³ However, these rules do not apply to some of the important state-owned companies (e.g. Telekom), but the norms of the Companies Act.

A further deterioration of the legal framework in this area occurred after the adoption of an authentic interpretation of the definition of the term public official in February 2021, **which exempted representatives of the state of Serbia in shareholders' assemblies, presidents and members of supervisory boards, directors and acting directors** in companies from the obligation to submit reports on assets and income and the obligation to report potential conflicts of interest.⁴ Consequently, the Agency does not have the right to act on reports of violations of the rules by these officials, to impose measures prescribed by the Law on Prevention of Corruption and to initiate misdemeanor or criminal proceedings against them.⁵

For the time being, these "benefits" are only available to managers of state-owned companies that are not subject to the Law on Public Enterprises. If something does not change, employees in all companies will be exempt from these obligations. Namely, the Law on the Management of Companies Owned by the Republic of Serbia, adopted in September 2023, provides for the mandatory transformation of public companies into capital companies and a change in the method of electing their managers.⁶

Although the Minister of Justice, Maja Popović, announced that this harmful authentic interpretation would be abolished by amendments to the Law on the Prevention of Corruption⁷, and the amendments to this law were the subject of public debate in August 2023, to date no report from that public debate has been published, nor has the draft law been sent to the parliamentary procedure.

³ [National Integrity System Assessment 2023 – NIS](#), Transparency Serbia, February 2024, p. 221

⁴ Ibid

⁵ [Comments on Draft Law on Amendments to the Law on Prevention of Corruption](#), Transparency Serbia, August 2023

⁶ [Directors of state-owned companies outside the reach of anti-corruption regulations](#), Transparency Serbia, 6.6.2023.

⁷ [Popović: Amendment of the law on the recommendation of GRECO, corruption is not legalized](#), Beta, 16.8.2023.

Problematic legal solutions from the newly adopted Law on the Management of Companies Owned by the Republic of Serbia

This Law represents the implementation of certain activities that were planned during the adoption of the planning document – the Strategy of State Ownership and Management of Business Entities Owned by the Republic of Serbia for the period from 2021 to 2027.⁸ In the process of adopting this act, Transparency Serbia pointed out that the main problem is that the Government of the Republic of Serbia has again sought a solution to many of the problems it has created by not implementing or supplementing the existing regulations, in the amendments to the regulations.⁹

The goals for which this Law was adopted could have been achieved by applying the existing Law on Public Enterprises, if there had been a will to do so. Not only was this not done in the preparation phase of the Draft Law, but some of the solutions offered created new problems, which would further weaken the anti-corruption mechanisms in this part of the public sector. The Law on the Management of Companies Owned by the Republic of Serbia provides¹⁰ for the change of the legal form of existing public companies founded by the Republic of Serbia into a limited liability company or a joint stock company.¹¹

The Government of the Republic of Serbia submitted to the National Assembly the draft Law on the Management of Companies Owned by the Republic of Serbia on 26 May 2023. The bill has been withdrawn from the parliamentary procedure. The decision on this was not published as part of the information from the Government session of June 8, 2023, when it was probably formally adopted. Two days earlier, the Prime Minister's statement dated June 6, 2023, according to which the draft law would be withdrawn, "at the request of the President of the Republic", was published, and on June 7, 2023, the Minister of Economy announced that he had sent a "Proposal of Conclusion" on the withdrawal of the draft law from the parliamentary procedure. The withdrawal of the law came after numerous criticisms of the proposed legal text, including an initiative to MPs and a statement issued by the organization Transparency Serbia.¹² The law was finally adopted on September 6, 2023, at the penultimate sitting of the 13th convocation of the National Assembly, after a unified debate with 25 items on the agenda.

The publicity of work, according to the provisions of this Act, is not sufficiently secured. It is necessary to ensure the publication of documents relating to the election of members of assemblies, chairmen and members of supervisory boards and directors, in order to determine whether the candidates meet the conditions prescribed by law. The law also does

⁸ [Strategy on State Ownership and Management of Business Entities Owned by the Republic of Serbia for the Period 2021-2027](#), Ministry of Economy

⁹ Ibid

¹⁰ Article 42, Law on the Management of Companies Owned by the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 76/2023)

¹¹ [National Integrity System Assessment 2023 – NIS](#), Transparency Serbia, February 2024, p. 221

¹² [Directors of state-owned companies outside the reach of anti-corruption regulations](#), Transparency Serbia, 6.6.2023.

not place restrictions on the advertising of these enterprises, which opens the door to the creation of unnecessary expenses, the purchase of media influence and the achievement of other hidden goals that are not related to the realization of the role of state-owned enterprises.

The Law on the Management of Companies Owned by the Republic of Serbia, as well as the Law on Public Companies, provides for the prohibition of exerting influence on employees and other engaged persons "in connection with support to political entities or candidates in elections". On the other hand, there is no prohibition on exerting influence or obligations to prevent pressure on other natural and legal persons. The term "resources of company" is used in the draft law, but is not defined. It is stated that resources "in particular means the use of official premises, vehicles and inventory of the capital company free of charge". While these are some of the most important resources, there are many others that have not been mentioned, and listing only some of the resources opens up space for the norm to be interpreted narrowly. Among the resources that are not mentioned, we can mention the implementation of the activities of a public company that can bring popularity to holders of public office and political entities with which they are associated, precisely during the election campaign. A typical example of this is the execution of works that were not previously planned, in order to meet the needs of potential voters (e.g. the case of "Kukulovce"),¹³ then the decision to forgive or reduce debts to companies during the election campaign (which happens more often at the local level). As an example, the Law cites only the use of premises, vehicles and the like free of charge, but not the use for a fee that is below the market value or allowing the use of resources to only one political entity.

The Giants in the Red

➤ **Electric Power Industry of Serbia a.d.**

The most convincing example of the waste of public resources is the before mentioned Electric Power Industry of Serbia a.d (EPS ad). Until recently, it operated in the status of a public company, and after years of "enviable" results and disastrous consequences for the Serbian economy and the creation of debts that were repaid by the citizens of Serbia, its status was changed to a joint stock company in April 2023. The Fiscal Council warned back in 2019 that EPS was at a turning point and that a strong turnaround in the company's operations was necessary. The Fiscal Council noted that this company has not been operating successfully for a long time, and the small profits it has made in previous years are not nearly enough to sustainably finance the necessary investments. "That is why it is a critical moment for EPS to fundamentally reform and finally remove the key obstacles that prevent its successful operations - excessive labor costs due to redundancy of employees and generous salary system, low electricity prices, large technical losses on the network and thefts, problems in collection, etc. Otherwise, EPS could very easily become a serious risk to Serbia's public finances in the medium term."¹⁴ In the period following this report of the Fiscal Council, JP EPS experienced a series of accidents, the largest of which occurred in

¹³ [Drobnjak went to the village that renounced Vučić and promised asphalt](#), N1, 10.6.2022.

¹⁴ [Business Analysis and Recommendations for Reform and Increase of EPS Investments](#), Fiscal Council, November 2019, p. 1

December 2021, when the power system collapsed due to the incompetent management of EPS and the use of coal of poor quality. Based on the analysis of the Fiscal Council, the problem occurred due to the decline in the quality of coal coming from the Kolubara basin. "EPS itself is responsible for the multi-year trend of decreasing the heat output of coal used for electricity production, because it did not invest enough, which led to delays in the opening of new mines with better coal. The problem escalated in mid-2021 when the thermal power of coal fell below the minimum acceptable for the operation of EPS's power plants. Despite this, EPS continued to use low-quality coal with an excessive content of impurities with abundant addition of fuel oil, which not only directly affected the decline in electricity production, but also indirectly caused problems in operation and caused failures of plants designed to burn higher quality coal. Last year, EPS delayed overhauls of its plants, and then tried to compensate for the lack of electricity with increased production in gas and hydroelectric power plants. By doing so, he caused enormous damage to the country because he used a significant part of domestic gas reserves to produce a relatively small amount of electricity in his inefficient gas-fired power plants, which later had to be replenished by buying this fuel on the European market at record high prices. According to our estimates, EPS has made a cost to the state budget of close to 200 million euros, which is the cost of the purchase of gas that this company irrationally spent before the winter."¹⁵ The Fiscal Council further estimates that due to irregularities in the public procurement process, tens of millions of euros leak out of EPS annually. "Public procurements in EPS are full of irrationalities due to which significant financial resources are unjustifiably drained from companies, and this problem has particularly worsened since 2017. One of the main shortcomings is that there is an evident lack of competition in EPS's tenders, with the frequent appearance of only a few companies in different combinations."¹⁶ As a result of the poor performance of this company, Serbia's total fiscal deficit in 2022 amounted to EUR 1.9 billion – 3.1% of GDP, almost the entire deficit is the result of the losses of EPS and Srbijagas – without these costs, the deficit would be only about 0.4% of GDP.¹⁷ The Fiscal Council also notes that EPS has become a risk for the entire Serbian economy and a brake on the country's economic development, and that EPS's problems, which caused a sharp decline in electricity production in December 2021, have significantly contributed to the deterioration of macroeconomic developments in Serbia. In addition to the direct impact on the slowdown in GDP growth, EPS contributed to the growth of the deficit in foreign trade and the outflow of foreign currency from the country through huge imports of expensive electricity, which is why the National Bank of Serbia had to additionally spend reserves in order to preserve the stability of the exchange rate.¹⁸ According to the assessment of the Fiscal Council, approximately half of the deficit of EPS and Srbijagas from that heating season, amounting to about EUR 1 billion (2% of GDP), fell on the burden of all citizens of Serbia.¹⁹

The Fiscal Council sees the solution to this problem in ensuring expert and professional management of the EPS and giving full freedom to such leadership and clear political

¹⁵ Ibid., p. 4

¹⁶ Ibid., p. 7

¹⁷ [National Integrity System Assessment 2023 – NIS](#), Transparency Serbia, February 2024, p. 221

¹⁸ [Business Analysis and Recommendations for Reform and Increase of EPS Investments](#), Fiscal Council, November 2019, p. 3

¹⁹ [Structural Problems of the Serbian Energy Sector in the Light of the Global Crisis: Causes, Costs and Possible Solutions](#), Fiscal Council, July 2022, p 1

support to implement all the reforms that have been postponed for years.²⁰ At the time of the accident, EPS was managed by Milenko Grčić, who was appointed by the Government of Serbia in March 2016 in the status of acting director until the competition for the election of the director was completed. He remained in that status and position until January 2022, when he resigned after the disastrous results of the accident, under pressure from the public and the President of the Republic.²¹ The EPS reform was awaited for another year, when in April 2023 the Government adopted the Decision on Amendments to the Founding Act and the new Statute of EPS, which transformed EPS from a public company into a joint-stock company. Governance and other issues of importance for the performance of the activities of EPS ad are regulated by the Statute, which states that the management is organized as bicameral. The company's bodies are the Assembly, which consists of one authorized representative of the founder, the Supervisory Board with seven members, one of whom is the President and one employee representative, as well as the Executive Board with seven members. The Executive Committee consists of seven Executive Directors, one of whom is the Director-General. The Supervisory Board of EPS AD appoints the Executive Directors and appoints one of them as the Managing Director, for a period of up to four years.²²

Transparency Serbia has warned of the possible harmful consequences of the changes to these acts.²³ This change in status has reduced transparency and competitiveness, which are the basic mechanisms for the prevention of corruption, and the Law on Public Companies no longer applies to this company. One of the most important consequences of this is that there is no longer an obligation to elect a director in a competition. Moreover, even in the case of announcing a competition, which happened on August 11, 2023,²⁴ the rules of the Law on Public Companies and by-laws, which were adopted on the basis of it, do not apply to it.

The information that a new General Manager will be elected was published two months after the transformation of the company, only five days after the information that the Assembly of Shareholders of EPS ad, consisting of only one member - the Minister of Mining and Energy, Dubravka Đedović, elected the members of the Supervisory Board of EPS ad. The official website of EPS ad does not provide information on the procedure by which the election of the members of the Supervisory Board was carried out, the explanation of the reasons why the current members were elected, as well as the data on whether there were any other candidates for those positions who were not elected, i.e. the reasons why they were not elected. In accordance with the Statute of the Joint Stock Company of EPS ad, the members of the Supervisory Board elect the Executive Directors and the General Manager of EPS ad. On August 16, 2023, Transparency Serbia requested information on the manner in which the Supervisory Board of EPS will determine and assess the fulfillment of the set criteria for the selection of the new CEO of the most valuable state-owned company, since this is not prescribed or stated in the advertisement itself.²⁵ Although the deadline for applying expired on 15/09/2023, EPS responded a few days later. The response states that "the Supervisory

²⁰ Ibid 3

²¹ [Vučić: Count on that Grčić has already resigned](#), N1, 17.12.2021.

²² [The Government has made a decision on the transfer of EPS to AD](#), EPS website, 10.4.2023.

²³ [Harmful and unjustified amendments to EPS acts](#), Transparency Serbia, 6.4.2023,

²⁴ [Vacancy notice for the election of the new General Director of EPS](#), RTS, 11.8.2023.

²⁵ [Request for access to information of public importance](#), Transparency Serbia, 16.8.2023.

Board, on the basis of reasoned proposals and expert analysis, will make a final decision and elect the General Manager of this company."²⁶ From the answers, it is also clear that the evaluation of candidates is not carried out by EPS ad, but by the subcontracted company. Unlike the acts that were adopted on the basis of the Law on Public Companies, where it is clearly prescribed how the fulfillment of certain criteria is evaluated, this was not the case here. If the methodology exists, it was not known to the participants of the competition or the public, which will make it much more difficult to challenge the final decision.

The election of the director of EPS has been awaited for 11 months. For the purposes of this process, EPS ad has engaged a consultant on two occasions. It is a domestic company Tonchew Advisory Associates from Belgrade, whose owner and director is Bulgarian consultant Edvard Tonchev. According to data from the Public Procurement Portal, this company is the winner of two open procedures announced by EPS on April 12, 2024. The subject of the procurement is "assessment of leadership potentials of managers", while the official name of the second is "creation and implementation of a set of leadership competencies with mapping of motivational factors of managers". From the publicly available data, it can be seen that the advisory firm of Edvard Tončev was the only bidder in these public procurement procedures, and it is also noted that the bids of this consultant are acceptable, i.e. that all the required criteria for the award of the job have been met. EPS will pay 22.6 million dinars for these two services, since the first deal was agreed for the amount of 10.8 million dinars including VAT, and the second for 11.8 million. What is interesting is that the same advisory firm received two practically identical jobs from EPS last year, one of which has the same description. The amounts paid for these purchases were similar.²⁷

The misuse and waste of public funds has not stopped even after the reform of the EPS and the change of the management structure. Namely, just a week before the elections in December 2023 and without prior notice, the Minister of Energy and Mining, Dubravka Đedović, announced that all employees of EPS ad (19,591 employees) will receive 20,000 dinars in bonuses in addition to December salaries: "As a form of gratitude, to all employees for helping to stabilize our energy system."²⁸ The reduction in the transparency of the work of this company, which was introduced by its restructuring, opens up space for the continuation of the waste of public resources. There are reasons for concern when it comes to company's business. Transparency Serbia tried to verify allegations made in the media in May 2023, according to which EPS was considering a proposal to establish a joint venture with MVM Group from Hungary. A total of 11 hydroelectric power plants were supposed to be transferred to the joint venture. Only after the fourth address of Transparency Serbia EPS responded that these data are unavailable, because providing information "would make it difficult to achieve justified economic interests between the two countries" and that the requested documents represent a business secret "because they are marked as such by the author of the document".²⁹ It is obvious that the decision of EPS is not legal, because the request was rejected on all ten counts, although no business correspondence between

²⁶ [Response to the request for access to information of public importance](#), 22.9.2023.

²⁷ [EPS is not going to elect the first man, but it is handing out new contracts to the Bulgarian consultant hired for the selection of the director](#), Forbes Serbia, May 10, 2024.

²⁸ [EPS employees and "Pro Tenta" bonus of 20,000 dinars](#), Politika, 14.12.2023.

²⁹ [EPS illegally hides information](#), Transparency Serbia, 15.9.2023.

EPS and the Hungarian company was requested at all, nor were the company's trade secrets requested, but information about the work of EPS itself. In the event that some documents on the work of EPS contain information on the business secrets of a potential partner, EPS did not use the option to deny access only to this data. It is particularly disturbing that behind this lack of transparency may be hidden an intention to establish some sort of public-private partnership without competition, which is a legal obligation. This is especially indicated by the reference to the "economic interests of the two countries". This could be an introduction to already familiar situations (e.g. the establishing of the Belgrade Waterfront Joint Venture), where the public-private partnership is exempted from the application of domestic laws on the basis of an intergovernmental agreement.³⁰

➤ **Belgrade Nikola Tesla Airport a.d.**

The specificity of the "case" of Nikola Tesla Airport is that we cannot say with certainty how much and in what way public resources are wasted. What the public witnessed is that the reconstruction of the Airport takes a long time, that during that time the Airport leaked several times, that uncontrolled crowds of passengers were repeatedly created, poor baggage management, passing through passport control, etc.³¹ Poor business after the signing of the concession agreement between Nikola Tesla Airport and the French company Vinci, caused a reaction from the then Minister of Transport in June 2023, Goran Vesić, who demanded from the Vinci company to urgently normalize the situation at the airport. According to the statement of the Ministry, Goran Vesić told the representatives of Vinci Airports that they "have their obligations under the concession contract".³² We return to the specificity of the "case" of Nikola Tesla Airport, namely, this concession contract has never been made available to the public, and the operations of the Airport are largely shrouded in secrecy.

The concession agreement of Belgrade's Nikola Tesla Airport to 25 years was signed with the French company Vinci Airports, in the presence of Prime Minister Ana Brnabic and ministers on March 22, 2018. The total nominal value of this transaction is approximately €1.46 billion, which includes a one-time fee, minimum annual concession fees and capital investments. The 25-year concession agreement covers the financing, management, maintenance, expansion and upgrade of the existing airport terminal and runway. Vinci Airports has offered a one-time concession fee of €501 million. The payment will be made through dividends, as follows: EUR 417 million to the Republic of Serbia and EUR 84 million to small shareholders. During the duration of the concession, an annual concession fee will be paid. The minimum concession fee per year ranges from €4.4 million to €15.1 million. The international tender was conducted from February 10, 2017 through the pre-qualification phase, the phase of non-binding bids and the phase of binding bids, and the decision was made on January 5, 2018.³³ The French company took over the management of Nikola Tesla Airport in March 2018 and will operate it until 2043.

³⁰ [prEUgovor on Serbia's progress in Cluster 1 - November 2023](#), PrEUgovor, 22.11.2023. pp. 51-53

³¹ [Big crowds at Belgrade airport, the biggest – at baggage reception](#), N1, 25.6.2023.

³² [Minister calls for 'urgent normalization' of the situation at Belgrade airport](#), Radio Free Europe, June 23, 2023.

³³ [Agreement for 25 years Nikola Tesla Airport as of today, concession "Vinci Airports"](#), Blic, 22.3.2018.

Transparency Serbia filed a lawsuit against the Government of the Republic of Serbia in May 2024 before the Administrative Court, for refusal of the Government to respond to a request for access to information of public importance sent by Transparency in February 2017 requesting the submission of a concession act³⁴. After several urgencies and rulings of the Administrative Court since 2017, the Government submitted to Transparency, in January 2024, a Decision stating "that it rejected the request for access to information of 14 February 2017 as irregular due to the fact that the submitter did not amend it, i.e. did not eliminate the deficiency, which was pointed out to him by Notice 61 No. 07-1528/2017-17 of 28 December 2023". With the said Notice, the Government demanded that the submitter should amend the request by specifying and stating as precise a description as possible of the information requested and the subject of interest.³⁵ The information requested from the Government of the Republic of Srbija was: "[...] Concession Act (Article 29 of the Law on Public Private Partnership and Concessions) and Feasibility Study (Article 31 of the Law on Public Private Partnership and Concessions) for Nikola Tesla Airport".³⁶ The process of obtaining a concession deed, for which the Government does not understand exactly what it is, is still ongoing. Below is an overview of this process with the accompanying documents (2017-2024).

- [TS request sent to the Ministry](#)
 - [Response of the Ministry](#)
 - [Complaint to the Commissioner against the Ministry's decision](#)
- [TS Request to the PPP Commission](#)
 - [Complaint to the Commissioner for Failure to Comply with KJPP](#)
 - [Decision of the Commissioner of the Public Prosecutor's Office](#)
 - [Response of the CPC regarding the Commissioner's decision](#)
- [Letter to the Ministry of Transport](#)
 - [Response of the Ministry to the letter](#)
- [TS Request to the Government of Serbia - Airport Concession \(2017-2024\)](#)
 - [Urgency addressed to the Government of Serbia](#)
 - [Lawsuit against the Government of Serbia](#)
 - [Judgement of the Administrative Court](#)
 - [Request to the Government to act on the order of the Administrative Court](#)
 - [Addressing the Administrative Court for the Government's failure to act on the verdict](#)
 - [Government - Decision rejecting the request for access](#) - January 2018
 - [Decision of the Administrative Court on the request of TS](#) - February 2018.
 - [Complaint to the Administrative Court for the Rejection](#) of the Request of TS - February 2018
 - [Acting on the Order of the Administrative Court](#) - April 2018
 - [Judgment of the Administrative Court - October 2022](#)
 - [Request for the adoption of an administrative act based on the judgment of the Administrative Court](#) (September 2023)
 - [Notice to the Administrative Court on non-compliance with the judgment](#) (September 2023)
 - [Request to the Administrative Court - Acting on Notification](#) (December 2023)
 - [Notice and Response to Request - Administrative Court](#) (January 2024)

³⁴ [Request for access to information of public importance](#), Transparency Serbia, 14.2.2017.

³⁵ [Response to the request for access to information of public importance](#), 28.12.2023.

³⁶ [Request for access to information of public importance](#), Transparency Serbia, 14.2.2017.

- [Letter from the Administrative Court - clarification of the decision](#)
(January 2024)
- [Government of Serbia - Request for Amendment of the Request from 2017](#)
(December 2023)
- [Response to the Government's Notice - Clarification of the subject of the request](#)
(January 2024)
- [Response of the Government of Serbia - Concession - Rejection](#)
- [Lawsuit against the Government - Airport concession](#) (May 2024)

The concessionaire of Nikola Tesla Airport, Belgrade Airport, a subsidiary of France's Vinci Airports, recorded a net loss of 809 million dinars or about 6.9 million euros last year (2023). This is actually a significantly better result than the one from 2022, when the loss amounted to 2.1 billion dinars or almost 18 million euros. Last year, Belgrade Airport invested 7.3 billion dinars or 62 million euros in construction works, which is about a third less than the investment of 10.8 billion dinars or 92 million euros invested in the previous year 2022. The company's operating revenues last year amounted to 21.7 billion dinars, and revenues from the sale of services amounted to 11.7 billion dinars, which is three billion more than in 2022. Business revenues were also "pumped up" by revenues from the activation of effects and goods in the amount of investments in infrastructure. In any case, Belgrade Airport made an operating profit of 2.7 billion dinars, while it recorded a loss of about four billion dinars from financing. This is a consequence of high interest expenditures, of 2.3 billion dinars or almost 20 million euros. Much of the interest expenditure comes from the way investments are financed, which are mainly from loans. The company's total liabilities at the end of last year amounted to 876 million euros. It owed the parent company 266 million euros on the basis of a loan that matures in the last year of the concession, 2043, and with an interest rate of 6 percent. When this is added up with loans from international financial institutions EBRD, IFC, DEG and Proparko, Belgrade Airport's total long-term loans are €654 million on the last day of 2023. Short-term loans amounted to about 20 million euros.³⁷

³⁷ [The concessionaire of Belgrade Airport made a loss of 6.9 million euros in 2023](#), Danas, April 5, 2024.

➤ Air Serbia a.d.

The establishment of the new national carrier, Air Serbia, in 2013 was carried out in a non-transparent procedure and, like the concession act in the case of the Airport, the contract on the establishment of this company was hidden from the public eye for a long time, and then, after a year, only some of its parts were published. The article of the contract that regulates the confidentiality of data served the Government of Serbia to justify the non-disclosure of this contract, which stipulated that the details of the entire deal would not be published until the closing of the deal. From available parts of this agreement, it was revealed that part of the agreement with the partner company Etihad Airways obliged Serbia to pay over \$90 million, while the partner from the United Arab Emirates paid \$40 million in the form of a loan for a 49% ownership stake. In addition, the state has to pay all debts, which were estimated at more than \$230 million.³⁸ The government took over almost 200 million euros of JAT's debt and converted it into public debt, assumed additional liabilities of over 100 million dollars in the first year (social program, debt and losses incurred in 2013, covering the lack of working capital), brought in assets and rights worth about 150 million dollars and committed to subsidies for the next three years and additional subsidies through the write-off of the Airport's receivables. Etihad has secured a \$100 million loan (\$40 million in the first year).³⁹ The Government of Serbia has paid its obligations through state aid mechanisms. However, the procedure for granting state aid was shrouded in secrecy because a number of data regarding the amount of aid granted were omitted from the Decision on the Granting of State Aid. The Commission for State Aid Control, which is competent in this case, referred to the Law on the Protection of Trade Secrets and Article 22 of the Law on the Protection of Trade Secrets of the State Aid Control Act.⁴⁰

At the end of 2015, the Government of Serbia asked Belgrade Airport to discharge the debt of over 22 million dollars incurred by the air carrier Air Serbia. On the eve of the New Year celebrations, on December 30, the Government of Serbia decided to help the airline "Air Serbia" - in which almost half of the ownership is owned by the Arab company "Etihad". However, the aid is to the detriment of Belgrade's state-owned Nikola Tesla Airport that will not be able to collect more than 2.3 billion dinars (\$22 million) of debt incurred by Air Serbia.⁴¹ How did the forgiveness of debts to the Airport come about? The contract, in addition to direct subsidies of \$14 million per year (in 2014, 2015 and 2016), stipulates an obligation for the government to provide an additional \$22 million in 2014 and \$18 million in 2015. This can be a direct cash subsidy or it can be provided by "reducing cash costs". That is what was done - by writing off the debt to the Airport, cash costs were reduced. And what happened was prescribed by the contract - that from a company that is 84% owned by Serbia (and the rest is owned by citizens) is taken and given to a company that is 51% owned by Serbia (and the rest is owned by Etihad). At the same time, the airport is starting the privatization from a weakened position, because instead of investing profits and developing, it gave up in favor of Air Serbia.⁴²

³⁸ [Unveiling the secret of the ministerial chief](#), BIRN, 7.8.2014.

³⁹ [Write-off of the Airport's receivables against Air Serbia](#), Transparency Serbia, 22.1.2016.

⁴⁰ [The Secret of the Ministerial Safe Revealed \(2\)](#), Vreme, 14.8.2014.

⁴¹ [Government forgives \\$22 million debt to Air Serbia](#), Krik, 18.1.2016

⁴² [Write-off of the Airport's receivables against Air Serbia](#), Transparency Serbia, 22.1.2016.

A decade later, the state is once again the full owner of Air Serbia, after Etihad's stake has been steadily decreasing in recent years, and the state's stake has been increasing thanks to recapitalizations. It is not known whether and how much Serbia paid Etihad to take over the remaining slightly more than 16 percent of the share, but it is known that from now on the domestic carrier will be managed exclusively by our state. The contract that was concluded in 2013 between strategic partners has long been kept as the strictest secret, and even today all the details of this grandiosely announced partnership are not known, as until now it has been mostly speculated how much money exactly it is and on what grounds the state has allocated in these 10 years in order for the company in which Etihad had 49 percent of ownership and the right of operational management, to operate profitably. From 2013 to 2022. Serbia has invested 63.8 billion dinars, or 545 million euros, in the national airline. In addition, Air Serbia has received subsidies on several occasions from the very beginning, i.e. since its establishment, more precisely budget money, on various grounds. In 2014, 2015 and 2016 alone, subsidies in the amount of 14.4 billion dinars were paid, while in 2017 this company received a subsidy from the Ministry of Tourism in the amount of 1.4 billion dinars, which, to be honest, was not recorded as income but as a reduction in its costs. After the outbreak of the COVID-19 pandemic and the practical suspension of air traffic, the state recapitalized Air Serbia in two stages, first in December 2020 with 11.5 billion dinars, and then in the fall of 2022, when it paid 1.8 billion. Since in neither of these two periods, the partner of the state, i.e. Etihad did not want to do the same, Serbia's share increased due to recapitalizations, and Etihad's decreased, so until the complete exit from ownership, the Arab partner had a stake of only 16.42 percent. During the pandemic years, in 2020 and 2021. In addition to the money acquired through the recapitalization, Air Serbia also received subsidies from the state in the amount of 7.7 billion dinars.⁴³ Details on how and to what extent the Republic of Serbia took over the remaining 16.42 percent of shares owned by Etihad Airways in November 2023 are not even stated in Air Serbia's final accounts.⁴⁴

In terms of customer service, data for 2023 shows that Air Serbia was the second-worst airline in Europe in terms of the percentage of flights delayed or cancelled, with a final figure of 42.3% of flights that did not depart on schedule or did not take off at all.⁴⁵ Due to various irregularities in traffic, Air Serbia paid passengers almost one and a half billion dinars in 2023, according to the company's final accounts. "Expenditures based on traffic irregularities relate to compensation to passengers for cancelled flights, accommodation, lost baggage and other costs related to traffic disruptions," shows the documentation accompanying Air Serbia's financial statements for 2023.⁴⁶

➤ PUC Belgrade Power Plants Belgrade

Not only large national companies are serious wasters of public resources, but local public companies such as the Belgrade Power Plant, which is in charge of heating in Belgrade, are

⁴³ [The adventure with Air Serbia cost citizens at least 64 billion dinars](#), Forbes, 23.11.2023.

⁴⁴ [Air Serbia paid 1.48 billion dinars to passengers for canceled flights, and to Etihad for ownership – it is not known](#), N1, 15.4.2024.

⁴⁵ [Air Serbia is the second worst in Europe in terms of delays in 2023](#), Zama aero, 26.6.2024.

⁴⁶ [Air Serbia paid 1.48 billion dinars to passengers for canceled flights, and to Etihad for ownership – it is not known](#), N1, 15.4.2024.

not exempt from this practice. The quality of service provision to consumers was the subject of an audit by the State Audit Institution (SAI) in 2021. The report on the audit of the expediency of business "Consumer Protection in the Field of Heat Supply", dated December 28, 2021, stated that certain provisions of the Law on Communal Activities and decisions of local self-government units in the part of the obligation to conclude individual contracts for the supply of thermal energy, the right to terminate contracts and the right of consumers to complain, are not harmonized with the Law on Consumer Protection, whose provisions provide a higher level of consumer protection. In the period 2018-2020, for about 90% of users in the category of residential space, PUC Belgrade Power Plants charged for thermal energy according to the unit area, instead of consumption, as prescribed by the Law on Energy, the Law on Efficient Use of Energy and the Decision on the Method of Payment for Utility Services in the Territory of the City of Belgrade.⁴⁷

And while citizens illegally paid lump sums for the consumption of thermal energy, the PUC Belgrade Power Plant, according to the SAI, did not fully comply with the Law on Public Procurement in 2020 and 2021 when planning and implementing the public procurement procedure, the estimated value of which is 8.60 billion dinars and the contracted value is 8.57 billion dinars without VAT. In addition, in 2021, the company planned more funds for remuneration under contracts for work outside employment and other personal expenses in the amount of RSD 77.52 million and concluded several contracts for the performance of temporary and occasional jobs for jobs that by their nature last longer than 120 days in a calendar year, which is not in accordance with the law. In 2020 and 2021, the company did not fully dispose of funds for special purposes (donations, humanitarian activities, etc.) in accordance with the regulations. The observed irregularities in public procurement are mostly related to: in 2020 and 2021, in 32 public procurement procedures, with a total estimated value of 7.83 billion dinars, when determining the estimated value, the company did not document the method of market research, which is not in accordance with the Law on Public Procurement and in one public procurement procedure from 2021, with an estimated value of 260 million dinars and a contracted value of 243.97 million dinars, a shorter deadline for submission of bids than the deadline prescribed by law has been set. For 2021, the company planned funds for compensation under contracts for work outside the employment relationship and other personal expenses in the amount higher by a total of 77.52 million dinars than the amount of planned funds for 2020, which is not in accordance with the Law on Public Companies, i.e. the Guidelines for the development of the annual business program. In a calendar year, the company has concluded two or more contracts for the performance of temporary and occasional jobs for some identical jobs, despite the fact that these are jobs that by their nature last longer than 120 working days in a calendar year, which is not in accordance with the Labor Law. In 2020 and 2021, the company planned funds for special purposes (donations, sponsorships, humanitarian activities, etc.) in the amount higher by 40 million dinars, which is not in accordance with the Law on Public Companies.⁴⁸ As a "reward" for the management of the Belgrade Power Plants PUC at the

⁴⁷ [Report on the audit of business expediency - Consumer protection in the field of heat supply](#), State Audit Institution, 28.12.2021, pp. 1-2

⁴⁸ [Report on the audit of the regularity of operations of the Public Utility Company "Beogradske elektrane", Belgrade, in the part related to public procurements for 2020 and 2021, costs of remuneration under contracts for work outside the employment relationship and other personal expenses for 2021 and the use of funds for special purposes \(donations, sponsorships, humanitarian activities, etc.\) for 2020 and 2021](#), State Audit Institution, 24.10.2022, p. 3

time of the observed irregularities, the then acting director Rade Basta, a member of United Serbia (the party that makes up the ruling coalition), was elected Minister of Economy in December 2022.

How to Make State Owned Companies to Operate in the Public Interest - Recommendations

- The government should establish a centralized coordinating body for monitoring, control and supervision of the work of state-owned enterprises, and the data from this system should be available to the public;
- The government should ensure greater independence in the operations of enterprises, in particular from political influence, by ending the practice of appointing acting directors and by announcing competitions for the selection of directors of public enterprises for all enterprises managed by legal or illegal (expired) acting directors. After the implementation of the Law on Managing Companies Owned by the Republic of Serbia, legality should be ensured by the representatives of the state in supervisory boards and assemblies of shareholders;
- The Government and the Assembly should prepare and adopt amendments to the Law on Prevention of Corruption in order to nullify the authentic interpretation of the definition of public official and ensure that directors, acting directors, members of supervisory boards and representatives of the state in the assemblies of shareholders of state-owned enterprises have the status of public officials and are subject to obligations to declare assets and income and conflicts of interest;
- The Government and the Parliament should prepare and adopt amendments to the Law on Public Companies and the Law on Management of Companies Owned by the Republic of Serbia in order to reduce the possibilities for misuse of the resources of these companies for the purpose of political promotion or the achievement of goals that are not related to the scope of work of the company;
- The Government should specify, to the extent possible, the criteria for determining whether the director has performed his duties in an unprofessional and negligent manner and whether there has been a (significant) deviation from the achievement of the primary objective of the operation of the public company, i.e. from the business plan.⁴⁹

⁴⁹ [National Integrity System Assessment 2023 – NIS](#), Transparency Serbia, February 2024, p. 236