



BRIEFING ON PARTY PATRONAGE AND CLIENTELISM IN SERBIA

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Description of the project *'Informal Practices of Capturing Economic Resources by Political Elite: Exploring Party Patronage in Kosovo and Serbia'*

Informality represents an important feature of post-socialist societies. Informal and personal networks that predate from the socialist period are an important legacy for the development of democratic systems and market economies in former socialist countries. Particularly in the context of weak and blurred institutional and normative frameworks, individuals tend to rely more on informal institutions and practices. Therefore, the patterns of clientelism and the question of the 'culture of informality' are important for understanding contemporary trajectories in political and economic subsystems of former socialist societies.

The general aim of the project was to identify main forms, determinants and social effects of informal norms and practices through which the political elite captured economic resources in Kosovo* and Serbia.

The specific objectives were:

- ▶ to identify and describe main forms of clientelistic relations,
- ▶ to explore main conditions for the establishment of clientelistic relations between political elite and economic actors, including economic elite,
- ▶ to explore how informal clientelistic relations rely on formal institutions and their mechanisms of reproduction.

The main reason for choosing Serbia and Kosovo* as units of research was their role in specific post-socialist development marked by captured resources and increasing inequalities. The two societies share common socialist heritages, belong to the same post-conflict region and have undergone similar, although not the same, institutional transformations. All segments of this project were conducted in both countries with the aim of creating a comparative perspective and providing a space for similar future comparative research. This project was part of the Regional Research Promotion Programme (RRPP) in the Western Balkans. The RRPP is run by the University of Fribourg upon mandate of the Swiss Agency for Development and Cooperation (SDC) and the Federal Department of Foreign Affairs.

* This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo Declaration of Independence

GLOSSARY:

Corruption:	Misuse of public power/resources for private gain.
Elite:	Those who have vastly disproportionate control over, or access to a resource.
Informal relations:	Social relations that are developed on the basis of personal connections. These ties are often used instead of the formally-recognized procedures to pursue organizational and/or personal goals.
Norms:	A rule or expectation of conduct that either prescribes a given type of behavior or forbids it.
Social capital:	The social network of influence and support that people have.
Social institutions:	webs of interrelated norms – formal and informal – which govern social relationships by structuring social interactions.
Social network:	The term refers to the patterns in which individuals (and sometimes their social roles) are connected by kinship and friendship bonds or by more specialized ties.
Social reproduction:	The process that perpetuates characteristics of social structure over periods of time.
Social structure:	The pattern of human relationships formed by human groups and institutions within a given society.
Values:	Culturally-defined standards held by human individuals or groups on what is deemed desirable, proper, beautiful, good, or bad. Values serve as broad guidelines for social life.


WHAT IS POLITICAL CLIENTELISM AND PARTY PATRONAGE?

Clientelism is a form of a social relation that rests on the exchange between political and other agents, wherein one side provides benefits that the other side seeks, in order to insure political support and loyalty. This relation is asymmetrical, stemming from differences in positions and power of the actors involved and even though both sides enter this relation by their own will, it usually assumes inequality in exchange (Kopecky & Scherlis, 2008; Kitschelt, 2000).

Clientelistic relations may appear in various forms: at one end of the continuum of informal political exchange lies personalistic clientelism which is based on face-to-face relations with normative bonds of deference and loyalty between the patron and client, but without legal codification; at the opposite end of traditional clientelism stands modern clientelism of anonymous political machinery and competition between providers of selective incentives. Even if: 'clientelistic relations involve exchanges between particular individuals and small constituency groups arranged in hierarchical political machines, the latter may be highly institutionalized (and thus impersonal) in the sense that actors express stable expectations vis-à-vis the nature of the players and the interactive linkage that they have entered' (Kitschelt, 2000: 852).

Kitschelt and Wilkinson (2007: 7) stated that clientelism represents: "a particular mode of 'exchange' between electoral constituencies as principals and politicians as agents in democratic systems." However, clientelism should not necessarily be limited to relations between political parties and other actors, but should expand to the political parties themselves, and even between actors of different hierarchical positions.

Party patronage represents a distinctive type of polycentric political system in which political parties compete over public resources. A patronage network functions as a pyramidal structure with patrons at the top, a number of clients (who



represent those patrons) at the lower hierarchical level, and then their own clientelistic network following on the ground level of the system (Kitschelt & Wilkinson, 2007; Emerson & Gashi, 2013). The main mechanism of party patronage includes clientelism, as a type of informal relations.

Party patronage can be identified as “the power of a party to appoint people to positions in public and semi-public life” (Kopecky and Scherlis, 2008: 356). Furthermore, there are three main purposes for appointing people: 1) encompassing particularistic purposes, 2) strengthening the party network and organization, and 3) exerting political control over policy – making and implementation. Particularistic aspects of party patronage include clientelism, ‘pork barrel politics’ and corruption (Van Thiel, 2008).

WHY IS IT IMPORTANT TO STUDY POLITICAL CLIENTELISM AND PARTY PATRONAGE IN SERBIA?

There are many reasons to study political clientelism and party patronage in Serbia, as well as in other societies. Most importantly, clientelism and patronage affect the developmental capacity of our societies and jeopardize the trust and equality among people. This is why it is necessary to understand contemporary – as well as long-term – practices, processes and informal institutions that have influenced the development trajectories of our societies and consequently, the wellbeing of the people living in our societies.

Over the course of time, literature has documented a varied and often quite complex set of explanations for how different forms of clientelism in different social contexts provide various outcomes – sometimes beneficial, and at other times harmful. For example, famous sociologist Max Weber (1978) made the distinction between economic development driven by **rational planning** and market calculations, in which the main objectives of economic actors were to achieve a profit (rational capitalism) and facilitate development – both of which were specific to the oriental and antic societies where profit had been attained by **non-rational means**, state monopolies, benefits, financial speculations and corruption (political capitalism). In societies where political capitalism exists, economic success is not dependent on market mechanisms but on the privileges assigned by the state. It represents a system of social relations in which political and economic elite cooperate for their mutual benefit and usually at the expense of other members of society.

Apparently, political capitalism assumes an institutional setting, but those institutions do not represent the interest of all citizens fairly. In their study on the reasons for nations' failures Acemoglu and Robinson (2001) categorized political institutions as **inclusive** (developmental) and **extractive** (predatory). Inclusive institutions produce prosperity, restrict the usurpation of political power and create an environment for the development of inclusive economic institutions. Extrac-

tive institutions tend to be controlled by elite, with the sole purpose of enriching themselves at the expense of the general population, which thus generates negative feedback on the development of inclusive economic institutions. While these authors indicate that extractive forms of institutions – which are typical of ‘political capitalism’ – are present mostly in poor countries, other authors have emphasized that many elite have the opportunity to design political institutions – for their own benefit – in more developed countries.

“Political capitalism is ... a system in which the political and economic elite design the rules so that they can use the political system to maintain their elite positions”.

(Holcombe, 2015: 43).

Therefore, the main reasons to study political clientelism and party patronage in Serbia are:

- ▶ To understand how relations, structures and practices between political and economic powerful actors are shaped;
- ▶ To understand how these structures and practices influence the distribution of resources in our societies – are the resources being distributed in legal and fair ways, or has the public good and common interest been jeopardized?
- ▶ To recognize and/or identify the most harmful practices (such as corruption and how it is executed or maintained) and the potential effects they can have – i.e. stunted development and compromised personal wellbeing of citizens
- ▶ To recognize and/or identify ways in which clientelism and party patronage can be tackled – and by which policies or through what control mechanisms, in order to prevent and eliminate their harmful effects on the development and wellbeing of citizens.

HOW DID WE EXPLORE POLITICAL CLIENTELISM AND PARTY PATRONAGE IN SERBIA?

We have compiled complex qualitative research with representatives of the political elite and economic actors at the national level and in selected local communities. The representatives of these political elite were persons who occupied legislative (National Assembly) or executive (Government of Serbia) power positions, as well as those who served on the main boards of parliamentary parties – during the last 10 years – at a central level (39 respondents). The representatives of the economic elite (on the central level) included top managers, or presidents of boards of private and public companies, as well as medium and big-sized entrepreneurs from the private sector (20 respondents). Samples for the local communities included 31 respondents (25 representatives of high-ranked members of the most prominent local political parties, and 6 managers or entrepreneurs of local public or private enterprises). In addition to these, 8 experts (scholars, representatives of NGOs specializing in this topic and representatives of independent-controlling mechanisms) were interviewed.

The research was conducted during the spring of 2015 with the use of semi-structured interviews. Due to the sensitivity of the research topic, and the fact that full confidentiality and anonymity was granted to the respondents, all identifiers have been removed in the presentation of data.

WHO ARE THE MAIN ACTORS INVOLVED IN CLIENTELISTIC RELATIONS?

There are basically three categories of actors that are involved in clientelistic relations:


1. actors who occupy positions of political power,
2. actors who occupy positions of economic power and
3. those who simultaneously occupy positions in both spheres, which are known as the 'interlockers' – i.e. linking or bridging the spheres of politics and economy.

These individuals are grouped either through formal organizations – such as a political party or a public enterprise board – or through informal networks. In many instances, both organizations are implemented – usually a political party is used as a clientelistic organization by an informal network of persons who have the power to impose their personal interests under the guise of collective will.

The following graph illustrates the key actors, the fields of their activities as well as the resources that are being exchanged and the networks being created. The focus will be on the description of the **types of actors**.

Political actors are divided into three subgroups based on the main functions/area of activities and responsibilities they have:

- ▶ the ones who are in charge of the activities inside the institutions (government and administration),
- ▶ the ones who work in the economy (public enterprises) and
- ▶ those who primarily work inside the parties.

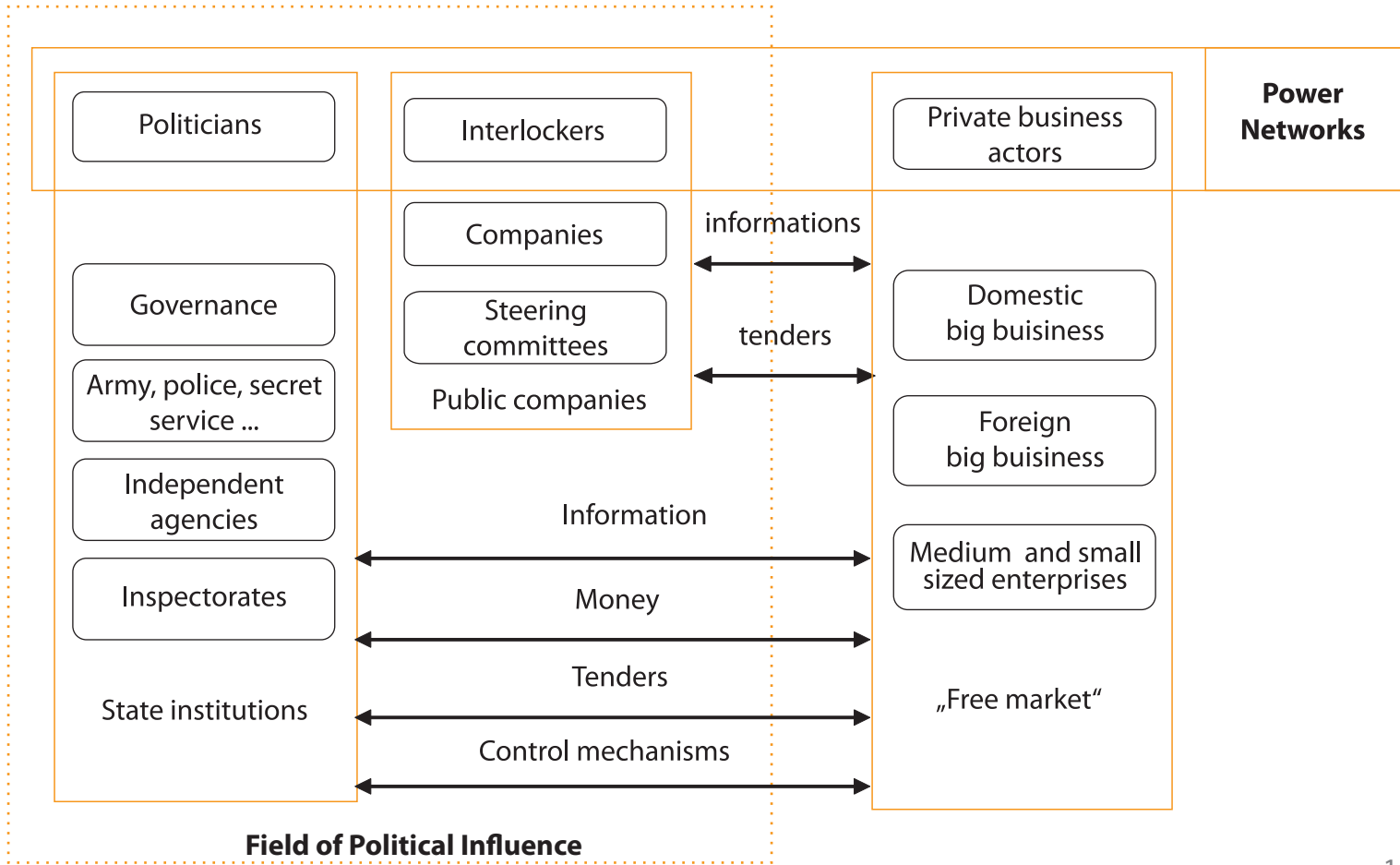


Within political parties, power is used to arrange, structure, build and reconstruct power networks in line with configurations based on certain interests. Through governance activities, the power generated within the political parties is then transferred to the institutions and governance structures. Finally, the third power area is related to the establishment of linkages between the political and economic systems. It is very rare that one political actor performs all three functions, and it is therefore more common to see a certain functional division between the political actors. As research has shown however, many of these actors do perform more than one function during their political careers.

Economic actors in the private business sector are primarily interested in economic opportunities and performances. They rely, to a great extent, on public resources. Actors in this field differ according to their economic power, which is connected with the formal and informal power levels, which they use to influence general and more specific business conditions.

Interlockers bridge the economic and political spheres. They usually have a political background but also occupy important economic power positions in public enterprises and private companies.

For all actors, except economic actors in the private sector, political influence is based on the engagements of political parties (by the direct political position of that individual in the party, or by conducting favors for, and building loyalty relations with party leaders). Parties represent the primary field of competition in which the individual and networks first form the positions of power inside the party and then within the institutions and public enterprises.



WHICH RESOURCES ARE BEING EXCHANGED THROUGH CLIENTELISTIC NETWORKS?

The variety of resources being exchanged include:

- ▶ Money
- ▶ Work
- ▶ In-kind resources
- ▶ Laws and norms
- ▶ The use of controlling mechanisms
- ▶ Information
- ▶ Positions – ‘right places.’

Money and financial benefits are most often recognized by respondents as one of the key resources for exchange. As research reveals, money is exchanged between, and dispersed among the political and economic actors in the following forms:

- ▶ as compensation for board members appointed by the party,
- ▶ as salary for people employed due to party intervention,
- ▶ as financial support to the party by public enterprise,
- ▶ as financial contribution to the party by the people employed, due to party intervention.

These managers (party-appointed managers of public enterprises) are very important as party sub-oligarchy. They are not party workmen, nor chargers, but they are behind party oligarchy, the most powerful group in the party. Their enterprises finance the party. This has been done very cautiously and that circle wants to stay in the game at any cost.

(male respondent, political elite)


Jobs became a particularly important resource after the economic crisis in 2008, when unemployment significantly increased. Jobs have been – and continue to be – provided by request from political parties or influential politicians within public administration, public enterprises or the private sector. Jobs are provided for party activists, lower echelons of parties, friends and relatives of party members or even for persons from the same birthplace as some influential party members.

Volunteering work for the party is a resource exchanged for being provided with employment. People who are employed by political party intervention have to, in return, conduct some voluntary work (in addition to monthly financial contributions extracted from their salaries). This is to be particularly expected during the election campaigns. They have the obligation to participate in the campaign and even engage their family members in completing specific party-related tasks. This is considered an expression of gratitude for being employed by the party.

In-kind resources are diverse and they include some benefits for individuals, such as travel opportunities, quality health care access, personal vehicle use, lunch and dinner offers as well as resources catering more directly to the parties, such as printing services, promotional material and designated space in the media for party promotion and advertisement.

Changes in laws and regulations are resources needed mostly by private business actors, which are often requested in exchange for financing political parties. This includes legal solutions and rules related to certain aspects of a business or economy that provide more favorable conditions for running a business in some industries; these important resources can thus be obtained by the private sector and from political elite.

Control mechanisms such as judiciary, police, and inspections are used either by overzealously applying legal norms or by not applying them at all. In this way, it is possible to provide benefits to some stakeholders while simultaneously putting



pressure on others. The most common form of employing the mechanisms of control over economic actors is by utilizing the inspection services – i.e. the services in charge of issuing and revoking licenses.

Information is considered one of the key resources, particularly in the private business sectors. This includes information about laws and legal changes, government decisions and market-related information – i.e. any new investors, plans to invest in Serbia with a certain industry, conditions under which one can invest, tender-related information, etc. Information is generally gathered through informal conversations with persons holding the appropriate positions. Information is sometimes exchanged for other favors or benefits and sometimes, even holds a monetary price.

“Right places.” This basically means having the appropriate social capital, which can have a different composition for different actors. For example, for private businessmen, this mostly includes persons in political positions who can open the doors to tenders, contracts and investments. For persons in public administration, it can make it easier to obtain licences, documentation, etc. For political actors, this can mean the presence of influential people inside a party, government or public administration who can then provide such actors with access to various resources: promotions, jobs, additional information, etc. Moreover, for political actors, this also includes the placement of persons on the top of public companies or private enterprises, who can help provide various economic resources (jobs, money or in kind benefits and services).

WHAT ARE KEY FEATURES OF CONTEMPORARY CLIENTELISM IN SERBIA?

Clientelism in Serbia has longstanding historical roots. Before the socialist period, clientelism and informality were developed as a way to compensate for the lack of formal institutions in the context of late modernization at the periphery of a then 'fast-developing' capitalist world. During the socialist period, informality and clientelism had been transformed to enable the communist elite to keep tight control over economic resources. After the breakdown of socialism in the 1990s, clientelism became the framework through which public resources could be converted into private capital for the purpose of reproducing and reconstructing the political elite. With the change of a political regime and the initiation of some intensive reforms that the millennium brought, capitalism had thus been consolidated in Serbia, as well as the new ruling class, which set the new scene for relations between political and economic actors. The new forms of relations between the economic and political actors were marked by mutual interdependence and created for the purpose of, and need for funds that came from economic actors, while the economic actors strived to secure political support for the benefit of maintaining or growing their businesses. However, this relationship has also been marked by a greater level of autonomy in comparison to the previous decade, as a certain level of detachment – of the economy from politics – is a necessary precondition for market economy development (Lazic, Pesic, 2012: 52). Changes in socio-economic and political context led once more to the transformation of clientelistic relations and structures. A variety of actors within, and across political and economic systems have been engaged in exchange for resources that are underpinning their structural position and interests. These exchanges are unfolding through diverse mechanisms that can be identified inside the political parties, between parties and governance structures as well as between political and economic actors and spheres.

WHICH MECHANISMS ARE USED WITHIN THE PARTIES?

Research findings point to three key criteria for acquisition of positions and subsequently, escalation of the political party leadership ladder: 1) the ability to raise funds/money for the party, 2) organizational/communication skills and 3) personal loyalty. Political parties are not monolithic structures and conflict emerges as a result of prevalent disagreements. The respondents have indicated that debates inside a party are rarely about the political program or ideology, but rather, stem from the varied needs and interests of party members. As in all organizations, there are oligarchic propensities within different interest groups which tend to be projected as the general (shared) ones. Discontent and factions emerge mostly on the top of the party ladder, and usually occur when there are divisions of strategic position inside the party and concerns/questions about public functions, post-elections. In these situations, individuals and networks – those of which have been excluded or “underestimated” in the distribution – generate discontent, which can result in latent or manifest conflicts. Furthermore, conflict can emerge between different party levels. The open conflict comes after the negotiation and the “trial of strength.” The end result can be a relatively peaceful overturn of the power inside the party or even party division, which leads to the creation of new political parties.

WHICH MECHANISMS ARE USED BETWEEN PARTIES AND PUBLIC INSTITUTIONS?

Although modern institutions are represented by a set of established rules and practices that (should) express the **common interest**, they are not however exempt from the influence of individuals or social groups. Given that institutions represent a legitimate field of power – within which it is possible to influence the formulation of rules, allocation of resources and the enabling/disabling of access to resources – the relation towards these institutions complement the already-presented forms of informality; i.e. the importance of formal channels and procedures for political action. The distribution of sectors and positions is closely related to the relative power between parties (in the case that they must create a coalition) and within the parties. Research has indicated several mechanisms through which the selection of candidates – for governance and public office-related positions – takes place.

- 1. Selection based on merits and loyalty to party.** The highest positions in the state governance structures are reserved for party officials who have been the most engaged in the party work before the elections and who usually occupy managerial functions within the party.
- 2. Selection based on belonging and loyalty to the power network ('ekipa').** People who occupy high positions in the party usually already belong to an established network of loyalties within the party. These networks result from internal competition and they represent the teams that perform the key functions after the election. Each team has a core consisting of several closest persons, followed by a wider circle and then finally, support from the base level (municipal councils).
- 3. Selection and appointment of individuals who are not necessarily political party members.** These are most often friends and relatives of the political party's leadership. Although these individuals are sometimes themselves members of the political party, their membership status is much less important (and often comes after the appointment) given that their credibility is drawn from personal relationships with powerful individuals in the party and the

state, rather than from their own work within a party. These individuals occupy various positions, but mostly hold operational-based jobs instead of the (higher-scaled ones (such as ministerial positions). Some of the commonly-occupied positions include: secretaries of cabinets or sectors, advisors, directors of public companies, etc. Their responsibilities are quite significant their political influences often supersede the responsibilities of their formal position.

4. Selection and appointment of important persons based on their social, organizational or symbolic capital.

These are celebrities who have made a career either in another political party, organization or business and who are considered to be useful in public positions for various reasons. Symbolic capital is essential if a political party wants to raise the ratings by appointing socially and culturally significant people – those who are of particular interest to the media – to prominent positions.

- 5. Appropriation and appointment of people who left another party.** A special category of actors are known as *flyers* – i.e. persons appointed to positions with guaranteed immunity and the opportunity to have their own mandate, as well as those who leave their parent party and join some other during the mandate. The reasons for such change are rarely related to a principle (disagreement with a parent party's policy) but far more often related to personal benefit, financial gain and/or position acquisition – either for themselves and/or for their support networks. When a political party is out of power, party control is weaker because there are fewer resources on which the party relies. Appointing these persons has symbolical value as it shows that whichever party attracts 'flyers' is therefore the more powerful and resourceful one.

In addition to short-term personal social capital, the informal organizational capacity of the party becomes very important in the long run. If it is in power long enough, the party has a good chance of forming a solid network of loyalty in the institutions (ministries, public administration, enterprises, etc). Even after a formal withdrawal from the government, social capital can become an adequate party asset. One respondent says that the importance of URS (United Regions of Serbia) after the 2012 elections had been validated/confirmed by the existence of a developed network of party loyalty in the institutions. These networks were ready to surrender to the ruling coalition just by coming into a position of power without the loyalty networks that were developed in state administration and public companies' infrastructure. This capital has made URS a valuable partner to the government although it failed to get enough votes to pass the election threshold and become a parliamentary party.

WHICH MECHANISMS ARE USED BETWEEN POLITICAL AND ECONOMIC SPHERES?

The mechanisms used between actors in the public and private sectors of the economy differ to certain extents.

Between Political Sphere and Public Sector of the Economy

Party 'conquest' of management structures of public enterprises. This mechanism represents the 'take over' of a public enterprise by political parties. The procedure of the appointment of representatives of political parties into boards of public companies is fully legitimate and the legal process, fully regulated by the law. However, informal processes and interactions that have taken place behind these legal and formal processes can be, and according to testimonies from this research, often are, conducted in such a way that political actors control or use economic resources of public enterprises for their personal and party's benefit. This selection mechanism has been reported by respondents from all parties, regardless of their size or position in the political spectrum.

Why are negotiations about government always so long, even when there is no coalition government? Because there are negotiations behind, like: like-dislike, like-dislike, until the least important function is linked to the money or power. Nobody competes for the position in the library, because party cannot be financed by library like it can be financed from Srbjiagas, but OK, even library is the part of the booty. Then some people who are not powerful are appointed to the library and they will be grateful and they will provide contribution to the campaign, they have some circle of friends who are probably powerful in the art or science.

(male respondent, political elite)

From political elite to economic elite in the public sector – financial support for public enterprises. There are two main methods of use of the budget funds by political actors to transfer economic resources to public enterprises: (1) through the allocation of budget subsidies and (2) through public tenders. In both cases, the budget funds are often allocated to the actors with whom informal arrangements have been made or to the partners who were provided with information in advance, which has thus made them more competitive in the realm of formal competition. This of course includes information on the preferred prices, business conditions, service standards and other important pieces of data that would make one actor more privileged than another. Not only does the favored company get to do a job, but the profit made from that job can be multiplied through any additional informal arrangements made in advance. Often, upon the completion of work tasks, the annexes to the main contract are signed in order to extend the scope of work and increase the price.

From economic elite in the public sector to political elite – financing of political parties by public enterprises. This is the key benefit that political parties gain by establishing control over an enterprise; this type of control has been conducted through various mechanisms. One method assumes that part of the money received through public tender for some contract is given back to the political party in charge of the sector that calls the tender. As several respondents have stated, the party has certain expectations of such arrangements. However, an absence of clear rules on expected monetary compensation leaves room for the party members to manipulate the participants of the agreement in order to obtain a certain amount (benefit) for themselves.



When the party appoints you a position, it knows how much it can expect; when a leader appoints people, he does not deal with the people he does not know well, these things are not transparent. There are people in the party who are in charge of it, they obtain money for the party, others are dealing with other matters. Public procurement is still a fictional thing. You call tender, you submit a bid and you provide two other formal bids. Part of the money is given to the party, someone will ask money for themselves personally, and some won't. There is no party control, only expectations!

(male respondent, local politician)

Party-directed employment. At the moment the party wins power, its primary goal then becomes to provide their membership and (potential) voters with as many jobs as possible in the public or private sectors. In this way, the party can reward their members for their work and loyalty by employing them or their close persons. The mechanisms of party employment vary, but they are always conducted through informal contacts between the party member and influential person within the enterprise. Sometimes, more formalized mechanisms of party – regulated employment are established.

I came to manager (respondent and manager were from two different parties) and told him: 'I am fully aware that you will be exposed to pressures, as I am exposed to pressures. We can make deal, one of every three new employees, one is mine'. He said: 'Agreed, I understand'. He was really great. So I managed to employ three persons in one year. Among these three persons only one was from the party, since I had to employ also one cousin. There was not pressure from the party to employ more people because people in the party are reasonable. They know exactly how much you can do on your position.

(female respondent, interlocker)

Between Political Sphere and Public Sector of the Economy

Although money serves as the most valuable resource for exchange, as is in the case of the public sector, there are some other important resources – as well as mechanisms – for financial transactions.

Lobbying for legislative and administrative ‘favors.’ This is one of the mechanisms through which business actors get benefits from political actors in exchange for economic resources. Practices through which this mechanism functions include complex negotiations and bargaining on meetings – both of which include various actors from both sectors.

For example, there was meeting of Business club, where it was concluded that it would be good to invest in agriculture, but there is some bylaw that does not suit us. It would prevent us to get profit; profit would be halved. Then we speak with politicians and if they estimate that this is somehow also in their interest, then they initiate revision of law or bylaw.

(male respondent, big entrepreneur)

Financing political parties. The mechanisms for financing political parties are quite diverse. One way is through foundations, associations, donations and sponsorships. Money is sometimes sent directly to some bank account that parties have opened solely for that occasion. After the payment, money is transferred to some other account – either domestic or abroad – and then closed, thus eliminating any traces of payments. Based on the testimonies of the respondents, there are two forms of financing political parties that can be observed based on the motivation of business actors: voluntary and compulsory (or extortion). Voluntary financing can be found among those businessmen who have – or had – political aspirations or the desire to ‘contribute’ to the changes. In these cases (not so numerous among the respondents) the financing of a political party is considered almost as an investment in bettering the socio-economic environment and furthermore, as a way of improving the business environment. Another type of (semi)voluntary financing of political parties can be found among entrepreneurs who have come to understand that this is ‘the rule of the game’ and that they must accept it as an essential part of doing business. This type of economic actor does not resist requests for payments made by political parties. Some of them indicate that their contract with a public company was prolonged only after such payments to

political parties were made. The dilemma for this type of economic actor is not *if* he/she should finance political parties but rather *which* parties he/she should finance. Some shift swiftly from one party to another by predicting the next election winner or after the establishment of new power structures. Others finance different parties, expecting that they will keep their privileged positions, regardless of who wins the elections.


Well, party leader tells you his price and then you see if will you pay it or not (laughing). I think that political parties present this money as sponsorship. This is not same as 'harac' (meaning regular payments to political party), but this is some kind of 'free' donation.

(male respondent, big entrepreneur)

The third type of economic actors are those who are reluctant to finance political parties and conversely, those who resist such requests. There are various forms of 'punishment' for the refusal to finance parties: sometimes, there is an intense inspection of their work, the termination of contracts or the act of warning/dissuading others from doing business with a 'blacklisted' company. In addition to these, a respondent's requests for financing can also be perceived as extortion. According to their testimonies, sometimes they are approached by representatives of a political party directly, and other times, by other businessmen who already 'cooperate' with the party.

Then one man came to my office and said that we have really nice autumn collection, and that he would like that we cooperate. I asked him who is he? I thought that he is somebody who has chain of stores, so we can distribute our products through his stores... But he said: 'I am businessmen who is close to governments, so if you want to be close to them as well, I am your ticket'. I was so surprised, shocked... I refused...and so... I was so naïve... after this we were visited by inspection every second day – sanitary, labor, financial inspection – so I decided to move office abroad.

(male respondent, big entrepreneur)



Public tenders. This is the same mechanism, as in the case of public enterprises, but this time it is seen through the eyes of the private sector. Although some respondents have stated the difficulty in manipulating this mechanism, due to public competition and the various legal rules that govern the process, there are many respondents that claim that a major part of public tender procedures are manipulated. This can usually be done by aligning the criteria with a particular company – i.e. by liking the information about price offers of competition, creating a provision for a semi-prepared offer, etc.

The use of control mechanisms. A very significant use of public resources is through operational *control mechanisms*. They are used to influence in two of the following ways:

1. By enabling economic actors to conduct business regardless of the legal framework. In this case, even though the business violates some norms (mostly ones related to anti-monopoly regulations and quality standards), procedures deliberately *tune* results and the business is therefore misrepresented as legal and legitimate.
2. By putting pressure on disloyal and non-collaborative economic actors by threatening prosecution for the violation of rules, if they fail to meet the expectations set outside the formal procedures and channels parameters.

IN CONCLUSION

Our analysis of informal relations, party patronage and political clientelism in post-socialist Serbia has showed that although institutional and personal elements in the political and economic system had been altered after 2000, the structure of power did not change. Although the complementary processes of blocking transformation and conversion of political into economic resources has led to gradual reconstruction, division and even conflict among elite factions, which has implied a shift of power from the political to the economic arena, it was ultimately the economic system that remained under political domination and all the power and privileges, in turn, concentrated in the hands of a small group of people.

A complex informal system of power concentration and resource distribution had been set and maintained based on informal, yet quite strict, rules and on hidden, but very functional, roles. Through several mechanisms, these roles have been reproduced and both punitive and rewarding rules have been applied as a way of favoring the extractive mode of formal institution functioning. The on-going economic crisis has sharpened the edge of political clientelism: scarce resources and tight competition between, and inside informal networks and political parties will either put additional pressure on disciplining the informal system and preventing defection, or will lead to the fragmentation and weakening of political power. The latter scenario might either result in the strengthening of inclusive formal political institutions or to switching to yet another stage of dominance of the economic elite inside Serbian political capitalism. It is worth emphasizing that the outcome will, at least partially, depend on the prevailing values and activism of the citizens.

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SeConS was founded by a group of sociologists and social researchers, who for many years worked on issues of social development at the university and in other civil society organizations in the country and abroad. In 2005, this group of experts decided to become more socially engaged and use their knowledge and experience in order to contribute to long-term socio-economic development and improvement of living conditions of individuals and social groups in Serbia and the region.

SeConS is an independent think-tank organization with experts who conduct empirical research, analyze policies and processes, specific social and economic challenges, educate, and train and empower different actors. Data collection and analysis conducted by SeConS are a reliable basis for development of methodologies, recommendations and policies. This is an important contribution to the development and implementation of national, regional and local policies.

SeConS mission is to contribute to adequate and effective socio-economic development policies and programs and to contribute to effective work of various stakeholder from the public, private and civil sector for development on the national, regional and local level. Main fields of activity where SeConS has yielded expertise and high quality results are: social inclusion, gender equality, rural development, regional and local sustainable development, migration, institutionalization, organizational reform, development of the public sector, management and development of human resources.

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The RRPP promotes social science research in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia). Social science research aids in the understanding of the specific reform needs of countries in the region and in identifying the long-term implications of policy choices. Researchers receive support through research grants, methodological and thematic trainings as well as opportunities for regional and international networking and mentoring. The RRPP is coordinated and operated by the Interfaculty Institute for Central and Eastern Europe (IICEE) at the University of Fribourg (Switzerland). The programme is fully funded by the Swiss Agency for Development and Cooperation (SDC), Federal Department of Foreign Affairs.

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