

■ SERBIA

How politics chips away the economy and human rights



Seven years after the collapse of former President Slobodan Milosevic's regime in 2000, Serbia is going through a difficult transition that will lay the foundation for future prosperity. Since the beginning of 2008, however, the country's economy has worsened due to a series of non-economic factors. Macroeconomic stability is still fragile, democracy semi-consolidated and corruption widespread. The most vulnerable groups – the unemployed, the handicapped, the elder, the poor and excluded, women and children – still find it difficult to obtain basic services.

Women's Centre for Democracy and Human Rights

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The year 2008 began with dramatic political turbulence, which will affect the country for years to come. On 17 February Kosovo and Metohija¹ issued a unilateral declaration of independence. The Serbian Government immediately rejected it, but the international community has strongly supported independence for Kosovo and Metohija. The consequences of this situation included a slowdown in negotiations with the EU on a Stabilization and Association Agreement; the fall of the Government; the setting of a May 11 date for parliamentary, provincial² and local elections; expressions of concern by foreign investors; and a jolt to the stock market.

Although government officials profess optimism about the country's macroeconomic performance and satisfaction about all that has been accomplished, independent experts have been more reserved in their prognoses. No political consensus exists on integration into Europe and political instability has surfaced again. Permanent political crises are endangering the economic reforms, which are being implemented slowly and with poor results.

Key macroeconomic indicators

Serbia has achieved significant economic results in its transition to a market economy. Since this transition began seven years ago GDP has grown almost 50%. However over the last two years the economy has fluctuated dramatically. The highest GDP growth was recorded in 2006; in 2007 industrial production grew only 4%. This unbalanced growth has been accompanied by a huge increase in salaries – an average of 20% to 30% – and a major relaxation of financial restraints, resulting in significant economic deterioration. A GDP surplus of 0.75% in 2005 was followed by a 1.5% deficit in 2006. The deficit in the balance of payments reached 13% of GDP in 2006 and 13.9% in 2007. Foreign debt has climbed to 62% of GDP.³

The domestic market relies heavily on imports since domestic production is still inadequate to satisfy demand. This has increased the foreign trade exchange deficit. Expanding domestic demand, the foreign trade deficit and rising debt are jeopardizing achievement of the macroeconomic plan. In its 2008 national budget the Government announced cuts in public expenditures (10%), subsidies (5%) and investment (around 20%). However, in spite of a declared policy of strict control of salaries in the public sector, the Government recently agreed to pay raises.⁴

This macroeconomic situation is a consequence of combining long-term expansive fiscal policies with restrictive monetary policies. Salaries and consumption grow too quickly in an environment of insufficient and inadequate domestic supply, thus increasing obligations to foreign countries. In the entire transition period, salaries have been rising steadily in both the public and private sectors, at a faster rate than productivity (Bureau of Statistics).

In March 2007, after an evaluation of Serbian macroeconomic trends in 2006, an IMF mission recommended a significant reduction in public consumption and a budget surplus of 2.75% of GDP for 2007. The Government proposed a budget deficit of 2.75%.⁵ The IMF recommendations run contrary to the Government's efforts to implement an expansive fiscal policy. The IMF position is that the Government should not use fiscal policy to stimulate production until the public sector is reformed (meaning that salaries and employment in this sector should be reduced). Fiscal policy should be restrictive in the future.

The low level of investment as a percentage of GDP was a weak point in the previous phase of transition. This has been associated with a high unemployment rate. At a time when the official unemployment rate is 20%, fixed investments constitute only 18% of GDP (Ministry of Finance). The former figure is far above European standards while the latter is far below. Increasing foreign investment is crucial to Serbia's economic success, but this will require political and macroeconomic stability, as well as high-quality institutional systems and a business-friendly environment.

In the current environment, radical political forces are gathering strength amidst dissatisfaction with the results of the transition. This adds further

complexity to a political scene already burdened by unsolved political problems. Growing uncertainty is likely to lead to a stalemate in European integration, the strengthening of economic monopolies, a further decrease in economic competitiveness, significant fluctuations in stock exchange prices and exchange rates, increased corruption, heightened social differences and declining living standards.

Poverty

More than 450,000 citizens receive some form of social subsidy. The absolute poverty line amounts to USD 160 per consumer unit/month. The poverty rate dropped from 13.3% in 2002 to 6.6% in 2007, a decline of almost half a million people. However, another half a million citizens remain very close to the poverty line. Getting or losing a job is the crucial factor in determining a household's consumption level. More than half of all households with children (56.2%) declare that they are poor and characterize their personal financial situation as bad or very bad.

Retired people are also at great risk. In January 2008, 60% of retirees (760,000) received less than USD 300 per month, while 13% of them had to live with barely USD 150.⁶ Other groups at risk, such as children, the elderly, people with disabilities and the Roma, need continued and expanded assistance.

Children

UNICEF data show that many social welfare challenges remain. Poor children; Roma children; children with disabilities; children who are victims of abuse, neglect, exploitation and violence; and children living in residential institutions, all face exclusion. Reform of the cash benefits system is essential to improving their situation. Improved financial support would enable them to achieve minimum living standards and improve their access to services.

Over 300,000 children live in poverty or on the verge of poverty. Poor households with children spend almost 80% of their income on food, rent and housing. This leaves very little for other needs. A majority of children from poor families live outside urban areas, which means schools, hospitals, healthcare centres, sport facilities, etc. are typically further away. More than 6% of children living below the poverty line do not attend primary school. Rates of chronic disease are above average among them.

* Due to the recent separation of Montenegro in June 2006 there are no available data on BCI nor for GEI components of Serbia alone.

1 Serbian province which status has been regulated by the UN Security Council Resolution 1244.

2 In the Autonomous Province of Vojvodina.

3 Economist magazine, No. 323/2006.

4 Economist magazine, No. 403/2008.

5 Economist magazine, No. 356/2007.

6 Blic Daily, available at: <www.blic.co.yu/ekonomija.php?id=30849>. Accessed: 18 February 2008.

Children living in rural and less developed areas (Southeastern and Western Serbia) are potentially vulnerable to being socially excluded due to 'socio-cultural' poverty as well as low income.

Roma children are particularly at risk: more than 80% are poor; only 4% attend kindergarten. Among the Roma, mortality rates for infants and children under five are three times higher than among the rest of the population. Although 76% attend primary school, only 13% finish it. Only 4.8% of girls and 12.2% of boys attend secondary school.

Children with disabilities are not only excluded from healthcare and education but also exposed to isolation and rejection. Their parents often do not receive adequate governmental support. Almost half the poor children do not receive a child allowance, while 19% of the richest families do.

Handicapped people

Serbia adopted the Law on Prevention of Discrimination against Persons with Disabilities in 2006 and the UN Convention on the Rights of Persons with Disabilities in 2007. Under the law, state authorities are obliged to provide persons with disabilities with public services and access to facilities. Until now, this law has not been adequately implemented. Data from the Center for the Development of an Inclusive Society indicate that 79% of persons with disabilities are jobless, 70% live in poverty and 50% have not finished primary school. Of 23,000 registered with the National Employment Service in 2006, only 316 found employment, despite the adoption of affirmative action measures. Among the primary reasons for this failure are employer reluctance to alter offices to accommodate persons with disabilities and lack of transportation to workplaces.

Although people with disabilities account for 8% to 10% of the population, they are invisible in public life.

Women

Women still suffer widespread discrimination in both public and private life. Employers discriminate them at work in violation of the Labour Law. Women often accept this, out of fear of losing or not getting a job. Research by the Independent Trade Union indicates that the gender wage gap is 10-30%. Women often suffer from multiple types of discrimination, based on age, ethnicity, disability and sexual orientation. Violence against women is widespread, including domestic violence and sexual harassment.

Workers' rights

A restrictive economic policy runs counter to workers' interests. Social dissatisfaction has continued to grow, but trade unions are weak. In 2007, police, metal and textile workers, judicial staff, primary and secondary school staff and public administration workers staged a strike to protest against low salaries. A number of workers went on hunger strikes.

Inadequate workplace safety is a major problem. Due to increasing injuries at construction sites, which resulted in 14 dead workers and 112 heavily injured at the beginning of 2008, the Ministry of Labour and Social Policy announced a six-month campaign of

intensified inspections to ensure that employers were meeting safety standards. Human rights NGOs insist that this level of inspection should be the norm.

Abuse and harassment at work, a widespread problem, has only recently caught the public eye. Studies show that 1 out of 14 men and 1 out of 3 women have been victims of sexual harassment at work at least once. At the beginning of 2008, the Secretariat for Labour, Employment and Gender Equality of the Autonomous Province of Vojvodina, supported by trade unions, the Association of Employers and NGOs, began drafting a law that would ban emotional abuse in the workplace.

Health care

Economic reforms have been accompanied by reforms in public expenditures. Since 2001, public spending on education, health care, social protection and general public services has gradually increased as a proportion of GDP. In 2007, Serbia allocated 6.5% of GDP for health care. Beginning in 2002, the country has gradually been shifting from mandatory state health insurance to private health care.

In this new environment, the huge gap between a few rich citizens and the great number who are impoverished has threatened the wellbeing and survival of many families and their access to health care. Poor, unemployed and retired people have difficulty obtaining health care services, particularly privatized ones, due to high prices.

Inspectors have found that 40% of maternity wards still have infrastructural and hygienic problems and UNICEF has reported a series of alarming facts, such as the hardships the marginalized groups face. Scores of children lack access to health and other protection services. Infant mortality rates are significantly above the European average and are exceptionally high in some municipalities and among Roma children.⁷

Until now, the Government has adopted or drafted a number of national strategies and/or action plans aimed at promoting social status, employment, health and education of vulnerable groups such as children, youth, women, Roma and persons with disabilities. The Social Welfare Development Strategy, adopted in 2005, was designed to provide effective and better social services. However, a lack of efficient implementing and monitoring mechanisms undermines its effectiveness.

Discrimination and corruption

The civil sector is extremely active in promoting international and EU standards for the protection of human rights, including women's rights, minority rights and children's rights. Shadow reports and analysis by numerous NGOs indicate that international standards for the protection of women, children, Roma, national minorities and other vulnerable groups are not applied and economic and social rights are not

well protected. Although both the Constitution and a number of laws prohibit discriminatory conduct, they have not been adhered to. Serbia still lacks a comprehensive protection system that could adequately deal with widespread direct and indirect discrimination. And, despite the demands of NGOs, the Government has not passed either an anti-discrimination law or a law on gender equality.

In addition, widespread corruption in all spheres of public life undermines efforts to establish the rule of law and implement the principle of equality of access to resources and basic services. The Anti-corruption Council, a governmental advisory body, has denounced multiple cases of corruption. The council has also shown how the Law on Privatization, approved in 2001, has paved the way for unbridled corruption and the creation of monopolies, money laundering and the 'robbery' of state-owned and socially-owned companies by 'tycoons' and 'a group of powerful people' who make laws to benefit their personal interests. ■

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⁷ According to the *Multiple Cluster Survey 2005*, the infant mortality rate in Roma settlements is 26 per thousand, while the under-five mortality rate is 29 per thousand, both almost three times higher than the official average for Serbia (9.1 and 10.4 per thousand respectively).