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# ANALYSIS OF THE ROLE OF MANAGEMENT IN THE PRIVATIZATION OF THE “PORT OF BELGRADE” AND THE COOPERATIVES IN VOJVODINA

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## ABSTRACT

The paper examines the role of management and the economic consequences during the purchase of state and cooperative enterprises (combines), and states that the consequences are enormous. Also, the paper discusses in more detail the privatization of cooperative combines (enterprises) in Vojvodina. That process began in its most extreme after the elections held in September 2000. In addition, the paper analyses the problem of construction land on the example of “Port of Belgrade”, i.e. the combination of crime, tycoons and politicians in the aforementioned privatization.

## Introduction

In the introductory part, we emphasize that the paper examines and analyses the theoretical and practical aspects of the purchase and change of ownership of “Port of Belgrade” and the combines in Vojvodina, as well as aspects of the fight against corruption, i.e. the formulation and implementation of a successful strategy for the fight against this “social diseases”, in order to reduce the economic and social consequences of this extremely negative phenomenon.

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In this context, the role of company management and the role of state authorities in suppressing corruption, as well as in the state system of collective security, is of particular importance.

The growth in popularity of corruption as a research topic (regardless of the level and type of research into this phenomenon) has occurred in the last twenty years, and its study is a significant international, socio-pathological and legal phenomenon that has a historically long tradition, especially intensified in the second half of the 20th century. Corruption as a modern political phenomenon strongly opposes all achievements of human civilization. In addition, corruption affects the free market, reduces the level of general and personal security and protection of assets, as well as the development of society, creating distrust of citizens towards the government and its bodies, blocks reforms, reduces willingness to invest, causes financial damage, destroys economy, and harms the country's international reputation (Đukić, 2016).

Modern society is organized on the basis of various rules aimed at defining relationships between people. Those legalities can be formal and informal. Formal regularities are generally easy to determine, while informal ones are more difficult, or difficult to observe, even when they are based on formal regularities. It is very important to understand this at the initial phase of analysing the phenomenon of corruption, which rests on informal legalities, but firmly relies on formal ones, stems from them and uses them (Đukić, 2023).

The transition period is the time of change of formal rules and change of institutions. However, with these changes occurring relatively quickly, often with a single legislative decision, informal rules change slowly, although they adapt to the newly emerging formal rules. Informal corruption relations from the period of socialism, in the age of transition, evolve and change their face together with formal rules. These relations follow the redistribution of goods and power. It is easy to understand, because corruption is a phenomenon — which tends to function according to the principle: “Do ut des” (lat.), — “I to you, you to me” (Đukić, 2016).

Transitional changes in many countries brought new laws on property rights, the fiscal system, etc., which were almost copied from the legislation of Western countries. As external influences work differently in different countries, the economic results resulting occurring from these laws are quite different from those in the countries where they originated. Although the rules are the same, the behaviour of the participants and the method of application and its implementation are different (Đukić, 2023).

In order to consider corruption as the most dangerous form of organized crime, as stated by Professor Mijalkovski, it is advisable to bear in mind the position of the ancient Greek philosopher Aristotle, which reads: “The greatest crimes are not committed to obtain what is necessary but what is superfluous”, because the corrupt are (not) people (officials, public officials) without scruples, who abuse the trust shown (Mijalkovski: 2012).

The main goal of the work presented in this paper is to investigate the consequences of the purchase of construction land and the “Port of Belgrade” company, that is, the combines in Vojvodina, as well as the role of the companies’ management and state authorities in suppressing this serious problem.

### **Methods**

In this paper, the basic methods of knowledge were used, which include: analysis, concretization, specialization, generalization, etc. In addition, general scientific methods were used, including: statistical method, modelling method, hypothetical-deductive method and comparative method. Also, data collection methods were used, including: observation methods, research methods (interview, survey), document analysis method, case study methods, etc.

### **A practical role of management**

In practical terms, there can be as many different management disciplines as there are types of organizations. This, of course, does not mean that every field of human activity to which management is applied is also a separate scientific discipline. The basic task of the management of every organization is to increase the vitality of the organization, i.e. its ability to survive in different circumstances, along with the prosperity and growth of the organization (Đukić, 2021).

For a better understanding of this issue, we will touch upon the concept of safety management at this point. The term safety management in a broader sense means deciding on the security goals of the organizational system, on ways and means to avoid unfavourable influences coming from the environment or the organizational system itself, or to reduce their harmful influence (Dragišić, 2014).

Security management does not make strategic decisions, but significantly influences their adoption by providing top management with information and assessments on the basis of which strategic goals are defined and operational decisions are made. (Đukić, 2021).

In this regard, in security organizations, special attention is paid to different theoretical sources of organization and management, as well as the possibility of applying different management theories in solving organizational problems (Stevanović, 2012).

In addition, there are economic enterprises that are of great importance for the safety of the community in which they operate, either because of the importance of their products and services for the normal life of the local or wider community, or because of the dangerous forces contained in their facilities and whose damage would cause major disasters (Đukić, 2021).

### **Public and strong personal interest**

Corruption is a typical reciprocal activity, because it is based on the “I to you, you to me” principle, and it works through a network of relationships that need to be fought against

with the help of a network of courts, police and non-governmental organizations. The essence is in discretion and secrecy, because everything is done in secret. It's usually a one-on-one game. That is why it is difficult to discover. And it's even harder to prove. The risk of detection is reduced, because it is mutual, effective and extremely efficient. The result of corruption is always certain and unreservedly certain: "I to you - you to me - now and here" (Milivojević, 2002).

It can also be stated that corruption can still "oil the economic machine" in some situations, and that is when a bad or kleptocratic state administration imposes harmful regulation and thus sets obstacles to normal business (Begović, Mijatović, 2007).

In this regard, the consequences of all types of corruption, especially in the economy, are great, so we can say that crime is becoming an economic branch (Đukić, 2021:599).

The eminent theoretician Peter Eigen vividly portrayed corruption by the following: "Where politics, that is, the public sector and the economy are mixed, where the public and strong personal interest are vaguely intertwined, it is only a step towards corruption" (P. Eigen, 1999).

### The case of state cooperatives in Vojvodina

In this place, we will analyse the cases of state cooperatives and high-quality agricultural land in Vojvodina, which was the most characteristic in the area of the entire Republic of Serbia.

We note that in the process of privatization of agricultural enterprises, numerous illegalities were committed when it comes to state and cooperative property, primarily due to unclearly defined regulations regarding land ownership (Đukić, 2016).

**Table 1.** State cooperatives, state and cooperative agricultural land

Number of privatized agricultural enterprises	<b>253</b>
Privatized state and cooperative agriculture lands	<b>More than 400,000 hectares</b>
Number of cancelled contracts	<b>60</b>
The number of dismissed agricultural workers	<b>More than 65,000</b>

*Source:* The anti-corruption Council of the Government of the Republic of Serbia

In this way, after privatization, the buyers changed the form of ownership in the Real Estate Cadastre, that is, registered private ownership on cooperative and state property. The real estate cadastre service of the Republic Geodetic Institute changed the form of ownership from public and cooperative to private ownership based on sales contracts and the Agency's confirmation of the price paid (Report of The anti-corruption Council, 2011).

Through the analysis of sales contracts, it was determined that all this indicates that the privatization of agricultural companies and combines was not well implemented, that is, that privileged individuals were enabled to acquire real estate, especially land, under extremely favourable conditions (Đukić, 2015).

The Anti-Corruption Council recommended that the Directorate for Agricultural Land of the Ministry of Agriculture obtain from the Republic Geodetic Institute and the Cadastre Service of certain municipalities where immovable properties are located, data on changes in the cadastral status on that land after privatization, as well as on changes in ownership of state and cooperative property, as it would be determined whether registrations of ownership rights on state and cooperative property were made to buyers of social capital, based on the privatization contract, and whether the registrations changed the form of ownership (Đukić, 2015).

“For example, there are opinions that agricultural land as a general good of public interest could not and cannot be the subject of privatization” (Popov, 2013:35).

In order to convey this kind of privatization even better, and to make this legal gibberish even more complex, the privatization concept is contrary to the basic legal principle of derivative, translational acquisition of rights - *nemo plus iuris ad alium transferre potest quam ipse habet*. (Avramović N, Stanković M. 2020)

In this place, we will deal in more detail and analyse the cooperatives (companies) that bought and own agricultural land in Vojvodina and Serbia. However, this only applies to the land that they bought. But there are also lands that were bought by their close associates and family members (Report of The anti-corruption Council, 2011).

**Table 2.** The largest owners of agricultural land in Serbia

Owner – Company	Area in hectares
„Irva grupa”	30.000
„Delta”	25.000
„MK komerc”	24.000
„Matijević”	16.000
„Viktorija grupa”	6.000

*Source:* The anti-corruption Council of the Government of the Republic of Serbia

According to research by UNICEF and OCHA (the UN Office for the Coordination of Humanitarian Affairs), the mortality rate during the sanctions did not increase significantly, primarily due to domestic agriculture and pharmaceutical production, thanks to which Serbia was not dependent on imports (Economic sanctions, Health, and Welfare in the Federal Republic of Yugoslavia, 1999-2000). As the Serbian pharmaceutical industry was almost completely destroyed in the process of privatization, and agriculture became the terrain of big capital speculation, it is clear that the process of privatization is fundamentally directed against the interests of the population to ensure their existence through the creation of a sovereign, self-sustaining society (Đukić, 2016: 290).

An illustrative example is “Ratkov”, where 160 hectares of state agricultural land were registered for privatization, and the official data of the Republic Geodetic Institute say that there were 413 hectares (Đukić, 2016).

One of the characteristic examples is the agricultural property “Zobnatica” (next to Bačka Topola), where in addition to the land, there is about 163,000 square meters of business space, which includes a hippodrome, a pond, and numerous facilities (Report of The anti-corruption Council, 2011).

### The problem of construction land on the example of “Port of Belgrade”

The company “Port of Belgrade”, which uses 220 hectares, was privatized in 1998 under the then-current Law on Property Transformation, when 60 percent of the share capital was distributed to employees free of charge. At the time when the concentration of ownership in “Port of Belgrade” was carried out, shares could only be traded on the stock exchange and in a situation where the buyer exceeded the threshold of 25 percent of ownership of the company. In that case, the buyer had to request approval for the purchase from the Securities and Exchange Commission, and that way of acquiring shares is called a takeover bid. In April 2005, the Institute of Economic Sciences was hired to make a new assessment. In June, the institute gave preliminary results, according to which the book value of the capital was three and a half times lower than the real value. (Đukić, 2019).

The buyer of the shares, the company “Worldfin”, is registered at the same address as the company which a few days later came into possession of the shares of the company “C market”. In this takeover offer, “Worldfin” states that is a newly formed company and therefore there are no balance sheets or other financial reports. According to the decision on registration in the court register, the value of the basic capital of this company was 31,000 euros. “Worldfin” buys “Port of Belgrade” for 40 million euros. (Đukić, 2019).

**Table 3.** The ratio of “Worldfin” capital value and the price for which it was purchased

The value of the basic capital of the company “Worldfin”	31.000 EUR
The price for which “Port of Belgrade” was bought	40.000.000 EUR

*Source:* The anti-corruption Council of the Government of the Republic of Serbia

Although the General Plan of Belgrade from 2003 stipulates that the “Port of Belgrade” will remain an economic zone until 2021, three years after the adoption of the GUP, the Directorate for the Construction Land and Building of Belgrade on December 27, 2006 publishes a Public Call for the preparation of a previous feasibility study. The anti-corruption Council in its report addressed to the Government of Serbia points out that it is obvious that the change of land use and the relocation of the “Port” was previously agreed upon, and that the Directorate should justify and implement the reached agreement. (Đukić, 2019).

In 2010, the anti-corruption Council filed a criminal complaint against the owner of the company “Worldfin” from Luxembourg, but also against 16 others who participated in illegal actions related to the takeover of “Port of Belgrade”. The head of the Privatization Agency was M. Đ. (from July 15, 2004 to October 5, 2006), who came

to that position at the suggestion of the then Minister of Privatization, P.B. (DSS). By the way, after leaving the agency, M. Đ. appeared in “Večernji novosti”. At that time, the president of the Securities Commission was M.Š.. Due to the privatization of “Port of Belgrade”, Serbian businessman M.B. was interrogated on January 29, 2013 at the Ministry of Interior. In a short statement, he pointed out that he thinks that after six hours he managed to explain to the police everything about the takeover of “Port of Belgrade” shares and to point out the reasons why the appearance of alleged illegalities in the secondary privatization process of “Port” is real (Đukić, 2019).

It is obvious that it is a combination of crime, tycoons and politicians (political parties), where state property was damaged and Serbia was put in a position to be left without ports. In this case, there is an illegal concentration of ownership to the detriment of the state and small shareholders, and the Ministry of Economy and other state institutions participated in this. This is a simulated business, because the buyer are only interested in the land, so in that case it was not about the purchase of the port in order to continue the activity of that company, but about the purchase of the port’s land for other purposes (Đukić, 2023).

**Table 4.** The connections in the privatization of “Port of Belgrade”

<b>company “Worldfin”</b>	Ministry of Economy
	Privatization Agency
	Stock Fund
	Securities Commission

*Source:* Authors research

In addition, at the request of the new owners, the General Urban Plan of Belgrade was changed, which led to a situation where the port is not viewed as an infrastructure facility built by the state, but as a land in which the new owners are interested (Đukić, 2023).

Are we witnessing the end of the “Port of Belgrade” affair, whose privatization is one of the list of 24, whose review is requested by the EU? Port claims that the court verdict in the dispute with the former small shareholders established that its managers did not commit any illegal actions. However, Port of Belgrade was marked by the anti-corruption Council as an example of the connection between tycoons and people from political circles in the implementation of work to the detriment of the state (Đukić, 2023).

The Anti-Corruption Council stated as early as 2008 that everything that happened in the way of selling the Port of Belgrade pointed to large-scale corruption and that this transaction damaged not only the budget of Serbia and the former shareholders, but also all taxpayers, because it was carried out by taking the old book value 2.5 times lower than the current one. (Djukić, 2021).

At that time, the official president of the Anti-Corruption Council - the late Barać Verica - told RTS that “there are doubts about the connection between tycoons and people from political circles in the implementation of the work, to the absolute detriment of the state interest. There is so much illegality and synchronized action of state authorities.

You will see, for example, that the state institutions made all the decisions accepting the illegal and inappropriate offer of “Worldfin” on the same day” - she said.

### Conclusion

Based on everything presented, declaratively, privatization aimed to strengthen the economy, i.e. economic growth. The new owners would very often launder the money acquired in an illegal way through privatization.

It is important to point out that during the illegal purchase of “Port of Belgrade”, the criminal police of the Ministry of Interior and the judicial authorities carried out certain actions and prosecuted the cases.

And finally, comprehensively, corruption as a serious form of criminal activity is an ineradicable phenomenon. However, the fight against corruption must be a permanent process using all available means, with two ultimate goals: reducing it to a lower, tolerable and acceptable level and permanently maintaining what has been achieved, especially in those areas where it causes the most damage.

State institutions and the strategy of the state with a healthy economic policy play a key role in that struggle. That is why these institutions must be strong and uncorrupted. Only then is the fight effective, and only in that case no one individually is stronger.

### Conflict of interests

The authors declare no conflict of interest.

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