

*Edited by Slobodan Cvejić*

**INFORMAL  
POWER NETWORKS,  
POLITICAL PATRONAGE  
AND CLIENTELISM  
IN SERBIA AND KOSOVO\***



Informal Power Networks, Political Patronage and Clientelism in Serbia and Kosovo\*  
Edited by Slobodan Cvejić

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Edited by Slobodan Cvejić

Belgrade, 2016

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### Regional Research Promotion Programme in the Western Balkans (RRPP)

The RRPP is aimed at fostering and promoting social science research in the Western Balkans (Albania, Bosnia and Herzegovina, Kos-

ovo, Macedonia, Montenegro and Serbia). Social science research aids in the understanding of the specific needs for reform and in identifying the long-term implications of potential policy choices. Researchers receive support through research grants, methodological and thematic trainings, as well as opportunities for regional and international exchange and networking. 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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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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CRDP is part of RECOM an initiative concerned with human rights violations committed during the conflicts in the former Yugoslavia. In order to assist the victims in Kosovo CRDP monitors the law for martyrs veteran and invalids as result of the war. CRDP also is involved in creating the human security index in Kosovo and exploring party patronage and its effect in Kosovo's society.

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## INTRODUCTION

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This book presents results from empirical research on the informal relations between political and economic elite, and of the spectrum of political and economic actors from Serbia and Kosovo<sup>\*1</sup>. Informality represents an important feature of post-socialist societies. Informal and personal networks that predate the socialist period are an important legacy for the development of democratic systems and market economy in former socialist countries. Particularly in the context of weak and blurred institutional and normative frameworks, individuals tend to rely more on the informal institutions and practices. The assumption was that these informal relations inside and between the political and economic spheres were based on high asymmetry of power and a high level of dependence (where usually economic actors depend on will of political power holders). Therefore, patterns of clientelism and the question of the 'culture of informality' became important facets for understanding the contemporary trajectories in the political and economic subsystems of former socialist societies.

The general aim of this research was to identify the main forms, determinants and social effects of informal norms, relations and practices – through which political elite captured economic resources in Serbia and Kosovo\*. The literature used to complete this research includes elaborations and critiques of the concepts of: *informality* (e.g. Chavance, 2008; Misztal, 2000), *informality in former socialist countries* (e.g. Aliyev, 2015; Burawoy and Verdery, 2000; Grødeland and Aasland, 2007; Ledeneva, 1998, 2013; Smith and Stenning, 2006; Stark, 1992, 1996; Wedel, 1986, 1992), *relation between formal and informal institutions* (e.g. Acemoglu and Robinson 2012; De Soysa and Jutting, 2007; Helmke and Levitsky,

2004, 2006; Nee, 2003; Nee and Ingram, 1998), *political patronage and clientelism* (Hopkin, 2004, 2006; Kitschelt, 1995, 2000; Kitschelt and Wilkinson, 2007; Kopecky and Scherlis, 2008; Kopecky and Spirova, 2011; Lauth, 2000; Robertson and Verdier, 2013; van Biezen, 2004) and *political capitalism* (Antonić, 1993, 2006; Arandarenko, 2000; Holcombe, 2015; Kolko, 1963; Lazić and Pešić, 2012; Weber, 1922)<sup>2</sup>.

Through research, valuable empirically-based evidence had been collected therefore providing the team with a clearer description of the actors involved in political patronage and clientelism as well as a solidly-grounded scientific elaboration of the mechanisms of clientelistic exchange and the detection of resources being exchanged – through various informal practices – all of which have helped form the mechanisms of clientelism. Moreover, such a thorough investigation of the phenomena of informal power networks, clientelistic exchange and the abuse of public resources has opened a space for deeper theoretical insights. Within this space, analytical insights were then able to address the following question: are informality and clientelism widespread and rooted enough to shape the whole system of political capitalism? Finally, in comparing Serbian and Kosovan experiences and distinguishing between the similarities and differences of the two, it became easier to emphasize the importance of some of the factors that significantly shaped the trajectories of the Serbian and Kosovan systems of political patronage and clientelism.

The book is organized in ten chapters. In the first chapter, Jelena Pešić and Dragan Stanojević present a conceptual framework that provides insights and suggestions on the application of the theoretical approach for further elaborations. In the second chapter, Marija Babović,

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1 \* Designation for "Kosovo" is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

2 See the reference list in chapter 2 'Theoretical framework.'

Dragan Stanojević, Jelena Pešić, Slobodan Cvejić and Dragana Gundogan present basic methodological considerations that help shape the process of data collection and analysis. The next part of the book presents results of the analysis for Serbia. In the third chapter, Marija Babović, Slobodan Cvejić and Jelena Pešić describe an historical context in which informal practices and clientelism were shaped in Serbia. In the fourth chapter, Dragan Stanojević, Marija Babović and Dragana Gundogan widely describe actors, mechanisms and exchanged resources in clientelistic networks in Serbia. In the fifth chapter, Jelena Pešić and Slobodan Cvejić provide more theoretical elaborations on the nature of informal networks and political patronage in Serbia. The same outline is applied in the section where the results of the analysis for Kosovo\* are presented. Adnan Hoxha, Dina Milovanović and Yllka

Buzhala wrote the sixth chapter that covers historical context. In the seventh chapter, the same authors have presented a description of the actors, mechanisms and resources exchanged in clientelistic networks in Kosovo\*. In the eighth chapter, Adnan Hoxha, Dina Milovanović and Yllka Buzhala discussed, in more theoretical terms, the characteristics of informal networks between political and economic actors in Kosovo\*. Finally, in the ninth chapter, Slobodan Cvejić and Dragan Stanojević show the results of the comparative analysis of Serbian and Kosovan systems of clientelism. The book ends with a brief summary of the research and the major findings, respectively.

Belgrade, 2016

Slobodan Cvejić

➤ *Jelena Pešić*

➤ *Dragan Stanojević*

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## INFORMAL RELATIONS BETWEEN POLITICS AND ECONOMY IN POST-SOCIALISM

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The main subject of the research presented in this book are informal relations, practices and norms (meaning structures) which are established between members of the political elite (on central and local levels), and economic actors, including members of the economic elite in Serbia and Kosovo\* after socialism. Having in mind the extent of their influence on political structures and behaviours as well as their potential to build parallel structures and norms, it becomes clear why analysing informal institutions (such as personal and patron-client relations networks, clientelism and patronage) is important for understanding the modern governance. Hayoz (2013: 52) stresses: "Governance is then happening somewhere between the poles of formality and informality". Similarly, Helmke and Levitsky point out that: "good institutional analysis requires rigorous attention to both formal and informal rules. Careful attention to informal institutions is critical for understanding the incentives that enable and constrain political behavior. Political actors respond to a mix of formal and informal incentives, and in some instances, informal incentives trump the formal ones" (2004: 726).

Informality represents an important feature of post-socialist societies. David Stark point out that social actors create strategies and institutions not "on the ruins of communism", but "with the ruins of communism" (Stark, 1996: 995). Although often disregarded in analyses of new institutions, informal networks established in the socialist period play crucial role in their creation and maintenance. As the old system with its state's monopoly was crumbling, informal groups and networks successfully managed to fill the institutional voids (Burawoy et al. 2000; Wedel, 2006). Especially in the context of weak

and blurred institutional and normative framework, individuals tend to rely more on informal institutions. Because of that, patterns of clientelism and the question of the "culture of informality" (Grødeland, 2007: 218) are prevalent in the contemporary literature concerning the post-socialist context and development of democratic political institutions. This is usually connected with studies dealing with corruption, which is perceived as one of the crucial problems in the transitional period (Karklins 2005; Kotkin & Sajo 2002; Miller et al. 2001).

Differences between informality in post-socialist countries and in other parts of the world have not been thoroughly investigated in the existing literature, although several studies have shown that post-socialist informal practices are not only widespread and historically entrenched, but also represent important parts of everyday life of the population (Aliyev, 2015). Studies on "Russian blat (Ledeneva, 1998), Polish *zalatwic'sprawy* (Butler, 1995) and Bulgarian *blizki* (Begg and Pickles, 1998) demonstrates that over the last 20 years the importance of informality in post-communist countries did not significantly decrease" (Aliyev, 2015:185). Evidence suggest that far more people in post-socialist societies rely on informal social capital and networks (such as friends, family members, acquaintances) than people in developed capitalist countries or people in socialist countries (Rose, 1997; Grødeland, 2007; cf. Aliyev, 2015).

Many authors point out the different character of informality in post-socialist countries as compared to developed ones. In addition to that, some authors also emphasise the importance of analysing specificity of informality in different post-socialist contexts. A path-dependency theorist explains that the reason why institutions

remain so long is not only due to legitimacy, but also because “powerful individuals or groups have a vested interest in maintaining the status quo. Moreover, like organizations, institutions face powerful inertial forces that are not only interest-based, but locked into inter-related institutional structures” (Nee & Cao, 1999: 800). This theory put forth an idea that pre-existing institutions are continued to be used in spite of changed circumstances. Nee and Cao (1999: 802) explain that in the following way: “path dependency is embodied in the persistence of long-standing institutional arrangements, despite attempts to change them.” “(I)nstitutional change is likely to involve multiple equilibria in which certain institutions can persist despite competition from others that once established might be equally or even more viable. The consequence of previous events can determine which institutional arrangement will prevail. Once a solution is reached, powerful interests lock into emergent institutional arrangements, making it difficult to exit from them”. Institutions are not merely the sources of resistance to changes that had to be overcome, but also the resource for new routines to be made. David Stark (1992) deals with the issue of pluralities of transitional changes in different post-socialist countries as well as within single counties where different social spheres undergo the transition differently. According to him, institutional gaps of post-socialism became a fruitful material for those who want to engage in building a new social order and reconstructing political and economic institutions. The way it would be done largely depends on the way how the system dissolved. Restructuring of the new institutional regime is thus constrained by the existing set of institutional resources. Therefore it is necessary to “highlight the different conditions of embeddedness, that is, historically selective processes within which some embedded conditions are transformed into specific institutional configurations of development” (Ghezzi & Mingione, 2007: 18).

Kopecky and Spirova (2011) are basically whistling the same tune as Stark: communist societies, in their opinion, were not crafted on the same type of societies and same type of institutional structures that preceded them. Instead of the monolithic view on socialist societies, they propose the notion of plurality of communist regimes (Kopecky & Spirova, 2011; cf. Aliyev, 2015: 187).

Finally, although capitalism represented a targeted model of transformation, it entails various levels of formality and “different degrees of generality and specificity in formal institutions” (Chavance, 2008:64). There are no unique typical capitalist formal institutions. They get various forms, depending on various factors, such as current political and economic contexts, inherited institutional framework and external influences (e.g. international organisations). Introducing new formal rules is not an easy process and it often creates many problems: new rules may produce unexpected outcomes or intentionally collide the existing rules; also, their low legitimacy hinders the possibility of their implementation (Chavance, 2008).

## THEORETICAL CONSIDERATIONS OF INFORMAL RELATIONS BETWEEN POLITICS AND ECONOMICS

### Social context: post-socialist politics and economy

In order to perceive and understand developments in formal and informal spheres of post-socialist politics and economy in Serbia and Kosovo\*, we need an adequate conceptual framework. Basic theoretical considerations relevant to our research begin with Weber’s distinction between the legal-rational and patrimonial government. His notion of political capitalism is of key importance for understanding the transitional context in Serbia and Kosovo\*. In order to point to different forms of development of capitalist societies, Max Weber (1978) made a distinction between economic development driven by rational planning and market calculations, in which the main objective of economic actors is to achieve profit (rational capitalism) and development specific to oriental and antic societies where profit was gained by non-rational means, state monopolies, benefits, financial speculations and corruption (political capitalism). In the societies of political capitalism, economic success is not dependent on market mechanisms but on the privileges assigned by the state. It represents such a system of social relations in which political and economic elites cooperate for their mutual benefit. “The economic elite influences the

government's economic policies to use regulation, government spending and the design of the tax system to maintain their elite status in the economy. The political elites are then supported by the economic elite which helps the political elite maintain their status; an exchange relationship that benefits both the political and economic elite" (Holcombe, 2015: 41).

In their study on why nations fail, Acemoglu and Robinson (2012) categorize political institutions as inclusive (developmental) and extractive (predatory). According to them, inclusive institutions enable prosperity, economic development and sustainable democratic institutions. On the other hand, extractive institutions are created to please the interests of political elites rather than the general population with the negative effect on development of inclusive economic institutions and society as a whole. However, as Holcombe noted, political capitalism is not, contrary to Acemoglu and Robinson's argumentation, restricted only to poor countries, but it implies that elites can, even in developed countries, design political institutions for their own benefit: "Political capitalism is more than just an explicit recognition that politics influences the economic system—an idea that is well recognized in the public choice literature. Rather, it 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).

The idea of closeness and inseparability of political and economic institutions is not new. Karl Polanyi (2001) has argued that economic institutions are embedded and enmeshed in other economic and noneconomic institutions. According to him, the instituting of the economic process vests that process with unity and stability; it produces a structure with a definite function in society. "The economic process, in other words, consists in a system of social relations and in shared rules and beliefs, which reveal continuity and impose constraints on individuals while at the same time opening up opportunities to them. Institutions have to be understood as socially constructed entities in which economic processes are culturally codified in such a way that the fluidity inherent in economic movements acquires stability" (Maucourant & Plociniczak, 2013: 514). This involves understanding the specificity of the culture in which economic institutions were formed.

## ■ Informality

Apparently, for understanding the relations between the political and economic elite, informality is one of key concepts. Informality can be defined in numerous ways. The term itself emerged in the 1940s and 1950s in order to describe dual economic models which comprised formal and informal economic spheres. Over the past two decades research of "informality" has been established within the studies of institutional economics, (Aliyev, 2015: 183). As a result, numerous definitions have been created, the majority of which tend to "encapsulate primarily the economic nature of informal sector, informal sphere, employment and more generally, informal economy" (Ibid: 183). In the literature, the term 'informality', however, also implies various types of organisations and phenomena, including kingship groups and inter-personal networks (Granovetter, 1973). The context of political institutions and a broader sociological context have recently become relevant in analyses of informality, contributing to the increased gap between the economic and socio-political meaning of this term. Furthermore, "unlike the informal sphere of developed capitalist states, informality in the developing world is often difficult to grasp in terms of binary formal-informal divisions." (Aliyev, 2015: 184). On the other hand, in developing countries this relation is much more visible, as formal institutions are weak while importance of informal institutions is very big. Having all this in mind, we understand informality as a broad generic concept that encompasses a wide range of activities – social, political and economic – occurring outside the formal sphere.

## ■ Informal and formal institutions and norms

To understand the content and the scope of informality one needs to define its relation to the formal sphere. New institutionalism theorists, developing Polanyi's idea of embeddedness, argue that institutions, as webs of interrelated norms – formal and informal – which govern social relationships by structuring social interactions, are embedded in a wider framework of historical, structural and cultural legacy of the given society (Nee & Ingram, 1998: 19; Granovetter, 1973). According to Ghezzi and Mingione "embeddedness expresses the notion that social actors can be

understood and interpreted only within relational, institutional and cultural contexts and cannot be seen as atomized decision-makers maximizing their own utilities" (Ghezzi & Mingione, 2007:11). Nee (2003:8) points out that institutions "comprise the formal and informal social constraints that shape the choice-set of actors. Conceived as such, institutions reduce uncertainty in human relations by specifying the limits of legitimate action in the way that the rules of the game specify the structure within which players are free to pursue their strategic moves using pieces that have specific roles and status positions. Norms are implicit or explicit rules of expected behaviour that embody the interests and preferences of members of a close-knit group or a community." Informal norms, on the other hand, are defined as rules of the social groups which rely on informal mechanisms of monitoring (such as social approval or disapproval). Although both formal and informal norms govern interpersonal relations by constraining or facilitating behaviour (providing the structure of incentives), formal rules are explicit and rely on formal mechanisms for their monitoring and enforcement. Nee and Ingram further stress out that interaction between formal and informal norms is quite complex. "When the formal norms are perceived to be congruous with the preferences and interests of actors in different subgroups, the relationship between formal and informal norms tends to be closely coupled", mutually reinforcing each other and lowering the costs of monitoring and enforcement (by using informal mechanisms) (Nee & Ingram, 1998:33–34). In such a case, formal and informal norms and institutions tend to be complementing. Formal and informal norms may decouple in cases when formal norms represent a ceremonial structure that is designed to satisfy external constituencies and provide legitimacy, whereas informal ones guide practical activities. However, if formal institutional sanctions are weak in relation to contradicting group interests, then informal norms tend to become "opposition norms" that encourage individuals to oppose the formal rules (Nee & Ingram, 1998: 35).

In a similar manner as Nee, Helmke and Levitsky (2004: 725) define informal institutions as "socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels. By contrast, formal institutions are rules and procedures that are created, communicated, and enforced

through channels widely accepted as official". The latter encompasses state institutions and legal framework, but also official organizational rules of the political parties, interest groups, corporations, etc.

However, Helmke and Levitsky (2004) stress the necessity of making a clear distinction between informal institutions and other informal phenomena, such as weak institutions, informal behavioural regularities, informal organizations and culture.

1. Informal institutions are not the same as weak institutions. Many formal institutions may be ineffective, with existing written rules that are widely circumvented or ignored. However, institutional weakness does not automatically imply the existence of informal institutions. Departure from formal rules may end up creating informal institutions (such as clientelism), but it also may result in non-institutional behaviour (the absence of institutionalized checks on executive power) (Helmke & Levitsky, 2004).
2. Informal institutions should also be distinguished from other informal behavioural regularities. As the authors pointed out, "not all patterned behaviour is rule-bound or rooted in shared expectations about others' behaviour. Behavioural regularities may be a product of a variety of incentives. (...) To be considered an informal institution, a behavioural regularity must respond to an established rule or guideline, the violation of which generates some kind of external sanction" (Helmke & Levitsky, 2004: 725).
3. Informal institutions are not the same as informal organizations. Political or economic actors (as members of specific organizations) should be distinguished from the more or less permanent set of rules they follow (institutions). As we can analytically distinguish formal institutions and organizations, the same applies for informal ones. Although informal rules may be embedded within informal organizations, as Victor Nee (2003) showed, they may also be a part of formal organizations.
4. Finally, even if informal institutions can be shaped by the culture of a given society or community, the two should be analytically distinguished. The authors propose that informal institutions should be defined in narrow

terms of shared expectations (which are being expressed in certain norms) rather than shared values. These shared expectations may or may not be rooted in broader societal values. The proposed distinction allows us then to analyse potential causal relationships between culture and informal institutions and make statements on whether broader societal values reinforce or undermine informal institutions (Helmke & Levitsky, 2004). Helmke & Levitsky (2006: 7) point out that broader social values are not always ones which create informal norms as in case of formal institutions. To put it differently, some informal institutions are strongly embedded in a society's culture and tradition; however, others are rather a product of modern institutional changes and inventions with no root in tradition. The latter norms are more likely to be subject to rapid changes in comparison to the ones strongly connected to traditional features of a society.

Accordingly, De Soysa and Jutting point out that, when explaining informal institutions, researchers have to take into account both meta-institutions (culture and identity) and contextual (historical) variables, as exogenous factors: "informal institutions are largely self-enforcing through mechanisms of obligation, such as in patron-client relationships or clan networks, or simply because following the rules is in the best interests of individuals who may find themselves in a situation in which everyone is better off through cooperation." (De Soysa & Jutting 2007: 33).

### **The modes of informal – formal relationship**

As we saw in the case of norms within an organization, formal and informal institutions may also interact in a variety of ways. Helmke and Levitsky (2004) have, therefore, developed a typology of these relations, starting from sharp classification of functional (or problem solving) and dysfunctional (problem creating) relations. In the first case, informal institutions may provide solutions to problems of social relationships within formal institutions contributing to a better performance, while in the second case, informal institutions undermine the performance of formal institutions. However, as these authors have noted, this simple division proved to be insufficient in capturing the complexity of

the given relations. For example, informal institutions which obstruct the formal institution may at the same time boost its function or even substitute it completely. Therefore, they introduced a two-dimensional matrix for classifying the relations between formal and informal institutions: 1. the degree to which formal and informal institutional outcomes converge and 2. the effectiveness of relevant formal institutions. The first dimension captures the distinction between situations in which informal rules produce similar or different results from those expected from strict adherence to formal rules. Thus, the outcomes can converge or diverge. The second dimension refers to the extent to which written rules and procedures are reinforced and complied with in practice.

Based on these two dimensions, authors made a fourfold typology of informal institutions:

1. Complementary informal institutions build up the functioning of effective formal institutions ruled by some formal written rules. However, these rules are applied along with the informal ones. Informal institutions thus fill in the gaps of the formal rules, either by "addressing contingencies not dealt with in the formal rules or by facilitating the pursuit of individual goals within the formal institutional framework" (Helmke & Levitsky, 2004: 727). This type of informal institutions often may enhance efficiency, but also, they may serve as a foundation for formal institutions, creating or strengthening incentives to comply with formal rules that would otherwise exist merely on paper. Good examples are norms, routines and operating procedures that facilitate decision making and coordination within bureaucracies.
2. Accommodating informal institutions are those that combine effective formal institutions and divergent outcomes, creating incentives for behaviour that is altering the substantive effects of formal rules, without directly violating them. "They contradict the spirit, but not the letter, of the formal rules" (Helmke & Levitsky, 2004: 727). "They are often created by those actors who are not satisfied with the outcomes generated by the formal rules, although they are not able to change or openly violate those rules." (Helmke & Levitsky, 2006: 15). Accommodating



informal institutions within formal ones usually foster increased compatibility of mutual interest the two, in that way enhancing the stability of formal institutions by amortizing demands for institutional change. A good example of accommodating informal institution is blat, as a set of informal norms emerged in Soviet political and economic life in which strict adherence to formal rules did not allow personal needs and state targeted goals of enterprises to be met. In such a situation, personal networks of exchange served the need for individuals to obtain essential goods and services and for managers of enterprises to meet state targets, by finding a way around established procedures.

3. Competing informal institutions are those that coexist with ineffective formal institutions and divergent outcomes. Their functioning directly violates the formal rules (examples are clientelism, clan politics or corruption).
4. Substitutive informal institutions are those that combine ineffective formal institutions with compatible outcomes. These institutions are employed by actors who seek outcomes that are convergent with formal rules and procedures, in environments where formal rules are not routinely enforced. Therefore, substitutive informal institutions appear when formal institutions exist, but fail to achieve their goals. For example, substitutive institutions tend to emerge where state structures are weak or lack authority (Helmke & Levitsky, 2004).

### ■ Origins of informal institutions

To fully comprehend the role of informal institutions in social reproduction of a given society, it is not enough to analyse its performance in current circumstances (Helmke & Levitsky, 2006). They should also be analysed in historical perspective. One of the most important questions in analyzing informal institutions is addressing the issue of their origin. Such approach often includes interpretation of a phenomenon in the light of its cultural and historical origin, however disregarding the process of changes and transformations of the informal institutions.

The creation and reproduction of informal institutions, alongside formal ones, can be analysed from two different

perspectives: the first includes motivation of individuals or collective actors to create and maintain them, while the second argues about broader structural and systemic factors that encourage emergence of informal institutions.

In the efforts to answer the question about incentives that encourage different actors to create informal institutions, Helmke and Levitsky (2006: 19–22) propose the following classification of motives:

When formal rules are not suffice to address a problem, actors linked to the formal institutions are prompted to create the norms and procedures enabling them to do so.

Even though preferring a formal solution, actors may opt to creating an informal institution as a way of solving a problem that otherwise they would not be able to solve within a formal institution. Sometimes, formal institutions exist only on paper but do not fulfil their role. Also, actors sometimes find it less costly and time-consuming to create an effective informal institution than a formal one.

Informal institutions are also created in order to satisfy the need for implementing activities that are either unpopular or illegal. An example is development of formally democratic institutions in some post-communist transitional societies along with various informal authoritarian mechanisms exerted.

However, in addition to understanding the actors' motivation to create and maintain informal institutions, there is the question of the role of the formal system in this process. The fact that formal institutions often lack adequate solutions to many problems is not sufficient for explaining the causes of their formation (Helmke & Levitsky, 2006). That is why mechanisms of creation of informal institutions must be investigated. Making of informal institutions is completely different than formal ones, primarily in terms of their transparency and utilized channels (Helmke & Levitsky, 2004). Being hidden from the public and enforced through informal channels,

the origin of informal institutions is often blurred. That is why it is usually difficult to identify main actors, coalitions and interests involved in their creation. Furthermore, such process usually produces inequality in distribution of resources and consequently conflicts between the involved actors.

As Helmke and Levitsky (2004) warned, the formation of informal institutions may vary: sometimes it is a “top down” process, when informal institutions appear as part of the elite design, or they may emerge independently from elite strategies. On the other hand, informal rules can be created in a decentralised process by many different actors (examples of corruption or clientelism). In this context, authors stress out the need for investigating the creation of informal institutions in terms of focal points, repeated interactions and bargaining. Also, conflicts or compromises on some issue can unintentionally lead to the creation of informal institutions to deal with that issue.

### Informal institutions and the process of institutional change

Although it is often thought that informal institutions are resistant to change or change rather slowly (Lauth, 2000), Helmke and Levitsky (2004; 2006) present quite opposing argumentation: namely, they argue that informal institutions not only change, but often may change rather quickly, depending on the sources of change. Several factors may serve as impetus for informal institutional change:

1. changes of formal rules:
  - a. change in formal institutional design, which may affect the costs and benefits of adhering to related complementary or accommodative informal rules;
  - b. changes in formal institutional strength and effectiveness, when change in the level of enforcement of formal rules may alter the costs and benefits of adhering to informal institutions that compete or substitute for those rules, or may simply weaken informal institutions;
2. evolution of wider societal values (leading to rather slow and incremental informal institutional change);

3. changes of wider societal conditions that sustained informal institutions (for example, changes in different political or economic spheres may lead to changed distribution of power and resources in a society, weakening those actors who benefited from particular informal institutions and strengthening those who wanted to change them, etc.);
4. tipping (meaning that if a sufficiently large number of actors become convinced that new and better alternatives exist, and if a mechanism through which to coordinate actors’ expectations exists, a shift from one set of norms to another may occur quite rapidly) (Helmke & Levitsky, 2004).

### Clientelism

Clientelism is another concept important for understanding of informal relations between politics and economy. Patronage and clientelism are used as synonyms by some authors (Kitschelt & Wilkinson, 2007). However, some point out that “clientelism is a much broader phenomenon than patronage, with patronage being simply one specific type of clientelistic exchange” perhaps restricted to “the use of resources and benefits that flow from public office” (Hicken, 2011: 295, cf. Robinson & Verdier, 2013: 262).

In our view, party patronage represents a term that relies on a distinctive type of polycentric political system in which political parties are competing over public resources. The patronage network functions as a pyramidal structure with the patron at the top and number of clients (‘brokers’) who themselves represent patrons at the lower hierarchical level with their own clientelistic network at the ground floor of the system (Kitschelt & Wilkinson, 2007; Gashi & Emerson, 2013). The main mechanism of the party patronage includes clientelism, as a type of informal relations. By clientelism we will assume such relations that rest on the forms of exchange between political parties and other agents, wherein one side provides benefits that the other side seeks, in order to insure political support and loyalty. “This exchange is focused on particular classes of goods, though the feasibility and persistence of clientelistic reciprocity is not determined by the type of goods exchanged” (Kitschelt & Wilkinson, 2007: 7). This exchange often implies uneven distribution of resources, which is in accordance

with uneven power distribution between actors, even when they consciously accept the terms of the exchange (Kopecky & Scherlis, 2008; Kitschelt, 2000). Clientelist relations may appear in various forms: at one end of the continuum of informal political exchange lies personalistic clientelism, “based on face-to-face relations with normative bonds of deference and loyalty between patron and client, but without legal codification; at the opposite end to this traditional clientelism stands the modern clientelism of anonymous political machinery” (Kitschelt, 2000: 849). Although clientelism is often perceived as a form of personal exchange, Kitschelt (2000) argues that only the traditionalist type of clientelism implies a relationship based on a direct exchange between politicians and their clients who are tied by firm obligations. Even if “clientelist 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). Some authors stress that the clientelist relation is dyadic in its nature (patron-client). However, some other actors may also participate in this relation, such as mediatory brokers, who represent clients of the patrons. These brokers can parallelly act as patrons to the clients at the bottom of the pyramid. Unlike the patron, the broker has no independent control over resources but only distribute some resources to the clients under the patron’s control (Muno, 2010).

Clientelist exchange between principals and agents is not usually simultaneous but takes place over time, which imposes the risk of a party in the exchange process (e.g. voter and politician) to abandon the deal as soon as they are “paid” (Kitschelt & Wilkinson, 2007). Therefore, in order to sustain, clientelism requires an obligatory relationship of the involved parties where fulfilment of at least one of the following conditions is necessary: 1. cognitive condition (expectations of predictable behaviour of constituencies), 2. motivational condition – self-induced consent of involved parties to voluntary engage in mutual clientelistic relationship. When these conditions are not met, “politicians may develop ways to monitor defection from the bargain and capabilities to punish free-riding groups and individuals based on that knowledge. In order to do so, they

have to build expensive organizational surveillance and enforcement structures” (Kitschelt & Wilkinson, 2007: 8).

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”. According to them, this kind of exchange implies long-term relations which function within hierarchical exchange networks ruled by shared norms (2007: 3–4). Furthermore, they distinguish: “electoral clients at the ground floor of the system, various levels of brokers organized in a pyramidal fashion and patrons at the top” (2007: 8). Finally, the creation and maintenance of the clientelist networks is organized in a secretive manner (2007: 19). For them, three components that represent constituting elements of clientelistic exchange are: contingent direct exchange, predictability and monitoring (Kitschelt & Wilkinson, 2007: 9). However, clientelism is not only limited to exchange between political parties and other actors; this kind of relationship also exists within the political parties.

Kitschelt and Wilkinson (2007) consider that countries with a multiparty system and a low level of economic development are fruitful places for the development of the clientelist relations. In a similar manner, Robertson and Verdier (2013) point out relative importance of clientelism in less developed countries with high level of inequality: loyalty of clients is less expensive and easily bought in such countries while employment offers are here often included in the clientelistic exchange.

### ■ Party patronage and clientelism

Another important term is party patronage. Kopecky and Scherlis understand “party patronage as the power of a party to appoint people to positions in public and semi-public life, considering the scope of patronage to be the range of positions so distributed” (2008:356). As we mentioned, we connect the term with clientelism and use them to depict dynamics of creating and maintaining (power) networks. The clear distinction is possible on a conceptual, and in postsocialist context, very difficult on empirical level.

Kitschelt and Wilkinson (2007: 30) stress that “parties make more effort to build princi-

pal-agent linkages of accountability whenever “competitiveness” is intense”. However, whether being based either on clientelistic or programmatic principles, it is largely dependent on socio-economic development. They “define party systems as competitive when citizens and politicians have strong incentives to try hard to win supporters at the margin for one or the other partisan camp”. These situations occur when: 1. rival blocks, identifiable as alternative governing teams by voters, are closely positioned in terms of expected votes; and 2. sufficiently large number of undecided voters who can dictate the relationship between political actors. However, they point out that elections are also relevant in terms of resource control by the government. Namely, “they are competitive only if small changes in electoral support might bring about large shifts in public policy or control of patronage” (Kitschelt & Wilkinson, 2007: 28). Oligopolistic political environment create the most intense competitiveness as political alternatives are disadvantaged and distribution of public resources is fully controlled. In this context, it is crucial to know the location of floating voters, while the outcome of their voting is quite certain (Kitschelt & Wilkinson, 2007: 30). Finally, “under the conditions of democratic contestation, ethno cultural pluralism may represent a significant catalyst of intensifying clientelism, as competition between parties usually tends to be in line with ethnic divisions” (Kitschelt & Wilkinson, 2007: 33). In ethnically mixed societies, in which ethnic groups have their own political representatives, it is very difficult to organize political life on the basis of universal values. The clearer the ethnic lines and the greater distance between the ethnic groups, policies are more focused on the distribution of public goods in accordance with the ethnic lines. Ethnicity is probably the most prominent form of social solidarity, which finds its expression in the political field. There are also other forms of networking, such as class, generational or regional, which can take on similar characteristics and find a political articulation.

For this purpose, we will use Van Biezen’s (2007: 241) definition of “party clientelism”: “a form of representation based on the selective release of public (material) resources – 1. contracts, 2. housing, 3. subsidies, 4. pork-barrel legislation, etc. – in order to secure electoral support from individuals or selected sectors of society”. In other words, individuals and groups in political

field have interests at the expense of the public good. The main goal which leads political parties is to survive on the political scene and remain in power. In this game for power, the main risk for increasing clientelism lies in the way parties are funded (Hopkin, 2004; 2006).

Dangers of clientelism are especially prevalent in developing and post-socialist countries (Protsyk, Wilson, 2003, Roper, 2002). The political parties exchange with their clients different goods and services such as “non-material status improvements, jobs in the civil service, jobs in public-sector firms, government contracts and licenses, subsidies and grants (including tax reliefs), public construction works” in order to achieve party goals (Muller, 2000:141– 142).

### Networks: power and personal networks

Different networks intersect political parties, state, public institutions and economy, and create power networks at the top. According to Ledeneva (2013:13) “power networks operate on principles similar to other informal networks and impose certain norms of reciprocity and informal constraints on people in official positions: (a) blurred boundaries between friendship and the use of friendship; (b) helping friends at the expense of public/corporate resources or access; and (c) recruitment into networks according to a particular logic – it could be loyalty, dependence, or compliance based on transgression/compromised recruiting – rather than the logic of competition and professionalism”. These networks are based on strong and weak ties intersecting the private and public domain. Inside these networks actors can be located according to their function.

|                             |                     |                                       |                               |
|-----------------------------|---------------------|---------------------------------------|-------------------------------|
| <b>individual</b>           | Strong ties         |                                       |                               |
| Private settings (centered) | 1. “Inner circle”   | 3. “Core contacts”                    | Public settings (de-centered) |
|                             | 2. “Useful friends” | 4. “Mediated, or periphery, contacts” |                               |
|                             | Weak ties           |                                       | <b>Institution</b>            |

Figure. 1 Types of networks, Source: Ledeneva (2013:55)

As Ledeneva points out: “The inner circle serves to back up a leader and to ‘programme’, ‘filter’ and ‘develop’ the power network. Useful friends benefit from ‘authorized’ business opportunities, outside the vertical power, and generate resources for the survival of the power network and/or increasing its financial base. Core contacts are more likely to benefit from public appointments within the power vertical and serve as safeguards of both the hierarchy’s and the network’s interests. The mediated contacts are used for outreaching, ‘switching’ to a different mode and channelling changes” (Ledeneva, 2013:82).

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## METHODOLOGICAL CONSIDERATIONS

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In order to identify, describe and explore the informal practices of capturing economic resources by political elite, we have chosen qualitative research design. The research goal was thus accomplished in two steps:

1. **Analytical reviewing** of relevant literature and data sources with the aim of recognizing:
  - a) trends in relations between economic and political elite over the last 20 years;
  - b) current state-of-art research and analysis;

The research relied heavily on social science journals and books in order to grasp a better understanding on the historical legacies and changes in the social context of the two societies.

2. Semi-structured face-to-face **interviews** with three groups of respondents<sup>1</sup>:
  - a) In politics –people occupying high positions in public administration, influential people in political parties (on the national and local level);
  - b) In economy –executives/managers in private companies (small, middle and big enterprises).

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1 From an ethical perspective, all participants were clearly informed about the objectives of the study, were given the right to remain anonymous, and were guaranteed confidentiality. All of the interviews were recorded. Keeping in mind the sensitivity of the issue, all respondents were approached individually and interviewed at places of their choosing or discretion. With the aim of establishing and maintaining an open, trust-based “discussion,” all responses – including those that were viewed as controversial – were met with an honest, benevolent and respectful attitude by all interviewers.

- c) In the area of expertise –specialists and experts;

Interviews were chosen as the primary method for collecting data, mainly because they enable researchers to learn more (and in greater depth and detail) about respondents’ experiences and perspectives on a specific topic.

With the information gathered through desk research and multiple workshops the research team was able to agree on a theoretical framework to use. Out of this framework, several hypotheses were formulated and therefore used as tools to help: build the data collection, construct the field research instruments and target the analysis and elaboration of findings.

**Hypothesis 1:** Political party patronage is present on the central and local levels of governance and among all key political parties, those being either in the rule or in opposition in Serbia and in Kosovo\*.

Political patronage represents an asymmetric exchange of resources, with the ultimate purpose to provide political parties better chances or opportunities for entering –or remaining – in power within the system of political competition. This is frequently accompanied by transitional societies.

Patterns of political patronage –at the central and local levels– hold a certain number of similar characteristics. Characteristics of patronage practices may include:



- 1) appointment of loyal party members to the managing (managers, board members) positions of important public enterprises;
  - 2) providing jobs and employment opportunities for loyal party members or other clients;
  - 3) informal agreements about control over public enterprises between political parties; feudalization of the public sector;
  - 4) public contracting, tenders, awarding licenses, concessions, granting monopolies (or tolerating the monopolization of certain market segments);
  - 5) contracting the private sector out of free competition (*'setting the business'*) –contracts that are not part of the public sector and not subjected to the public tender procedures, but are pre-arranged and exclude free competition, such as printing party materials, renting premises to parties, catering, etc.;
  - 6) corruption and manipulation during privatization processes;
  - 7) changing laws in favor of the interests of certain lobbyists, interest groups;
  - 8) granting protection from legal consequences even when legal norms have been broken.
- 2) economic resources such as: money for financing political campaigns, contracts, jobs in public or private enterprises (for voters or politicians' post –political occupation);
  - 3) the regulation of prices on certain products;
  - 4) information –usually information that gives an advantage to the client over other competitors (during tender procedures, license granting, giving concessions, privatization processes);
  - 5) other favors –votes, political agitation in favor of one political party (patron's party), expanding networks of voters, etc.

**Hypothesis 5:** Political patronage relations develop between various types of actors:

- 1) political actors –party members, members of governments at all levels;
- 2) economic actors –entrepreneurs, managers, citizens (constituents, second degree clients, such as relatives of loyal party members or other important clients);
- 3) interlocking brokers (individuals taking positions at the intersection of two elite circles –political and economic.

**Hypothesis 6:** Through the process of political patronage, clientelistic networks emerge:

The dynamics of establishing and reproducing clientelistic relations are very complex. And as a result of political patronage relations, whole clientelistic networks can emerge. These networks can take various forms, but are generally distinguished as **personal networks** and **power networks**.

Interviews were conducted on non-random samples of politicians, businessmen and experts in Serbia and Kosovo\*, taking into consideration the representation of women and ethnic minorities. The research was conducted on the central and local level (two local communities –each in Serbia and Kosovo\*).

In order to recognize potential patterns of changes in informal relations, both levels of research –i.e. national and local– have encompassed both current and former office holders.

**Hypothesis 2:** Party patronage unfolds through **formal, informal and mixed** exchange practices. Due to the development path of Serbian and Kosovan societies, it is to be expected that the relations between formal and informal institutions today, will be frequently competitive although they have functioned, in historical perspective, as complementary and even substitutive.

**Hypothesis 3:** Informal practices are supported or framed by the culture of informality. That culture includes specific norms, rituals, customs, language, places.

**Hypothesis 4:** Under party patronage, political parties capture public resources and use them to their own advantage (collective and individual).

Resources exchanged through clientelistic relations may include:

- 1) power positions –within party ranks, local government and in the central legislation of executive power;

## SAMPLE PLAN FOR RESEARCH ON THE CENTRAL LEVEL

Subsamples (each in Serbia and Kosovo\*):

- 1. Political elite:** 25 representatives of the five largest political parties in the last 5 years; The interviewees were **high and middle range politicians** who had, or used to had, important positions within the political structures and public administrations;
- 2. Economic actors:** 15 entrepreneurs/top managers of big, medium and small-sized, privately- and publicly-owned enterprises (excluding members of the political elite);
- 3. Interlocking brokers:** 10 persons occupying political and economic power positions at the same time, thus linking and bridging the political and economic elite (politicians on boards of public companies, as well as big entrepreneurs or tycoons in political power-holding positions);
- 4. Experts:** 10 experts – representatives of state and independent bodies that deal directly or indirectly with relevant issues (such as the Anti-corruption Agency or the Anti-corruption Council) as well as representatives of civil society organizations dealing with these issues and independent experts from the academic community.

## SAMPLE PLAN FOR RESEARCH ON THE LOCAL LEVEL

Two local communities were selected –each in Serbia and Kosovo\* (one of two was multi-ethnic):

Serbia: Velika Plana and Novi Pazar (the Bosniak minority constitutes 77% of the population);

Kosovo\*: Prishtina and Gračanica (the Serb minority constitutes 68% of the population);

The subsamples in **each** local community:

- 1. Political elite:** 15 representatives of the five largest political parties in the local community;
- 2. Economic actors:** 5 managers or entrepreneurs of local public or private, big, medium and small-sized enterprises.

The samples were identified and selected as the following:

| Category of Respondents | # of Respondents |           |
|-------------------------|------------------|-----------|
|                         | Kosovo*          | Serbia    |
| Political Elite         | 40               | 55        |
| Central level           | 25               | 30        |
| Local level             | 15               | 25        |
| Economic Actors         | 20               | 26        |
| Central level           | 15               | 20        |
| Local level             | 5                | 6         |
| Experts                 | 10               | 8         |
| Interlockers            | 10               | 9         |
| <b>Total</b>            | <b>80</b>        | <b>98</b> |

In the first phase of analysis, data were coded, depersonalized and decomposed to components that responded to respective hypotheses, while in the second phase, all data was processed in NVivo software and analyzed.

### Disclaimer Regarding Northern Kosovo

For the purpose of this research, four northern municipalities (Mitrovica North, Zvečan, Zubin Potok, Leposavić) have been entirely excluded as the issues of political patronage and informality in the north were not researched for three main reasons:

- 1) northern municipalities first had local elections within the Kosovo\* system in 2013 and those local governances are still not fully operational due to a number of issues;
- 2) most of the political patronage and informality relates to Serbia rather than Kosovo\*, thus a different research approach would be needed to cover the other municipalities;
- 3) most of the interlocutors provided statements such as: “depending if you ask about the north or the south, as those are two different worlds.”



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# **INFORMALITY AND CLIENTELISM IN SERBIA**

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## HISTORICAL AND SOCIO-ECONOMIC CONTEXT OF INFORMAL RELATIONS BETWEEN POLITICAL AND ECONOMIC ACTORS IN SERBIA

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In our attempts to explain the causes of persistence of informal relations between political and economic actors in Serbia, we unavoidably pay attention to weak institutions and troublesome institutional change that marked the whole modern history of Serbia. By applying historical analysis we can distinguish between *longue duree* historical processes that affect deep structures and cultural patterns in the society on the one hand and current actors and processes that mark the political scene and normative framework on the other. Further on we will present interplay between formality and informality in social reproduction in three historical stages, all of which contributed by their own specificities to the development of contemporary informal practices: 1. pre-socialist period marked by late and rather slow modernization, leading to establishment of informal structures and institutions, which were internalized through socialization processes as parts of common culture of the society; 2. heritage of the socialist system with its revolutionary interventions in the normative system and constitution of public good; 3. prolonged post-socialist transformation, resulting in establishment of a specific type of capitalist system on peripheral grounds (political capitalism, with elements of neopatrimonialism and party patronage).

### PRE-SOCIALIST HISTORICAL LEGACIES

In the first part of this chapter we will address the issue of historical processes that

shaped structural and normative grounds of informality in the pre-socialist period, leading to establishment of the specific type of informal culture. The culture of informality in the pre-modern Serbia had a strong foothold in the non-institutional way of dealing with social and political problems. In some cases informal practices were the consequence of lacking formal institutions, while in others, they were developed besides and parallel to formal norms and institutions, substituting, competing or complementing them.

Until the early 19<sup>th</sup> century, Serbia represented a peripheral and weakly integrated province within the Ottoman Empire. Not only had its development been petrified within the subsistence economy of extended families (as economic units) and feudal social relations, but also Serbian population, mainly residing in remote and isolated rural areas, was not integrated either into the Ottoman state administrative apparatus or urban economy, lacking almost any formal institutional and normative structure. Ottoman policy was not aimed at accomplishing firm integration of rather heterogeneous parts of the empire, leaving to the local elders to independently and in tune with the traditions solve issues of local social and administrative organization (tax collection or arrangements of family relations, for example). For the Christian population, this meant existence of a certain autonomy (self-government of the local communities, which were in the territories inhabited by Serbian population organized as districts, municipalities and cooperatives, based on collective ownership of land and the princi-

ples of egalitarian distribution of goods), but also preservation of traditional organizational forms of societal life. In this way, the state appeared as an absolute, abstract and distant (foreign) central government towards the local population, as well as an immediately visible local authority embodied in foreign representatives and in local village elders. As a consequence, ambivalent attitude towards state institutions was developed: on the one hand the unconditional acceptance of power of the central authority and patriarchal seniority within the local community, and on the other, resistance to its direct manifestations embodied in the form of a lower Turkish administrative and repressive apparatus (Lazić, 2005: 15). The Serbian Orthodox Church represented the only institution that remained from the statehood and that functioned autonomously under the Ottoman rule. Although institutionally undeveloped (Radić, 1994: 349), in some cases it represented an institutional channel for negotiation with Turkish authorities thanks to a small clergy caste. However, for the most part, the social life of this population took place outside of towns, significantly influenced more by traditional norms and less by formal rules (Turkish authorities defined a minimum set of rules for Christian subjects and left most of their life to be ruled by customary norms of these peoples).

Starting from the early 19<sup>th</sup> century, Serbia entered a decade long process of gaining state autonomy and nation building. In the first half of the 19<sup>th</sup> century, Serbia was faced with a completely underdeveloped institutional structure of the state administrative, judiciary and repressive apparatus that had to be built from scratch. The main feature of this period was specific symbiosis of political and economic factors that led to amalgamation of private and public interests. The new state elite emerged from the insurrection movement, encompassing local political leaders and members of the young commercial bourgeoisie (developed mostly by cross-border livestock trading with Austria) that took public positions in the state apparatus, using them for further accumulation of their own private capital (Čalić, 2004). In this way, common public interests were strongly interlaced with private interests of the newly arisen elite, while the state apparatus served the need for strengthening the authority of the sovereign (Lazić, 2011). Since the new state was lacking in formal institutions and structures, traditional patriarchal structures were used as a

foundation for the modern institutional building. For example, the extended family, based on the autarchic peasant society, provided increased security of property, life, commercial activities and administrative prerogatives of local political leaders in the period that followed the retreating of Turkish authorities from Serbian territories (Pavlović, 2004). Therefore, in the newly formed state, despotic rule of the sovereign (*knjaz*) at state level was homologous to the patriarchal nature of basic social relations at lower instances of societal organization – local community and extended family.

The legitimating basis of the state represented peasantry – encompassing the majority of the population – encouraging the maintenance of egalitarian syndrome and preventing stronger social differentiation and constitution of local bourgeoisie that is reproduced on market principles. At the same time, this created a political obstacle to rapid modernization and establishment of the rational– legal apparatus of power, since the central political role was given to the supreme ruler as a mediator between the mass of poor peasants and the underdeveloped and politically dependent rising bourgeoisie (Lazić, 2011). In this way, during the first half of the 19<sup>th</sup> century, the state apparatus had the characteristics of personalized power, where public officials often represented personal servitude of the higher levels of the sovereign, while formal rules and institutions were still in the process of slow formation. This lack of certainty, formal rules and institutions, however, induced occurrence of armed revolts of the local elders, disenfranchised and marginalized traders and clerks (most of which were severely suppressed).

For the poor and politically dependent commercial bourgeoisie, clerical service in the state apparatus represented almost the only mechanism of protection of their own economic interests. In this way, the political sphere absorbed almost all valuable human resources, creating a society in which politics influenced the structuring of almost all social relations – from economic to private (Stojanović, 2013). As a result of this intertwining of political and economic processes, growing rich of a small class of people ran in parallel with the process of setting up the administrative, judicial and repressive apparatus. On the one hand, taking a higher position within the apparatus ensured the acquisition of

economic capital, while accumulation of capital, on the other hand, allowed taking senior political positions. However, it is indicative that acquisition of the positions within the state apparatus took precedence over economic accumulation (Lazić, 2011).

The second half of the 19<sup>th</sup> century was marked by the slow, but steady process of modernization of the state apparatus, introduction of formal normative-institutional structures, professionalization of the state administration and establishment of legal-rational power (the relatively modern 1869. constitution to some extent constrained the sovereign rule by introducing independent legislative and judiciary power and by granting certain level of autonomy to the local communities). Parallel to that, the local bourgeoisie slowly started to develop independently from the state apparatus, although remaining economically weak.

Modern political institutions were not functioning according to the envisioned model: dominant pre-modern understanding of the politics, which relied on traditional autocratic elements, hindered and stultified democratic institutions that ended up being empty forms without adequate content. Over time, the once established institutions were derogated and formal normative rules made pointless. Division of power was frequently violated, while laws were broken even by the government itself. The derogation of state institutions made space for the monarch to take over jurisdictions not granted by the law and to influence political and economic processes (Stojanović, 2013).

Parallel to that, the process of strong opposition to formalization of the rules within the institutional structure of the state went on. The largest political party at the time – the Radical party – strongly opposed the liberal conception of the state, opting for people’s democracy, emanating absolute sovereignty of the people. Representatives of the Radical party expressed a sceptical attitude towards the state and formal institutions (relying on the already deeply rooted suspiciousness of the peasantry with the Ottoman state), trying to push the state centralism in favour of the local governments and reduce the state bureaucratic apparatus (including schools, gendarmerie and diplomatic missions) (Zundhausen, 2009). Such resistance to centralized authority and to subjecting to the strict formal

rules of conduct, made the state appear alien and foreign at the micro-level. The state appears as an external force that people are afraid of, at the same time trying to cheat on it. This “distrust of the subjects and the government does not represent a fertile ground for widening domains of freedom and rationality” (Bogdanović 1994: 182).

The specific dynamics of political parties (formed in the 1860s, but started with institutional work within the parliament in the early 1880s), which were formed almost exclusively in the capital by a narrow group of clerks and urban intelligentsia, was marked not only by partisan and non-partisan political interests and motives but also by strong influence of personal relationships, services and animosities (Stojanović, 2010), creating a specific political system. Political parties were understood as a form of extended family, while party leaders had a strong paternalist role, making this institution a semi-personal domain in which public and personal interests and relations were intertwined. Political relations were often reduced to personal affinities, making the whole public domain filled with elements of informal and personal relations.

In the economically underdeveloped and poor society, political parties had another important role – establishing and maintaining informal economic relations with the members of the economic elite. Historians testify to close relations of almost all political parties with financial institutions – mostly banks – which served as financiers of their party activities (Stojanović, 2013). Close relations of the bourgeoisie with political actors, therefore, still represented a mechanism of protection and improvement of their economic interests, in this way creating a system based on a specific clientelist network. Closeness to the ruling regime provided state granted businesses, forcing even those rare financially strong members of the economic elite to close cooperation with the state. In this way, the weak business elite remained dependent on the political position holders and vulnerable to political turbulences. Established party patronage relied on a system based on state monopolies, proliferations, granting concessions and control of the market (Stojanović, 2013).

In this way, fragile democratic institutions became even more derogated and reliant on the capital and money flows. Not only members of



the economic elite became dependent on the political power holders, but political parties also became financially dependent on their financiers, making the autonomous politics of the parties compromised by the reciprocal expectations of political and economic actors. Furthermore, in an economically poor society, membership in a political party became one of the main mechanisms of social promotion and mobility, bringing substantial privileges to its members. Therefore, the internal structure of the parties also took the form of clientelist network. Remaining in power (or gaining power) represented the most important aim of political activity, since the loss of power usually brought the loss of almost all economic and social privileges, making clientelist networks, beside the use of violent means, the most important instrument of political struggles.

Finally, the establishment of the Kingdom of Serbs, Croats and Slovenes (1918) introduced new elites in the political field and created alliances based on ethnic interests (Bakić, 2004). A very turbulent party life but also significant abuse of official positions, arbitrary interpretation of laws and regulations as well as the arbitrariness of power marked this period (Stojanović, 2013). In the structure of the division of powers between the monarch and the parliament, with ethnic competition between Croats and Serbs, a lot of space was opened for composing informal coalitions and cliques often with the idea of violent, illegal or illegitimate realization of interests.

Parliamentary instability and turbulent political conflicts led to frequent blockades of the parliament, generating deep political crisis. Encouragement of the conflicts by the monarch and his branched royal-clientelist network enabled him to widen his political influence which culminated in dissolution of the parliament, repeal of the constitution and introduction of monarch's dictatorship.

Strong involvement of the state in the economy (especially in the 1930s), together with massive inflow of foreign capital, made the domestic, ethnically divided bourgeoisie politically dependent (from political parties established on ethnic grounds) and economically weak. Corruption of the members of the state apparatus reached enormous proportions in the mid-war period, in which the most prominent clients were representatives of foreign capital, but also the domestic business elite (clientelist network here

followed the lines of ethnic division). Cartelization of industry and establishment of monopolies (which were mostly in the hands of foreign capital) relied on clientelist and informal networks of economic and political elites. As Dimitrijević (1958) noted, concretion of foreign capital with the Yugoslav state apparatus was enabled by the use of the already established clientelist network, consisting of political power holders, foreign investors and domestic mediators. In addition to tolerating monopolies and illegal concentration of ownership, the state used other mechanisms to protect foreign capital: it made changes in customs policy, adopted the laws which were directed against the domestic industry, made exemptions from taxes and duties, providing state jobs, privileges and concessions, etc. (more on corruption affairs that shook mid-war Yugoslav society, see in: Dimitrijević, 1958).

Apart from that, in the mid-war period, the state appeared as one of key economic players, not only in regulation of economic activities, but also in initiating and organizing them. In this way, the state emerged as the largest single investor, entrepreneur and employer in the country, by the late 1930s, establishing a specific form of state-centred capitalism. The whole process was characterized by the state's widening control over strategic sectors of the economy and creation of state monopolies (Lazić & Pešić, 2012).

In conclusion, in a weak institutional environment and in specific socio-historical conditions (marked by late modernization and inclusion into the world capitalist system on peripheral grounds), clientelism and informality represented one of the structuring principles of socio-economic and political development of Serbian society. In this way, informality was not only induced on the macro-structural level of the society, but also penetrated into the micro-level of everyday life. In the absence of formal rules and institutions, people relied on traditional or invented informal institutions, thus creating a specific culture of informality.

## ■ INFORMALITY DURING SOCIALISM

In the beginning of socialism, informal practices established in the former period were challenged by profound societal changes that affected every aspect of social life: economy, communities, family, institutions, etc. However, as

the system was developing, the strength of the culture of informality built in previous times was increasing and also getting new forms adapted to prevailing institutional setting and normative framework. Therefore, informality in Serbia during socialism was a multi-faceted phenomenon. It played a significant role in maintenance and development of the system and in consolidation of class position of the ruling class in particular. In order to define its real deterministic value, we have to reveal its scope, forms and main actors.

Here we will approach informality in socialist Serbia as a social mechanism relevant for the dominant mode of social reproduction – that of the reproduction of the class of collective owners (Feher, Heler, Markus, 1984). Naturally, reproduction of the position of the dominant class in socialist Serbia assumes reflection on the reproduction of the position of other social classes and social strata (through imposing laws, managing resources, etc.), as well as unintended consequences deriving from ambivalence of ‘rational action’ of actors pursuing their interests in command economy (Lazić, 1994b: 151–162)<sup>1</sup>. Here informality will be observed as the sphere of social reproduction complementing the dominant formal processes established through normative and institutional setting or opposing them, depending on the historically specific circumstances in the development of the socialist system. However, system relevant social relations reproduced in private sphere, through social networks of different kinds, will be treated not as a parallel sphere, but as a sphere functionally dependent on the workings of the formal system. Therefore, informality in socialist Serbia will be analysed as yet another field of emanation of basic class relation and arguments for such an approach will be offered. As such, informality in Serbia during socialism went through several stages of development following transformation from its beginning after the end of WWII to its end during the 1980s and 1990s. Being defined in such historical way, it necessarily falls in line with the process of social transformation of longer duration that assumes persistence of elements of former systems, their normative and cultural components, as well as structural agencies. This means that informality during socialism was transforming not

only depending on class relations defined in the formal normative and institutional framework, but also in a way characteristic for local cultural and social specificities (inefficient bureaucracy, uncompleted national state formation, dominant rural population, etc.).

While applying the functional-structural approach to analysis of informality, we neglect neither the role of informality in individual histories, as manifested in coping strategies of millions of households, nor its substantive importance for survival of many, especially the poorest ones. However, we assume that similarity of behavioural patterns in combining formal and informal resources among large numbers of households and individuals (which formed typical models for peasants, unskilled manual workers, skilled manual workers, nomenklatura, etc.) points to pre-determination of their social action caused by prevailing class relations. In other words, what might seem as deliberate action based on free will, in most cases turns out to be reactive behaviour based on necessity and restricted by volatile law-making and fear of unpredictable and often oppressive implementation of rules by the holders of control functions in ‘party state’ administration. For example, a skilled manual worker would be tolerated to commit unregistered paid work after formal working hours (or even unpaid if serving a member of nomenklatura), but would not be allowed to open a private shop while working in a state owned company and even his/her moonlighting would be punished (the law would be applied) if it exceeded the tolerable limit. It was only the members of the class of collective owners, relatively small in number, whose informal practices were freer and more deliberate, but this freedom also evolved over time. It could be said, actually, that the sphere of informality evolved over time, from its initial stage (end of WWII) when the Communist Party dominated in all spheres of life, with zero ‘degrees of freedom’ from the ‘iron hand’ left for individual or collective action, to a developed stage in which the system matured and its class structure crystallized thanks to, among other factors, informal practices that paralleled official interpretation of laws. What was important was that in time formally egalitarian access to different resources (jobs, information, education, financial resources, housing...) differentiated as to emphasize the class structure of Serbian society and much of this differentiation was based on in-

1 Rational utilitarian individual behavior of members of the ruling class ultimately led to economic irrationality of the whole system and implosion of European socialism.

formal practices. Although informality, counted per head, was more present among the lower classes (small farmers' unregistered production, manual workers moonlighting, etc.), it was the upper class that captured much more available resources (usually formally state owned) through influencing important decisions in the economy and politics. Communist party membership was conditional to entering the circle of power, but informal ties were important for staying in and being promoted. The middle class was generously compensated through different benefits (higher salaries, better housing, easier access to public education) for providing transmission to the system and it was often based on informal networks ('social ties').

For the above reason, here we will pay most attention to informal practices of the class of collective owners. We will analyse how they combined formal and informal means in order to pursue their individual interest and how ultimately their class interest prevailed over the common (public) interest of all<sup>2</sup>.

Historical sequencing of transformation of the role of informality in reproduction of social living during socialism would be the following:

1. totalitarian stage, 1945 to mid 1950s
2. liberalization stage, mid 1950s to beginning of the 1980s
3. nationalistic stage, beginning of the 1980s to beginning of the 1990s

Of course, historical occurrences evolved in a more continuous manner and elements of each stage were gradually formed during former stages. Such clear cut sequencing is theoretically produced for the sake of more precise analysis and reflects the dominant form of legitimacy at each stage which will be explained below.

## ■ TOTALITARIAN STAGE

After the end of WWII, in former Yugoslavia the totalitarian regime was established under the rule of the Communist Party. The new state was born from social revolution that radically

2 It is important to stress that there is no much evidence on this (anyway well hidden) phenomenon from the socialist time due to authoritarian character of the rule and lack of independent sources of information.

changed the previous society. The new Constitution was enacted which negated private ownership, with the exception of small farm holdings and some shops. In the coming years, a new institutional order was built as to introduce political control of the Communist Party over every sphere of social and economic life. The new order, based on closeness to the Soviet regime, was built with strict discipline and severe punishment for disobedience.

On the other hand, this was also the beginning of unprecedented wave of modernization of Yugoslavia. In several years, large parts of the country were urbanized and industrialized which completely reshaped the social structure. Thousands of hundreds of new class positions were opened mostly for the rural population of Serbia and as many citizens experienced upward social mobility.

However, recruitment to any important social position, from the local to the central level, in economy or administration, was carefully controlled and directed by the political establishment. Loyalty to the Communist Party was *conditio sine qua non* of social promotion, however informal ties were also important. Very often members of party committees as well as administration officials and company managers were selected on the basis of war companionship, kinship or local origin. In this way, circles of power were established parallel to the official system of promotion, which helped their members keep important positions in the system and benefits resulting from them. Nevertheless, it could be said that informality was not very developed. At the bottom of the social ladder, small farmers were severely oppressed and their economic reproduction was kept at the level of bare survival, while the response to the demand for extra hours of the rising class of industrial workers in the informal sphere was limited mostly to seasonal support to their parents' farm holdings. At the top of the social ladder, informal ties were also challenged all the time by volatile decisions of the narrowest circle around Josip Broz Tito (Kuljić, 2004: 151).

The whole system with a monolithic political party at the core was legitimated through the quasi democratic political system and heavy propaganda. Things started changing slowly with the breaking of close ties with the Soviet Union

in 1948 and influx of economic support from the USA in the beginning of the 1950s.

### LIBERALIZATION STAGE

By the mid 1950s several changes were made in the legislative and institutional setting that marked the entry to the liberalization stage of Yugoslav socialism. The economy transferred from the etatist model to a participative model of self-management which assumed more independence for enterprises, broader worker rights and elements of market practices and most enterprises were given over to their employees to manage them. Also, private ownership was allowed in agriculture, some services, transport, tourism and crafts, but this insignificantly contributed to the overall GDP (Gapinski, Škegro, Zuehlke, 1988: 32).

At the beginning it seemed that self-management was bringing liberation of work, direct democracy and economic growth. 'From 1952 to 1965, Yugoslavia witnessed the golden age of its economy, rivalling Japan as the fastest growing worldwide economy (...) In particular, the year 1960 saw Yugoslavia riding a wave of unprecedented prosperity. Agricultural yields, the rise in imports, demand in consumer goods along with extended lines of consumer credit were as high as ever. Yugoslavia, the "different" Communist state, attracted worldwide attention (...) By 1962, overextension of credit, a rapid decline—and eventual depletion—of personal savings, and a failure in industrial output to match the boom in demand brought serious consequences that the miracle of the 1950's could not sustain' (Neal, 1997, in Liotta, 2001: 18–19). The most visible structural consequence of this period was formation of the stratum of company managers, a new component of higher class to become increasingly influential for reproduction of social life in the coming years.

During the attempts to bring economy back on prosperity tracks, a lot of space for informal practices among top managers and politicians was opened. S. Woodward states that loosening state control over financial accountability in order to release available resources for manufacturers led to the rise in corrupt misuse of this measure and further abuse of funds as they were made available to enterprises (Woodward,

1995: 168–169). Withdrawal of the state from the economy and introduction of elements of competitive market raised the social position of company managers to a high level (Lazić, 1994b: 117–121). In the weak institutional surrounding and with underdeveloped culture of the rule of law they just needed proper legitimization from the Communist Party officials to access state budget, avoid taxation, take a loan, and so on, in order to establish a 'successful' business for their companies. On the other hand, politicians counted on managers to pacify social unrest during the times of crisis and used their social ties in rotating between top positions in politics and economy throughout their career.

It was still a mono-party system with politics penetrating each pore of social life, but decentralization brought differentiation within the Communist Party and formation of cliques. This meant that positioning inside the party depended on membership in informal networks, which was favourable for spreading clientelistic relations. What happened in the meanwhile was that economic inequalities had tremendously increased. Although on the other side of the social ladder small farmers increased their informal economic activity and moonlighting and small stealing from the factories became common behaviour, informal practices of lower class members poorly compensated for growing class inequalities. These were reflected not only in wages and total incomes of the households, but also in access to education, quality health care, housing and other social services (Lazić, 1987: 41). Research in class mobility in Serbia showed that already in mid 1970s class structure of the Serbian society became closed and that major social classes were self-reproducing to a large extent (Cvejić, 2006). This meant that many positions in higher class, but also in the middle class, were transferred from parents to children through the complex process of socialization, important part of which was activation of (informal) social ties at major points in building a life career (enrolling in university, getting the first job, being promoted, etc).

However, it should be stressed that, precisely due to a more democratic character of Yugoslav self-management socialism as compared to the dominant Soviet model, informality in socialist Serbia was not brought to that systemic level as in the USSR (Aliyev, 2015: 186). 'Self-man-

agement in its true sense, nevertheless, provided a number of advantages over a Marxist-Leninist-Stalinist type economy. Not only did the system allow for competition between similar enterprises, it allowed equally for worker and manager innovation and the practice of free market-type relations' (Liotta, 2001: 34). This openness and exposure to the market provided more flexibility and manoeuvring space for formal practices. Nevertheless, it only meant that the breakdown was postponed and inherent weaknesses of the system (lack of entrepreneurial spirit, unaccountable management, lack of fiscal discipline, etc.) ultimately led to its terminal stage.

### ■ NATIONALISTIC STAGE

It is quite common that analysts of post WWII Yugoslavia recognize the Constitution of 1974 as the birth place of its destruction. The Constitution of 1974 is considered as Tito's attempt to pacify rising ethnic elites and their nationalistic claims, but decentralization formalized through it only postponed the bloody breakdown (Sekulic, D., G. Massey and R. Hodson, 1994; Liotta, 2001). Viewed from the angle of our topic, this was initiation of significant social change that led to the nationalistic stage in the development of Yugoslav socialism. During the 1980s the Communist Party was losing its power due to internal divisions along ethnic lines. Instead of a single political structure, several independent political elites were formed which, after Tito's death in 1980, more or less openly opted for having their own piece of economy to control. 'Conflicts over substantive policy were redefined as conflicts over the distribution of money—over budgetary revenues and tax policy, transfers and subsidies, and the locus of control over monetary policy, foreign exchange allocation and banking' (Woodward, 1995: 335).

Yugoslav economy was already damaged by constant crises in the last 15 years. On the other hand, economic liberalization led to higher expectations among citizens, while political decentralization weakened control power of the Communist Party and opened space for stronger voices of social groups that felt like losers in the everyday more visible process of social differentiation. Social unrests were taking faces of class conflicts (the rapidly rising number of worker strikes), ethnic uprisings (Kosovo Albanians in the

beginning of the 1980s), civic actions (groups of dissidents, artists) or political conflicts (between cliques inside the Communist Party). These were circumstances in which informal relations established in the former period gained in importance. While the whole system was still formally functioning in accordance with the form of self-management and democratic socialism, tendencies towards national sovereignty were gaining in strength. However, even nationalistic tendencies were just a cover for reconstruction of the higher class (Mirić, 1985: 13). Nationalism was a legitimization principle for realignment of political and economic elites who were maintaining or increasing their power and wealth through failed investments and increase of indebtedness (ibid: 149). Informal networks were important in two aspects: one was for strengthening nationalistic faction(s) inside the Communist Party in order to provide political legitimization for the separation, while the other was for maintaining control over state owned enterprises in order to provide financing for this act.

In conclusion, after significant scaling down at the beginning of socialism, informality gradually increased during this period and reaffirmed itself as an important sphere of social structuring by the end of the 1980s. It was based on different legitimization principles during this period, but served the same purpose throughout: it emphasized economic inequalities and supported class differentiation. For the lower classes it appeared as a mode of survival, while for the upper classes it served for more efficient concentration of political and economic power. The outcome was extremely high economic inequalities at the end of a seemingly egalitarian regime and maintenance of political control over economy.

### ■ INFORMALITY AFTER SOCIALISM

As it was different from other European socialist countries in the nature of the socialist system, Yugoslavia was also different in the way socialism was dismantled. The Fall of the Berlin Wall which symbolized the end of a socialist era in Central and East Europe, followed by introduction of reform packages meant to quickly develop basic elements of capitalism on the ruins of socialist institutions, were not the main way of dismantling socialism in Yugoslavia. Instead, fierce wars and violence were the way through

which both – socialism and the state – were dismantled.

The period after the fall of socialism in Serbia is usually divided into two broad stages: period of blocked transformation during the 1990s and the period of intensive reforms after 2000. In each of these stages informality and relations between political and economic actors were shaped in different ways.

## BLOCKED TRANSFORMATION IN SERBIA

The socialist ruling class in Serbia managed to swiftly convert their positional capital accumulated during socialism into political and economic capital more appropriate to the new situation marked by (at least formal) political pluralism, introduction of private property and market liberalization. This capital was based on the interlocked positions of economic and political dominance and it was used to block transformation, to postpone the development of market economy and political competition which could undermine its dominant position (Lazić, 2000).

As the social group who ‘possess concentrated control over accumulated resources that are necessary for reproducing the basic conditions upon which a given (or potential) social mode of production rests’ (Lazić, 2000: 126), the elite has the essential role in the processes of building up new institutional framework. During the 1990s, there was huge debate about elite circulation or reproduction (see more in Selenyi and Selenyi, 1995; Lengyel and Highley, 2000). ‘Circulationists’ argued that there was a new elite on the scene, and that new elite was created by new patterns of recruitment based on new criterions. ‘Reproductionists’ claimed that elites showed a high degree of reproduction after state socialism, meaning that former nomenklatura members had an important part in the composition of the elite. In addition to these two standpoints, a third one argued that post-socialist societies faced the adaptive reconstruction of elites, which meant that ‘with a new reproduction basis and new social roles, after state socialism breakdown, elites were being forged from the old socialist cadres at the same time that they were infiltrated by outsiders. These elites were constructing a social order in which they will form the core of a new ruling class’ (Lazić, 2000: 139).

The process of blocking transformation which lasted for years, enabled former nomenklatura members to convert their previous positional capital into private economic capital. Research on the recruitment patterns of the elite in Serbia during the early 1990s shows a high level of reproduction of elites. About one third of large entrepreneurs in 1993 were descendants of the persons who held command positions in the socialist system (mainly managerial echelon). Moreover, almost 45% of large entrepreneurs belonged to the command hierarchy (managerial or political position) before they became entrepreneurs (Lazić, 2000: 133). The consequence of this process of conversion was an extremely high rate of entrance of nomenklatura members into the new economic elite during the early 1990s (Lazić, Cvejić, 2006).

At the same time, the political elite showed signs of closure. While in the socialist period it was heterogeneous by social origin of its members, in the early period of post-socialism its social background was more homogenous as its members were prevalently from middle and higher strata (Lazić, 2000: 134–135).

The new-old elite in Serbia managed to postpone reforms and processes of transformation in order to consolidate its new position after breakdown of its former socialist basis of legitimacy and social reproduction. The ‘blocked transformation’ was marked by following key features:

- 1) Pseudo-democratic political system, which was formally constituted as a pluralist parliamentary democracy, but it persisted basically as an authoritarian regime, characterized by political power highly concentrated and centralized in the narrow circles of the ruling party<sup>3</sup> (parties).
- 2) Control over economic resources and the economic system, maintained by several instruments: postponement of privatization processes, creation of inter-organizational networks, co-optation of important big entrepreneurs in political power circles. This dimension is very

3 Firstly there was one ruling party (Milosevic’s Socialist Party of Serbia). Later, as legitimization crisis deepened, the coalition between SPS and The Yugoslav Left (Milosevic’s wife’s party) was established, and at the end of the 1990s, a coalition between SPS, the Yugoslav left and Serbian Radical Party (Vojislav Seselj) was established.

important because it ensured the economic basis for the political elite reproduction and prevented the processes of power redistribution. Postponement of privatization (with only sporadic privatization, and often illegal privatization), together with control over economic resources prevented social promotion of potentially autonomous economic actors, whose power could be uncontrolled by the political elite.

- 3) Control over institutions, organizations and social channels necessary for interactions and interests articulation of autonomous social groups, such as free media, universities, trade unions, social movements and NGOs.
- 4) Informal economy, with two main roles: to pacify lower social strata whose socio-economic position had deteriorated during the prolonged economic crisis (Cvejić, 2002), but at the same time, to give the opportunity to members of the elite or actors close to them for accumulation of economic capital.
- 5) Isolation from the international community<sup>4</sup> that prevented the impact of external transformational influences. In the short run, isolationist policy of Serbian regime favoured the process of elite reproduction, preventing the impact of external influences, and by creating specific paternalistic connections between some social groups from the bottom of society and the elite. But in the long run, by deepening the economic crisis, isolation undermined the economic basis of elite reproduction and induced different social groups (especially middle strata) to sharpen their interests for changes (Babović, 2002).

Blocking transformation processes had devastating consequences on Serbian society and its population. It led to the destruction of institutions, the social structure, culture and the overall social system. In the absence of functional institutions, informal actors, networks and practices took the roles of providing functions necessary for the reproduction. The scope of destruction was so broad that some authors were using the term 'destroyed society' to describe the society of Serbia in the first half of the 1990s (Bolčić, 1994; Lazić, 1994a).

The rise of informality in every aspect but particularly in the economy, increase of inequali-

ties and overall impoverishment of the population, general insecurity in the society engaged in surrounding wars, these were all main features of living conditions in Serbia during blocked transformation. In the first years of the decade of 1990, the volume of informal economy was rising and peaked in 1993, when it accounted for 54% of the recorded national product. In the coming years, the volume of informal economy gradually dropped, reaching around 1/3 of the national product by the end of this period (Krstić et al., 1998: 7). In 1996 the Gini coefficient reached 37.8 indicating significant increase in inequalities (Bolčić, 2002: 40). Research at the end of the 1990s and beginning of 2000 showed that informal economy was rather a generator than suspensor of inequalities. The benefits of the tax evasion were distributed more in favour of the employers than the employees, while lesser budget inflows and consequently expenditure were at the expense of public services for citizens and support for growing groups of vulnerable people (Cvejić, 2002).

Some authors describe the new system in Serbia as political capitalism since members of the old socialist elite attempted to get unrestricted control over collective property through processes of privatization (Antonić, 1993). According to this view, the early phase of political capitalism was marked by various forms of manipulation, including smuggling, in the situation where international economic sanctions were imposed on Serbia, and overwhelming corruption. The economic system became the arena for various financial speculations and new financial-speculative companies managed to accumulate capital at the expense of industrial enterprises and citizens (Antonić, 1993). One of the main factors that enabled monopoly over public assets and their conversion into private hands of the political elite was the postponed privatization which retained about 85% of the capital in the state ownership during this early post-socialist phase (Antonić, 2006). This enabled members of the political elite to control both spheres – political and economic – and to convert political capital into economic. During this process they broadened the network of regime clients. Individuals included in the protégé network could expect some kind of profit, depending on their position within the hierarchy. At the top of the hierarchy, there were members of the economic elite who could get high profits due to the trade monopo-

4 Sanctions against Serbia, as a consequence of the regime's war-oriented politics.

lies on goods from public stocks, involvement in barter arrangements, illicit tobacco and arms trade, purchase of building lots under preferential conditions, etc. (Antonić, 1993). According to the same author, the middle positioned members of the network could rely on somewhat lower rewards, such as undisturbed businesses, secure employment, right to buy state owned housing under favourable conditions, while the lowest ranks were people who could count on keeping their jobs or on being left alone during smuggling activities. The author concludes that in the first period of post-socialist transformation specific structures were established with a neopatrimonial state in their centre.

Describing the network made of interlocked political and economic elites in the first phase of post-socialist transformation in Serbia, some authors conclude that at the top of this power pyramid were ministers-managers, persons who had shared experience in the political and economic elite, followed by the layer of managers of big public enterprises who were at the same time members of coordination committees in the government. The third layer was made of managers of medium and small public enterprises while at the bottom were managers whose political loyalties were questionable and small entrepreneurs. Depending on their position in this pyramid, actors had access to important resources and assets, such as contracts in profitable businesses (oil, gas industry or similar), export or import licences, beneficial exchange rates, credits with low interest rates, etc. (Arandarenko, 2000).

Complementary processes – blocking transformation and transferring economic (and other social) functions into the informal system – eventually contributed to the reconstruction, division and even conflict among elite factions. Here it is important to note that the shift of centre of power from politics to economy had occurred as the consequence of conversion of members of the political elite into big private owners. Simultaneous privatization ‘from above’ (through conversion of position to private economic capital by former nomenklatura members) and ‘from below’ (through gradual accumulation of economic capital by entrepreneurs and professionals coming from middle class) created conditions, by the end of the 1990s, in which the continued political domination of the regime of Slobodan Milošević

started to contradict interests of the new economic elite. Withdrawal of this elite’s support of the regime, increasing dissatisfaction among the population in Serbia that was massively pauperized, consolidation of opposition parties and help from the Western countries, finally led to the regime change in 2000 (Lazić, Cvejić, 2006: 99).

## ■ UNBLOCKED TRANSFORMATION

The second stage of post-socialist transformation in Serbia, often labelled as ‘unblocked’, ‘reactivated’ transformation (Lazić, M Cvejić, S: 2005, Bolčić: 2004), began in the autumn of 2000 by dismantling of the regime of Slobodan Milošević and establishment of legislative and executive power by the broad coalition of opposition parties. This stage was marked by efforts to build new institutions and transpose those which developed during the 1990s within the informal “para-system” into formal order. Even during this period the remains of Milošević’s regime (and even earlier periods) slowed down the change and hindered development. This was evident from the fact that organized crime was undermining the new foundation of political power<sup>5</sup> as well as from the widespread culture of corruption and lack of trust in institutions which remained high even after Milošević’s opponents took power (Cvejić, Babović, Pudar, 2011: 22).

The political scene in Serbia during a major part of the period after 2000 was marked by political instability. Premature elections, frequent changes of governments, shifting coalitions and changes in the balance of power in parliament and government, were main features of the political system during this period. Numerous political parties were established and then disappeared from the political scene<sup>6</sup> after a few years. Consequently, this period is featured by absence of a clear political strategy, as the result of compromise between the coalition partners in power (Cvejić, Babović, Pudar, 2011).

5 The murder of pro-reform Prime Minister in 2003 by members of organized crime and paramilitary forces indicated the power and strength these groups still had in the new phase.

6 After enactment of the Law on political parties in 2009, about a hundred political parties were registered and presently there are 101 political parties registered at the Ministry of Justice and Public Administration, <https://archive.is/HOR0N>



Another important process that occurred during this period was decentralization. The new Constitution and legal reforms enabled certain transfer of power and responsibilities to local authorities (i.e. taxation, some fiscal prerogatives, economic and social policies and services, etc.) which also made room for increased importance of local political actors and structures.

Lack of political stability throughout the period of post-socialist transition was fertile ground for growth of importance of informal relations among major political actors. Informal political ties were a major tool for acquiring political power and the whole process of political stabilization was made sacrifice to illegitimate interests of a few.

Concerning economic features and trends of the 'unblocked transformation' era, two distinctive stages could be identified. The first stage, 2001–2008, was the period of economic stabilisation and growth, while the second period, after the breakout of the international economic crisis in 2008 until present time, has been marked by recession cycles and stagnation.

During the 'growth' phase, macroeconomic stabilisation and favourable economic growth rates were achieved, privatisation was intensified, considerable economic restructuring was conducted, while the population experienced general increase of the standard of living (poverty rate dropped from 14% in 2002 to 6.6% in 2007) (RZS, 2008). During this period, investments in the economic infrastructure doubled<sup>7</sup>, and new technologies and equipment represented an important factor of growth (Jakopin, 2009). However, economic growth during this period was not accompanied by growth in employment (jobless growth). On the contrary, intensive restructuring of the economy which occurred through simultaneous ownership and sector transformation processes, resulted in the growth of unemployment, and consequently, in structural inconsistencies of the supply and demand of labour. Basic market indicators showed a constantly low employment rate but some positive trends (increase of employment and decrease of unemployment rates) were recorded towards the end of this period (2007 – 2008) (Cvejić, Babović, Pudar, 2011).

During the early years of unblocked transformation (2002–2003) informal economy still

had a high share in the recorded GDP – almost 40% (Schneider, 2004, Cristie and Holzner 2004, in Krstic and Sanfey, 2010). Informal employment was still high before the outbreak of the economic crisis, as the percentage of the informally employed was 35% in 2007 (Krstic and Sanfey, 2010). According to the Survey on Business Environment in Serbia, informal economy was at the level of 21% of the recorded GDP in 2012 (Krstic et al., 2013: 6).

Since 2008, in conjunction with the global economic crisis, Serbian economy started declining. No stable trend of economic growth has been achieved since then. Recession and weak economic performance, coupled with austerity measures lead to significant cuts in welfare provisions and social policy measures. Despite recent slight improvements, the labour market situation remained unfavourable. In 2014 the unemployment rate of the working age population (15–64) was 19.7%, while the unemployment rate of the young population (15–24) was 47.1%<sup>8</sup>. The social situation in Serbia is marked by high risks of poverty and social exclusion. According to SILC data, the at risk of poverty and social exclusion rate in 2014 amounted to 43.2% (RZS, 2015).

During the entire period of unblocked transformation, the state performed a strong intervention in the economic life (Lazić, Pešić, 2012). Through selective implementation of privatization laws the state enabled the process of conversion of political into economic capital and legalization of illegal or semi-legal profits of tycoons and criminal structures. Coordinating the process of privatization and restructuring which was several times postponed, redefined, the state maintained control over key resources, such as electricity, telecommunications to some extent, etc., using them to keep social peace. Besides, preservation of state monopolies in import and trade of some strategic goods such as oil and electricity, and subsidizing losses of big public companies, places state companies in a privileged position on the market, distorting the regulatory functions of market competition. The over-regulated labour market and burdensome tax system, as well as complicated market entry and exit procedures, led to inadequate foreign investments and slow development of small and medium size enterprises (Lazić, Pešić, 2012:

7 In 2007, share of investments in GDP was 23.4%.

8 Statistical Office of Republic of Serbia, Labour Force Survey Bulletin, 2014.

96–97). However, the opposite trends were also evident. During the last stage withdrawal of the state from large segments of the economy and further development of market institutions together with advances in privatization and restructuring, led to substantial increase of the private sector, including increase of entrepreneurship ‘from below’. The state withdrew from some sectors of the economy almost completely (banking and non-banking financial sectors, capital and security markets) (Lazić, Pešić, 2012: 99). The described trends provided grounds for flourishing of diverse economic actors, from those appointed to manage public economic resources in state enterprises, big tycoons who emerged from illegal or semi-legal business, to entrepreneurs who appeared from the bottom, through new market business activities which reached various scales, but among which dominate micro, small and medium size businesses.

## ■ CONCLUDING REMARKS

To sum up, in a weak institutional environment and in specific socio-historical conditions (marked by late modernization and inclusion into the world capitalist system on peripheral grounds), clientelism and informality represented one of the structuring principles of socio-economic and political development of Serbian society. In this way, informality was not only induced on the macro-structural level of the society, but also penetrated into the micro-level of everyday life. In the absence of formal rules and institutions, people relied on traditional or invented informal institutions, thus creating a specific culture of informality.

After significant scaling down at the beginning of socialism, informality gradually increased during this period and reaffirmed itself as an important sphere of social structuring by the end of the 1980s. It was based on different legitimization principles during this period, but served the same purpose all the time: it emphasized economic inequalities and supported class differentiation. For the lower classes it appeared as a mode of survival, while for the upper classes it served for more efficient concentration of political and economic power. The outcome was extremely high economic inequalities at the end of a seemingly egalitarian regime and maintenance of political control over the economy.

During the post-socialist period, informality had developed to high levels. A decade of blocked transformation represented the age of informality as the main pattern of structuring functions and practices necessary for the reproduction of society and all social groups. The period of ‘unblocked transformation’ also brought transformation of informality forms. Despite the problems in economic performance and political stability, or in line with them, capitalism has been consolidated in Serbia, as well as the new ruling class, which set a new scene for the relations between political and economic actors. New forms of relations between economic and political actors developed, marked by mutual interdependence, as political parties needed funds coming from economic actors, while economic actors had to secure political support for the benefit of maintaining or growing a business. However, this relationship is also marked by the level of greater 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 (Lazić, Pešić, 2012: 52).

The described changes in socio-economic and political context at the same time led to the reproduction and transformation of clientelist relations and structures. As it will be described in the following chapters, a variety of actors within and across political and economic systems have been exchanging through these relations a multitude of resources that are underpinning their structural position and interests. These exchanges are unfolding through diverse mechanisms that are revealed by the survey implemented at the central and local level among political and economic actors.

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## ACTORS, RESOURCES AND MECHANISMS OF CLIENTELISM IN SERBIA

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### ACTORS OF CLIENTELISM AND PARTY PATRONAGE IN SERBIA

In this chapter, the actors in the political and economic field, resources which are exchanged and mechanisms which provide informal arrangements will be described.

#### Mapping the key actors

Based on the respondents' statements, it is possible to distinguish the following actors which are relevant to the situation inside the political and economic field: 1. Formal organizations / political parties 2. Networks of trust consisted of individuals who form more or less stable power networks and they are divided onto the one consisted of: a) politicians b) interlockers and c) private business people, 3. International factor (embassies and foreign multinational companies).

The following graph shows the key actors, the fields of their activities, resources which are exchanged and networks the actors create. The primary field of political parties are state institutions and coming to the controlling positions of public enterprises through them. In this process, political actors are divided into three subgroups based on the functions they perform: the ones who are in charge of the activities inside institutions (government and administration), the ones who work in the economy (public enterprises) and politicians who primarily work inside the parties themselves.

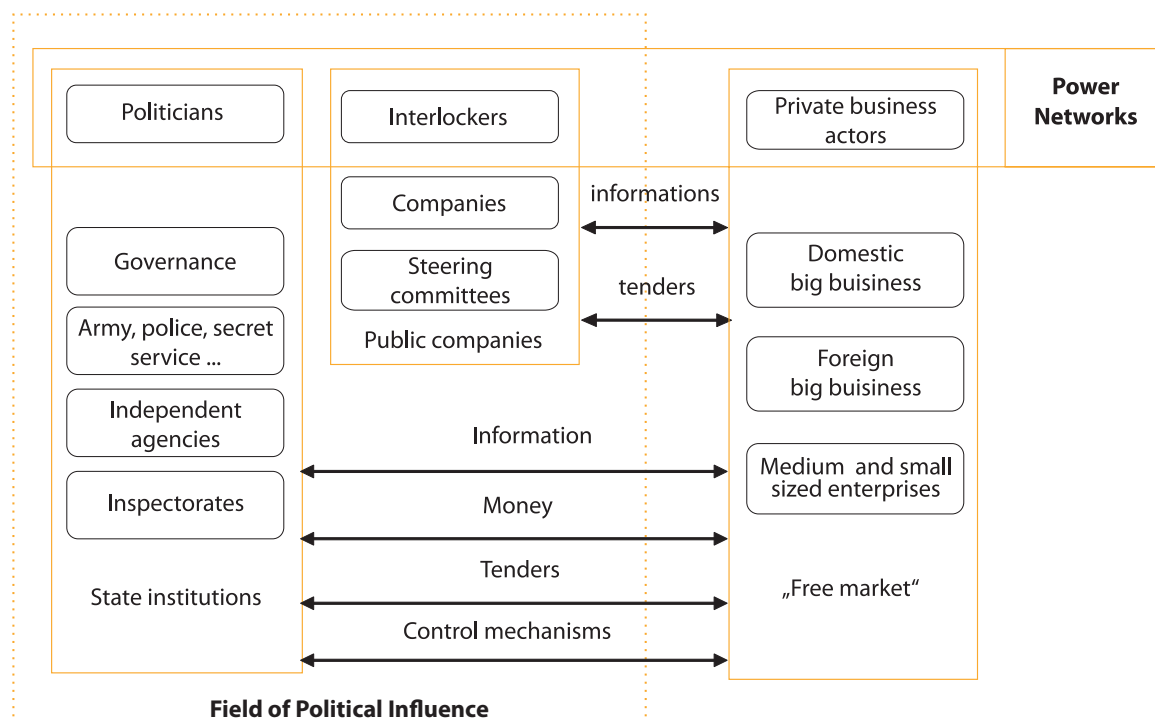
There are three areas of exercising political power: intra-party, governance positions and brokerage between the political and economic system. Within political parties, the power is

used to arrange, structure, build and reconstruct power networks in line with configurations based on certain interests. Within governance political action, power generated in the political parties is transferred onto institutions, governance structures. Finally, the third power area/function is related to the establishment of linkages between the political and economic system. Very rarely can one political actor perform all three functions, and there is usually a certain functional division between political actors.

On the other side, the primary field of private entrepreneurs is the economy. As we will see in the forthcoming chapters, they rely on public resources to great extent. Actors in this field differentiate according to their economic strength which is connected with the formal and informal strength to influence the general and particular business conditions.

On every level (republic, regional and local), more or less stable arrangements based on the informal agreements are formed between these actors. The networks which form these agreements are real power networks because inside those networks the key decisions concerning functioning of the relation between the political and economic sphere are made.

For all actors, except economic actors in the private sector, political influence is based on the engagements in political parties (by the direct political career in the party, or by doing favours and loyalty relations with the party leadership). Parties represent the primary field for competition in which the individual and networks form the positions of power inside the party and then inside the institutions and public enterprises. In that sense, the key actor is the very complex



political party structure. Without the party organizational infrastructure, informal networks, histories, individuals who are active in the party would not have importance.<sup>1</sup>

1. Political actors who interact with or influence economic actors whether in the public or private sector, but do not occupy any economic position in public or private enterprises. They can be considered as purely political actors, but their interaction with economic actors depends on the position in the power hierarchies at central or local level, as well as on their specific social capital represented by the linkages and loyalties shared and exchanged with specific power circles.
2. Political actors who presently or formerly occupied a position in the public economic system. Although at some point they were positioned in both systems, their source of power relies on political power and their recruitment channels are clearly from political circles. They are usually appointed to board

or manager positions. These actors are often called interlockers, because they are the key actors through which political and economic power are interlinked.

3. Economic actors with no (at least direct or formal) political background which include top managers in the private sector and entrepreneurs as actors who are at the same time owners of the capital and who perform leading management roles in their enterprises. Their background lies primarily in the economy, entrepreneurship and their recruitment channels are from entrepreneurial or professional circles.

As we will see from further presentation of research findings, intensive dynamics of diverse relations is unfolding between these actors during the entire observed period (unblocked transformation after 2000) and at all levels. Political actors interact with economic actors in various ways and with different intensity and dynamics. A small group of 'gate keepers' (if we observe from the perspective of the economic system) or 'network brokers' (if we observe from the political system perspective) can be identified, in the sense used by Burt to describe persons who bridge structural holes, (in this case the hole between political and economic elites) and who interlink the two systems, as we will see in a man-

1 Many examples can prove that when individuals lose the support of a party they can lose public positions, and it rarely goes in the opposite direction. Most of political affairs which were induced outside the party which had the aim to discredit some politician (even though they are justified from the legal point of view) were not successful if the politicians had full support from their party.

ner that reflects relations deeply entrenched in clientelism. These brokers or gatekeepers are mandated by highest political power to control the access to political power and state resources available to the economic sector through political power circles. These actors are not even necessarily party members, but they are persons of high loyalty to the most powerful political actors and are socially, often privately, closely linked to them. They are also less visible than other actors who occupy more visible positions in the government, at the top of political parties or in the high level business circles.

### 1. Political parties

**The structure of power within a political party.** The formal aspect of the political party organization is consisted of the Assembly, Main board, Presidency, Executive board, different councils and a network of municipal Boards. According to the organizational scheme, the power should be moved from local Boards, through the Assembly to the Main and Executive board and the Presidency. The reality is completely different since the parties are extremely centralized.

*Basically, it is a multi-level system with local, city and state level and every level decides on relevant topics. Of course, all promotions start and end on the top and then go to the lower positions. On the lower level, members have just to implement decisions taken on higher levels.*

(male respondent, expert)

And while most formal procedures inside parties are nominally followed, the key decisions are crystalized, negotiated and made in closed circles which represent the informal loyalty networks inside the parties. Behind the formal structure, our respondents reveal the complex and hidden structure with informal connections, networks and centres of power creating the informal structure of the party. This informal party pyramid plays a crucial role in shaping the party life, having a strong effect on the promotions, party politics and coalitions.

The respondents state that the decisions made in formal meetings are usually already negotiated and discussed in previous smaller, informal and intimate meetings.<sup>2</sup> After agreement in

2 Sometimes, more personal meetings are used to test some ideas or plans, check reactions of others.

informal settings far from the public, decisions and plans are just formally presented and accepted in official meetings.<sup>3</sup>

Even though it is very centralized, the power inside the party structures is based on the loyalty networks in which the party leader is one of the actors. Loyalty networks are created in the long term and often are relatively stable structures of trust (unless there is a big overturn inside the party). These networks are colloquially called groups (“*ekipe*”) and they intersect party structures horizontally (inside the Board, Councils and Presidency etc.) and vertically (from the Presidency to local boards). The influence of the party network is big as long as the network manages to hold intraparty discontent at minimum using distribution of resource or party discipline.

*Every time someone comes to the top of the party his/her group comes along to the spot, his/her trustworthy people. There is no democracy inside the party, there never was. People vote as they agree beforehand. As an example, you can follow how 5–6 people inside the party vote and if they are part of the same group they will all vote in the same way for ten years.*

(male respondent, political elite)

**Networks inside a political party.** Certainly, the political parties are not a monolithic structure and conflict emerges as a result of prevalent disagreements. The respondents indicate that debate inside a party is rarely about the political program or ideology, but rather there are interests that connect and divide party members. As in all organizations, there are oligarchic tendencies within different interest groups which tend to present their own interests as the general (shared) ones. Discontents and fractions emerge mostly in the top of the party, and mostly during the periods of delegation of strategic positions inside the party and public functions after the elections. In these situations, individuals and networks which have been excluded or “underes-

It is the way to prepare the audience and companions for implementations of new ideas.

3 This sort of ‘bonding’ between close political comrades usually takes place behind closed doors and in a more informal atmosphere. Some respondents claimed that the traditional Serbian *kafana* is still an important site for different sorts of informal meetings and negotiations where people can speak freely and openly.

timated” in the distribution generate discontent which can result in latent or manifest conflicts. Furthermore, conflict can emerge between different party levels, which was the case, for example, in the SRS and SNS while they were part of the government. Another example is DS after losing power. Namely, the first party echelon can participate in the power (legislature) and achieve certain benefits for themselves, but the majority of party infrastructure members are excluded from participation in the power and they do not gain any benefits which come from positions in power (employment and access to other public resources). Pressures from below to open political space for promotion or achieving key positions can be significantly strong by a part of the political leadership— *new group*. Open conflict comes at the end after negotiation and “trial of strength”. The end result can be a relatively peaceful overturn of power inside the party or even party division which leads to the creation of new political parties. In another case, party division is performed horizontally and vertically to the level of municipality boards.

## 2. Governance

Interestingly, almost all respondents agree that major power is in the narrow political circles and international community, while they disagree about the role and influence of big local economic actors. Majority of respondents indicate the concentration and centralisation of power in a narrow circle around the Prime Minister, backed by strong international influence of the EU and the USA, or sometimes only by several countries perceived as most influential (most often the USA, Germany, the UK).

There is a widespread impression that the present Prime Minister has key power and nothing can be done without his consent. Concentration and centralization of power is perceived as a long-lasting phenomenon, though there is clear perception that in the present government they reached much higher levels.

*‘This is universal; it is not linked to this government. There has always been one circle, a number of people who have essentially constituted a key power and who lead the country, regardless of their formal position. Sometimes, the Prime Minister can have more power than the*

*President, while sometimes the President will be the most powerful person. We had Tadic and Cvetkovic and now we have Vucic and Nikolic. This is the only difference. The formal position is not so important. More important is the centre of power, how it was formed essentially.’*

(male respondent, businessman)

Even though there is no complete consistency in the respondents’ answers, the power network on the highest level is consisted of the Prime Minister, several influential ministers, important persons from the party, several political actors with significant social capital acquired while they were in power in previous governments and several wealthy individuals.

*‘Vučić is making all decisions, but I have the impression that he asks a few of his collaborators. People say that he trusts a lot to Zorana Mihajlović....Divisions inside the party exist but they are not so important at this moment since everything seems under control.*

*The current Prime Minister and nobody else. He is the “alpha and omega”. He knows everything and he is deciding on everything.’*

(male respondent, political elite)

Respondents state that the importance of the Parliament is very low. The greatest part of the power is concentrated in the hands of the Government, concretely in certain circles. Moreover, judiciary is to a great extent under the influence of these networks. This is most noticeable in cases when the persons from the network are the subject of the dispute.

Similar perception of centralized and concentrated power can be found among respondents in regard to local communities. Only the actors are slightly different. Here, the Mayor or President of the municipality is recognized as the most influential persons. In addition to these, national-level politicians originating from a particular municipality who are some kind of power brokers that bridge local power circles with central level power are perceived as important actors and when effective they can bring resources from the central level to the local community.



### 3. Economic actors – private and public sector

#### Public sector – interlockers

There are two types of actors in the public sector: 1. Directors of public companies and 2. Public companies' Board members. Directors of public companies are most often the cadres of political parties. They are appointed to leadership positions through institutional mechanisms. They are required to satisfy double requirements: formal and informal ones. On the one hand, they are expected to adequately manage a public company which is why skilled and experienced cadres are appointed to these positions. On the other hand, they are expected to execute informal requests of their party (as we will see later: employment, 'tuning' of tenders, financing of parties, etc.). The latter requires additional skills related to negotiation and adaptability. These actors are the most trustworthy in *the core* network because the financial situation of the party depends largely on them. They are also significant in terms of making connections between political actors and the part of economic actors. Their mediation is crucial when making a great part of informal arrangements with small and medium businesses and a significant part of such arrangements with big companies.

#### Private sector

The importance of the economic elite is perceived differently among respondents. Some perceive big business actors, and particularly tycoons as those who are together with key political actors mainly influencing policies and the business environment in Serbia. On the other hand, some respondents indicate low influence of the private sector.<sup>4</sup> When it comes to businesspeople, only large private companies (col-

4 Perception of the interviewed businessman is that the government did not use their potentials to foster development in an appropriate way. 'There was no systematic cooperation, public, institutionalized, through which the government could use private sector resources (knowledge, advice and other resources) to advance economic policies and developmental processes. There were occasional attempts to develop a cooperation mechanism such as that in 2008 after the breakout of the economic crisis. The government organized a big meeting with private sector representatives and announced that during the crisis, such consultation meetings will be held on a monthly basis, but this was not the case.'

loquially called tycoons), being the major financiers of political parties, are politically relevant at the national level. Their access to institutional resources is almost exclusively enabled in an indirect way, namely through power networks.

*'They mainly gravitate towards the leaders, at least the strongest ones, or towards influential party members at a lower level helping them in the campaign. Businesspeople have a strong instinct which party will become politically significant in a certain period of time and accordingly they are quickly approached and offered good services to be returned by the party's coming to power at any level.'*

(male respondent, local level politician)

However, in certain cases, they can have direct representatives in the government and institutions. One respondent said that one of the richest businessmen *had bought* a position in one of the government agencies dealing with the privatization process for a six-figure sum. A qualified person was appointed to that position and their duty, among other things, was to take account of the interests of the real employer.

The respondents nevertheless point out that the economic players at any level (national, regional or local), regardless of the amount of capital and the size of the company they own (large, medium or small enterprises), are usually secondary and that the real power remains in the hands of political parties and the political part of the power networks that form the government. Economic actors usually adapt to the current state either by knowing the rules of the game or by anticipating future developments within the political sphere. Among the economic actors with a certain power within the political field at national level, the richest businessmen, such as Miroslav Miskovic, Milan Beko, Miodrag Kostic and others, were mentioned. The respondents state that the position of economic actors is rather unstable long-term. They distinguish the ones able to manage to economically survive every political change while retaining their wealth, business and often their privileges in the market from those who happen to disappear from the economic life or drastically lower their influence with the diminishing of a political option. According to a highly positioned politician, if someone wanted to follow the clear direct re-

lation between the economy and politics, they would have to look at companies that ceased to operate after some parties had failed to join the government and which new ones emerged as important market actors. After these changes, the logic of the business remains the same, meaning an exchange where one side represents the investment in financing a political party and the other one enabling a business (under privileged conditions).

The economic actors who manage to establish a connection with the (future) election winners during the election campaign (or earlier) or immediately after the elections, will have the opportunity to keep their business and survive the government transition process without major hitches. One strategy is to finance several political parties, both those in power and those in opposition. The *unforgivable sin* of businesspeople is direct interfering in political affairs. This way, they may become competitors and not partners while such a situation most often leads to showdowns. Several respondents gave two striking examples of the events from the past decade: confiscation of part of Bogoljub Karic's property and judicial prosecution of Miroslav Miskovic. On the other hand, some respondents recognize that there have been some examples, e.g. in the media sphere, of relatively easy transition and attuning to the new authorities. The most common example given by the politicians is business operation of the consortium owning TVB92 and Prva as well as several marketing companies.

*'I think every government has its favourites, its major investors. And depending on the rotation of power, there is the rotation of these major local businessmen – I'm talking about the last ten years. The government led by Kostunica had its own large domestic investors, too, who had a certain impact.'*

(male respondent, expert)

Although it cannot be measured precisely, due to the qualitative nature of the research, there is an impression that among local level respondents there is stronger perception of importance of large economic actors. This is probably due to the stronger influence these enterprises have as major employers in small communities, where dependency of the local budget and population wellbeing on these companies is stronger.

#### 4. *International actors*

International actors are recognized as important on two levels. At one level, they influence, guide and control the institutional and policy reforms. At the other level, they are donors and investors and their economic role is perceived as important. Respondents perceive embassies as important instruments of channelling international influence and resources, but they notice there is hierarchy among foreign actors, depending on the strength of the country.

There are also opinions that a certain level of influence rests at the side of big multinationals who come to Serbia and who have huge profits, potential to employ a large number of people, to provide comparatively higher salaries, to introduce new modes and culture of work and who create a competitive environment for Serbian companies.

The respondents recognize the existence of a good network among the foreign political and economic elites currently present in the country. They further recognize that protection of the interests of economic arrangements is done through political channels. According to the respondents, these arrangements are sometimes a part of the formal agreement through which foreigners want to protect their investments and ensure legal work of firms from their own countries. However, there are often pressures requiring operations under privileged conditions. These pressures are outside from the field of formal agreements. Also, there are cases when foreign politicians (ambassadors) do not work only in favour of others, but also in the interest of their own company.

## ■ RESOURCES

The majority of respondents perceive money and financial benefits as a key resource that is being exchanged between actors. However, there are other resources of importance as well, such as jobs, contracts, information, acquaintances at right positions and various kinds of benefits.

**Money** is the most important resource for exchange, but it flows in various ways, between political and economic actors, some legal and formal while some neither formal nor legal:

- as compensation for board members appointed by the party
- as salary for people employed by intervention of the party
- as financial support to the party by a public enterprise
- as financial contribution to the party by the people who got the employment thanks to party intervention

The interest to be appointed to the management board of a public enterprise is mainly motivated by economic interests as compensations can be relatively high in comparison to regular salaries. According to some respondents, party members appointed to economically strong enterprises could reach monthly compensation of several thousands of Euros. Therefore, the competition for these positions is high among and within the parties (more described in the section on mechanisms).

Managers appointed to public enterprises by political parties have the obligation to provide financial support to the party in return. According to some testimonies, the circle of public enterprise managers is important within the party hierarchy.

*'These managers are very important as party sub oligarchy. They are not party workmen, nor chargers, but they are behind the 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)

Financial support to the party is not provided only by public and private enterprises, but also by persons employed through party intervention. Some respondents indicate existence of a 'standard party fee' which was at the level of 5–10% of the salary regardless of the job.

**Jobs** became a particularly important resource after the breakout of the economic crisis in 2008, when unemployment significantly increased. Jobs are provided on request of the political party or an influential politician in public administration, public enterprises or the private sector. Jobs are provided for party activists, for lower echelons of party members, for friends and

relatives of party members or persons from the place of origin of some influential party members. The mechanism of exchange that unfolds through employment will be elaborated later, here, it is important to notice that respondents value differently jobs in different sectors. Jobs that parties can provide are divided into three types: 1) job in public administration or a public enterprise for an indefinite period of time, 2) the same job but with a contract for a specified period of time and 3) temporary or permanent job in the private sector. The first two options can be implemented by appointed cadres directly in accordance with the possibilities. The first option is the most desirable and such jobs are occupied by the most loyal cadres; the second one represents a kind of stage mode and a second-best solution. However, experience shows that these people lose their job first after the power shifts. The third way of providing jobs implies including personnel issues in informal agreements with private companies. The businesspeople are often required to reserve some vacancies for the party's cadres when opening a new plant or branch.

*'Those who are employed through a political party, they don't want to work for private employers because there is no security and you have to work hard.'*

(male respondent, political elite)

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

**In-kind resources** are diverse and according to testimonies usually include: travels, access to quality health care, vehicles, lunches and dinners. Although many of these resources are exchanged more on the individual level, some in-kind exchange occurs at the collective level as well. The examples are printing services, promotional material, space in media for party promotion and similar.

**Changes in laws and regulations** are a resource needed mostly by private business actors, requested often in exchange for financing political parties. This includes legal solutions and rules related to certain aspects of business and economy that enable more favourable conditions for running a business in some industries and are an important resource that the private sector in the economy can obtain from the political elite. Respondents say that the EU integration process narrowed the space for outside intervention because legal solutions are usually already done as a part of the EU accession process. However, several stated that it was clear there were examples of such influence.

*‘Tycoons in the past (also now) were often able to rewrite laws relating to their interests by meeting someone from the party leadership and offering them (or the party itself) certain monetary compensation. Not only tycoons had an impact in the political field. Such influence was extended to the banking sector.’*

(male respondent, political elite)

**The use of control mechanisms:** A significant way of using public resources is by utilizing institutional operational *control mechanisms*. These imply the work of the judiciary, police and inspections in the service of power networks. Bearing in mind that the control mechanisms are ultimately based on the use of the force apparatus, establishing control over the key positions of the police apparatus is a prerequisite. Control mechanisms can be used either by applying legal norms *overzealously* or by not applying them at all. In this way it is possible to provide benefits to some stakeholders and also to put pressure on others. The most common form of employing the mechanisms of control over economic actors is by utilizing 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, about government decisions, market related information – i.e. who are the new investors, who plans to invest in Serbia in a certain industry, under which conditions, tender-related information, etc. Information is usually gathered through informal conversations with persons on the appropriate positions. They are sometimes

exchanged for other favours and sometimes they have a monetary price.

**“Right places”.** This basically means to have appropriate social capital, which can be of different composition for different actors. For example, for private businessmen, this mostly includes persons in political positions who can open doors for tenders, contracts, investments, or persons in public administration who can facilitate obtaining of licences, documentation, etc. For political actors this can mean influential people inside a party, in the government or in a public administration position who can provide access to various resources: promotion, jobs, information or something else. Further, for political actors this can also include persons at the top of public companies or private enterprises, who can provide economic resources (jobs, money or in-kind benefits and services).

## MECHANISMS

Here we will describe mechanisms through which the previously identified actors exchange the noted resources. Different mechanisms are used for the exchange within a political party, between a party and institutions and between political actors and economic actors in the public and private sector of the economy and therefore, they will be presented separately. The key motive underlying the mechanisms is to provide long-term positioning of political parties in power for what they need: 1. enough people to vote for them and 2. sufficient financial resources to secure political influence.

### Within parties

The respondents point out three criteria for taking key positions and climbing the leadership ladder of their political party: 1) the ability to raise funds/money for the party, 2) organizational/communication skills and 3) personal loyalty.

Firstly, climbing the political party ladder is influenced by the ability to provide money for the party. Within the networks, persons who have the ability to provide party financing means from public or private sources are especially respected. Beside formal<sup>5</sup> funding channels, there

5 In Serbia, the legal framework in financing of political parties is regulated by the Law on financing polit-

is the so called “black funding” which is not presented in financial reports of political parties. There are two main sources for funding political parties: the state budget and its public sector and private companies. Through mechanisms to be presented later in more detail, money for regular functioning of political parties is provided. Such activities are particularly intensified during the election campaign. The origin of the money raised allows non-transparency of the financial operation. It is associated with the possibility but also the request for the networks within the party to perform some activities outside the institutional party frameworks (out of meetings, financial records, without accountability towards the party’s bodies and without the possibility of putting their issues on the official agenda). In this way, the networks within the party are strengthened securing an informal milieu.

Secondly, beside the money, it is important to have organizational skills; this especially applies to people who are in charge of human resource management. Some activists earn their positions within the network by working on the establishment and maintenance of formal and informal structures of the party. Bearing in mind that the formal organization is a prerequisite for the development of informal networks in the political field, work on harmonization and reconciliation of these two structures requires significant effort. These activities include making horizontal and vertical connections within the informal network in the party structure, taking into account the cadres’ policy, providing compensation for members of the network and the struggle / negotiations with competing networks.

Thirdly, the inevitable criterion for promotion is to be loyal. Position and reputation inside the party structure are influenced by “contribution to the party functioning and ability to express and bring quality to political activities”. The party nomenclature had to perceive a certain candidate as a trustworthy person who can “finish the job in party interests” without making

problems. In order to get a key position, a party member should be “stable, obedient and taking care about party interests”. In selecting political and bureaucratic personnel, loyalty and trust are of particular importance, since they shape the informal structure underneath the formal hierarchy. According to the respondents, obedience, politeness and loyalty influence promotion.

The basis of this trust is shared decision making in the allocation and occupation of strategic resources of the party and public resources as well as joint involvement in activities with questionable legality. The network is hence reproduced in accordance with the principle of *watching (one’s own) back*.

### ■ Between parties and institutions

Regardless of the fact that modern institutions are represented by a set of established rules and practices that (should) express the common good, they are not exempt from the influence of individuals and social groups. Given that they represent a legitimate field of power within which it is possible to influence the formulation of rules, allocation of resources and enabling/disabling of access to resources, the relation towards institutions is complementing the already presented forms of informality, i.e. the importance of formal channels and procedures for political action.

There were two occasions when a political party (the Socialist Party of Serbia), which nurtured the legacy of socialism and had access to all available public resources, began to withdraw from institutions leaving other political parties the opportunity to manage the institutions and resources. The first one was losing power in several major cities after the local elections in 1996 and the second one was withdrawal from the republic government in 2000 and 2001. These changes influenced intensified struggles between the political parties as the control over public resources became the key mechanism of survival of the ruling party. Though after the changes there was an idea to share functions and sectors not only in proportion to the election votes but also in a way that several political parties have their representatives in every public body and sector ensuring mutual control, this model was rapidly dropped along with introducing the so-called model of *feudalization of public institutions*. Feudalism refers to an agreement between political

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ical activities. Parliamentary parties are funded from budgets based on the number of deputies in the Parliament. Every year, parties are obliged to give a financial statement to the Anti-Corruption Agency, which has the right to directly and undisturbedly access bookkeeping records and documentation as well as financial statements of political entities and to engage appropriate experts and institutions. Other formal and legal sources for party fund raising are: affiliation fees and private donations.

parties where the whole sector or management of the public company falls under the control of one party. It is stated in the interview that “politicians perceive ministries as their trophy or feudal property”.

*Well, unfortunately, after October 5, only Djindjic's Government, actually only Djindjic, did not allow feudalization of ministries, but appointed ministers from one party and minister assistants from other parties in the same Ministry. Following his assassination and formation of Kostunica's government, Ministries were divided between G17, DSS (Democratic Party of Serbia) or who had already been in the government; SPS (Socialist Party of Serbia) was not formally in the government but they got, let's say the Railways. And so SPS had survived, being financed from the funds of the Railways. Regarding the issue we are now talking about, SPS are the biggest hustlers simply because of their many decades long experience, or let's say, if we neglect communism in the one-party system, it was simply not necessary because there was only one party which had all sources of funding. But, for example, as from Milošević's multiparty system, they have been learning it and they have become experts. All the other parties that came to power have learned it from SPS.*

(male respondent, expert)

The respondents recognize that the logic behind this division is an essentially ruthless struggle and competition between political parties. The model of operation had been set in the period of socialism when the party controlled the entire reproduction of the social system. However, electoral race and the necessity of providing the electoral threshold (which guarantees political clout to the party) led to intensification of the struggle and establishment of new mechanisms of control over public resources.

*After the elections, in accordance with the coalition agreement and the percentage of votes, division of spoils starts. The strongest gets the most significant part and if they have a large majority in the parliament, the blackmailing potential of smaller coalition partners weakens*

*and they get whatever remains. Here, we should also bear in mind that during the coalition government each party uses a variety of tricks to weaken partners. If coalition partners happen to start strengthening their ratings, the warning bells start to ring.*

(male respondent, expert)

The key questions that every party asks itself are how to pass the threshold and how to provide sufficient funds to finance the party's infrastructure and activities providing it positive publicity. A part of the answer to both questions lies in ensuring control over public resources: money, management boards, public offices, control mechanisms and jobs in the public sector. As political actors say, categorizing of all public offices, companies and other positions starts again after the election in accordance with their importance. Also, positions are an important topic of pre-election coalition agreements. These functions become *parties' loot* and there is no real external control over the work of appointed people. Whole sectors and public companies become *party feud* and *they can do whatever they want*, while they report only to their party.

#### Party loyalty

Simultaneously with the rise to power and the distribution of sectors and positions, there is another process related to the selection of cadres to occupy public office and run sectors and public companies. Here, several selection criteria intertwine. The first and most important criterion is work in the party and party loyalty. The highest positions are reserved for officials who have been the most engaged in party work before the elections and who usually occupy managerial functions within the party. People who otherwise occupy high positions in the party usually already take part in the established network of loyalties within the party. As we shall see, these networks result from infighting and they represent the teams to perform key functions after the election. Each team has a core consisting of several closest persons, then a wider circle and finally the support to the base (municipal councils). How many positions a party can take will depend on the amount of resources available after the elections. The principle is appointing confidants certain positions whose significance

depends on their place in the party's pyramidal structure. In addition to the designated positions, parties strive to have loyal people at all levels of sectors, public administration and public enterprises. People in leadership positions on all management levels are replaced after the change of power, as they guarantee (non)flow of information and execution of tasks, both those important for everyday normal functioning of work organization and those falling in the ambit of informality and clientelism.

*There were always different teams within the party. The motive to be in a team is ensuring a position to win the power together with your group of people. To become a part of the crew who is going to be in charge. To have an established network of associates so that you are able to know who you're working with when you come to power.*

(male respondent, interlocker)

Bearing in mind that political parties are highly centralized with a highly important leadership structure, closeness to the president of the party and influential people is a very important criterion, primarily to be part of the *team* and then to obtain a public office tenure. The goal of ambitious party members is to become the *core* team members, as these positions guarantee maximum power within the party but also within institutions in case the party is part of the government. This is the reason why many respondents emphasize loyalty (which implies proof in terms of the quality of the tasks' performance) as the key mechanism for the selection of party cadres for public office.

*Getting close to the boss is important, the ability to execute due responsibilities being the director of that company, including financing of the party.*

(male respondent, political elite)

*Roughly speaking, it is the familiarity and closeness to the boss, but when I say closeness to the boss, I don't think...I mean, no leader is so stupid as to put someone who is unable to work on a position that is a potential source of income for the party. Though, perhaps many would like to be chosen, but the leader is*

*the one who assess who can do it best and that means not becoming the front page of Kurir tomorrow.*

(female respondent, political elite)

#### Personal networks

The second, equally important selection criterion is personal loyalty of individuals who are not necessarily political party members. These are most often friends and relatives of political party's leadership. The respondents pointed out personal friendships of the former president Boris Tadic from high school or sports activities, kinship relations of the current president's advisor and many other examples. Although sometimes they are also political party members, it is of secondary importance (and it often comes after the appointment) as their credibility is not drawn from their work in the party but from personal relationships with powerful individuals in the party and the state. They occupy various positions, but mostly operational and not the highest ones (such as ministerial positions); they are often secretaries of cabinets or sectors, advisors, directors of public companies. Their real responsibilities are significant and often have influence in the political field which overcomes the responsibilities of their formal position.

*Personal relationships are important, mostly loyalty. When he appoints someone the director of NIS, through him he is going to fund the party, do money laundering while trusting he is able to make a profit of let's say 5 million Euros, something for the party, something for himself.*

(male respondent, big entrepreneur)

*Basically, these are people who are on good terms with the party chairman, whether as their friends or people they trust and it is also in order that the party could benefit from it, primarily financially.*

(female respondent, local politician)

As mentioned, the influence of these persons is based on personal relationships with the party leadership, which is recognized by other party members. The relation towards this practice is ambivalent. Even though party members recognize the reasons why this happens, there

is also dissatisfaction (because prize is not guaranteed no matter the engagement within the party).

*I have an example where in one of the previous governments a minister appointed his godfather the president of a large public company and he was not even a party member. Everyone in the party was dissatisfied but it was clear that he needed a loyal man there.*

(male respondent, interlocker)

*T: Do you mind when some non-party persons take positions, and leaders decide so without consultation?*

*I: Everyone does. But I'm used to that practice. I am aware that no one will get an important position as an expert. Education is irrelevant in politics, Serbia is a witness.*

*T: Why is this happening?*

*I: Because it is easier that your business is done by someone you trust to some extent. Things are done faster and contrived more easily.*

(male respondent, businessman)

In this way, the party's *core* achieves double benefits. On the one hand, it receives a person of trust in the important office, a person with whom it has already established loyalty on some other basis. On the other hand, this person is cut off from the party's infrastructure resources. Hence, he/she hinges exclusively on one or several persons from the *core network*, which makes the person more dependent and therefore more loyal. Taking certain positions in the public sector (particularly a public company) by party cadres brings along the danger of gradual formation of parallel networks of personal loyalty to a person in position, i.e. the network that can become competitive to the one that currently dominates. Therefore, the equilibrium in the party is realized either by trading resources (positions) or by ensuring party discipline in case individuals are not content with the current division.

#### Actors with symbolic and social capital

The third type of actors is represented by persons or cliques important due to their social,

organizational or symbolic capital. We are talking about people 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 to prominent positions interesting to the media.<sup>6</sup> On the other hand, people whose social capital is developed are more likely to take operational positions with usually little publicity. Most often these are the people who collaborate with several political parties and who have had a role in several governments. Their importance lies in the possibility to make links between the old and new political actors, to establish channels of communication and exchange on a reasonable basis.

A special category of actors are the so called *flyers*, i.e. persons appointed to positions with guaranteed immunity and the opportunity to have their own mandate, who leave their parent party and join some other during the mandate. Usually, they are republican and provincial MPs or local councillors who join another political party and become loyal to it. The reasons for such change are rarely related to a principle (disagreement with parent party's policy) but far more often to personal benefit, money and/or position for themselves and their support networks. When a political party is out of power, party control is weaker because there are fewer resources the party relies on.

In addition to personal social capital, informal organizational capacity of the party becomes very important in the longer term. If it is in power long enough, the party has a good chance to form a solid network of loyalty in the institutions (ministries, public administration, enterprises, etc.). Even after the formal withdrawal from the government, social capital can make a party a good partner. One respondent says that the importance of URS (United Regions of Serbia) after the 2012 elections was proved, among other things, by the existence of a developed network of party loyalty in institutions. These networks were ready-made to be surrendered to the ruling coalition just coming into the position of power without loyalty networks developed deep

<sup>6</sup> For example, the current Minister of Culture Tasovac, Finance Minister Krstic, sportspeople Sapic, Udovicic, etc.



in state administration and public companies' infrastructure. This capital has made URS a partner to the government although having failed to get sufficient votes to pass the election threshold and hence to become a parliamentary party.

### Between the political and economic system

Between the political and public sector

**Party 'conquest' of management structures of public enterprises.** This mechanism represents the 'take over' of a public enterprise by political parties. To clarify, the procedure of appointment of political party representatives to the boards of public companies is a fully legitimate and legal process, regulated by the law. Selection of top managers of public enterprises is also usually conducted in line with the law and formal procedures of competition and selection. However, informal processes and interactions that have been taking place behind these legal and formal processes can be, and according to the testimonies from our research, often are conducted in the way that political actors control or use economic resources of public enterprises for their personal and their party benefit. In some cases, particularly when stronger and strategically more important public enterprises are at stake, this can be pure capturing of public economic resources through human resource management and informal practices of exchange.

Among and within the political parties, competition for prestigious positions in management boards (economically stronger enterprises) can be fierce according to some testimonies. Usually parties with more seats in the Parliament and Government get more posts in public enterprises and particularly in those which are more important. Among the respondents, a frequently used word to describe the distribution of posts in management structures of public companies is 'booty', which symbolizes the economic value they attribute to these positions and benefits they drain from these positions (more about this in the section on the culture of informality).

*'Why are negotiations about the 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, but OK, even the library is part of the booty, because the party cannot be financed by the library like it can be financed from Serbiagas. Then some people who are not powerful are appointed to the library and they will be grateful and they will contribute to the campaign, they have some circle of friends who are probably powerful in art or science.'*

(male respondent, political elite)

Within the parties, more influential and powerful party members manage to get a board membership position in best enterprises. It is interesting how respondents describe the process of appointment of party members to the boards of public enterprises. Decisions are made mostly by party leaders or in very small circles of leading party members. This selection mechanism is reported by respondents from all parties, regardless of their size or position in the political spectrum.

Our respondents are of different opinions when competences of the party nominated managers of public enterprises are in question. Some are very critical stating that party leaders deliberately appoint incompetent loyal persons to these positions in order to be able to manipulate them more easily and achieve their/party interests. Others claim that although loyalty is the most significant criterion, it is in the best interest of the leader and the party to appoint somebody who is competent because only in this way will the enterprise be successful and funds will flow into the party structures. The third category of respondents is very optimistic. They perceive significant changes that slowly eliminate the previously described practices. They recognize the important role of the Law in such changes, since the new Law stipulates that members of supervisory boards in public enterprises can be appointed only with university education<sup>7</sup>, and managers of public enterprises cannot be members of political parties<sup>8</sup>. They also recognize the influence

7 According to the Law on Public Enterprises, Article 16, Point 2 ("Official Gazette of Republic of Serbia", no. 119/2012, 116/2013 and 44/2014).

8 According to the Law on Public Enterprises, Article 22, Point 5 ("Official Gazette of Republic of Serbia", no. 119/2012, 116/2013 and 44/2014).

of new restrictive policies related to employment in public administration, which limits the room for manoeuvre of party directed employment practices. According to these testimonies, the changes are already visible in higher competition for political positions. They expect that this higher competition will increase the quality of intra-party structures.

Our respondents often indicate that party cadres are awarded for their contribution to the party by being appointed to the board positions. They are sometimes presidents of the municipal or city board of the party, and they are rewarded for their field work and for strengthening party structures in their communities.

However, the 'capture' of a public enterprise does not end with taking control over the top of the company. The next step in 'taking over' the enterprise is to replace important staff in lower important positions with party cadres or people who are not party members but who trade their loyalty to the party for the interests of an advancing career.

Our respondents reveal interesting dynamics in relations between politically appointed board members and managers of public companies. According to some testimonies, general managers are more powerful than board members. Usually board members accept decisions reached by the manager. However, if there is conflict, it is usually solved outside of the enterprise, through political party structures. Basically, the power of political parties is mirrored in the composition of management boards of important enterprises.

**Financing of political parties by public enterprises** is the key benefit that political parties gain through establishment of control over the enterprise and this has been conducted through various mechanisms. Some of the most frequently indicated are described further below.

Budgetary funds are another very important resource available to the political actors. Deploying them in accordance with informal arrangements, political actors can obtain several benefits: to enable a subcontracting company (of importance to political actors) to get a beneficial contract and to get profit, to transfer part of the financial resources (due to the difference of real costs and presented costs) to individuals or political parties. There are two main methods of use

of budget funds: 1. through allocation of budget subsidies and 2. through public tenders. In both cases, budget funds are allocated to the actors with whom pre-made informal arrangements have been done or to the partners who were provided information in advance which made them more competitive in the formal competition with other actors/companies. We are talking about information on the preferred prices, business conditions, service standards and other information the knowledge of which makes one actor privileged in relation to others.

Not only that the favoured company gets the opportunity to perform a certain job, but it also means that the profit made from the job can multiply by additional informal arrangements agreed in advance. Most often, during the process of works' execution, the annexes to the main contract are signed in order to extend the scope of work and increase the price. Recent regulations have limited the amount of funds that can be claimed for additional work to a maximum of 25% over the originally agreed amount. A former director of a public company says that annexes are often signed for some activity that has not been done. *By the law, it is possible to sign a contract for up to 125%; in 100% of cases, contracts have been signed to 125% and even for jobs that have not been done.* Most of the money is utilized as extra profit for a private firm and a political party that *has attuned* the tender.

*For example, I publish a tender offer for road construction from point A to point B. There should be 20km of road constructed in my municipality..., for example. The tender offer is published. The tender commission has been formed by the Ministry of transportation and infrastructure. Five construction enterprises apply for the tender. They (the tender commission) develop criteria that a company has to fulfil. But these criteria are developed for a particular company. The real price of the work is, let's say 10 million euros, but the company which set the price at 13 million euros wins the tender. They win, they invest 10 million in the road, which was the real cost. Sometimes the difference can be bigger. For example, they state that the road will be 10 cm thick, but they make it 5cm thick. This is a huge amount of money which can hardly be controlled. Plus those 3 million*

*of difference...they put it in their pockets, they share it with those who gave them the contract (the president of tender commission, for example, plus the Minister, etc.), and the manager of the public enterprise records that all 13 million were spent.*

(male respondent, political elite)

Even more serious cases are those in which despite the legal obligation public tenders have not been published and contracts were agreed in informal meetings between political actors, public enterprise managers and private sub-contracting companies.

The mechanism of exchange means that a part of the money is given back to the political party in charge of the sector that calls the tender. As several respondents say, the party has certain expectations of such arrangements, however, without clear rules on expected monetary compensation, which leaves room for manoeuvre for the agreement participants to obtain a certain amount 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, the others are dealing with other matters. Public procurement is still a fictional thing. You call a 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 someone won't. There is no party control, only expectations...*

(male respondent, local politician)

Some respondents say that in some cases it is possible to accomplish only personal gain out of rigged public procurement without knowledge and involvement of the political party. Although in these cases party cadres are also the main actors, agreement and distribution of funds take place within the private informal network.

*There is huge room for all sorts of scams. I don't have to do anything, but I tell you where to go and what to say and that's it. You've got people who were not-*

*ing, mediocre welders and now they are entrepreneurs, dealing with huge amounts of money and they drive crazy cars. The state pays, he got it because he provided the best bid and that's it...who can prove anything. That's just the same money laundering as with sports players. The Director signs you're worth three million and he pays you back. You're worth a million. You give two million back to him, and he says that his estimate was that you're worth more and you are obligated to prove that by your sports results. How are you going to assess the sport scores? ... Money is returned to individuals or the team that made the deal. Here, you sit down and make a story and there's enough for everybody. It's like in life. Thugs gather and see where they can take the money. They are not like some scholars who do everything in line with the regulations, but they know how to fake papers to seem that all is going well. The agreement is made, they transfer the money to your account, and you do some work. He meets you at the corner, you give him his part and how are you going to prove anything. That's everywhere, all over Europe, wherever there is this system, this democracy. Now you imagine when you manage to join that canal and when you say now it is my time. My team, my people and my time, no ideology, you believe that there is someone here because of ideology. And there's no way to catch them, it can only be if one is completely sunk in so that they do not know where and how much is taken. Thus, if they work smart, drop by drop, unprovable, even if they admit, you can't harm them anyhow.*

(male respondent, businessman)

Another mechanism described by the respondents is use of marketing services as channels for money flows. A public enterprise pays for advertisements or some marketing campaign services to the marketing agency. The real price of those services is much lower than the amount of money transferred to the agency as compensation for their services. The marketing Agency processes the payment like it was fully spent on services, but the difference is transferred to the account of the political party as a donation. Therefore, many respondents indicate the sig-

nificant role of marketing agencies, stating that control over marketing agencies is part of gaining and maintaining the power of political parties and leaders.

*It works in the following way: Director of a public company gives money for a commercial to the marketing agency. He gives let's say 5 million dinars (RSD) while advertising costs are let's say 500 Euros (60,000 RSD). The rest is transferred to the party's account and booked like the full amount has been allocated.*

(female respondent, business woman)

One of the ways for transferring money to the political party that respondents described was informal financial transactions. Some public companies conduct some part of their business off the record. They receive compensation in cash and they transfer the cash to the political party. This requires strong political support which can prevent work of inspections and disclosing this kind of transactions. Among our respondents, this was found more at the local level, where clientelist networks seemed tighter, which made them easier to avoid inspection (linkages between parties and institutions and the local and central level of government). However, this mechanism is unreliable, harder to implement today than 7–8 years ago and it is reported less often among our respondents than other mechanisms.

**Party directed employment.** The network of loyalty of party members and their personal networks (family, neighbours, friends) are formed in order to ensure loyalty of the party cadre and the electorate. These networks are ultimately based on the promise that the party will provide jobs (either in the public or in the private sector). At the moment when the party wins power, its primary goal becomes to provide as many jobs in the public or private sector for their membership and (potential) voters.

In this way the party can reward their members for their work and loyalty by finding employment for them or their close persons. The mechanisms of party employment vary, but the one always present is through informal contacts between a party member and an influential person within the enterprise. Sometimes, almost formalized mechanisms of party regulated employment are established.

An interesting example is the one of a public enterprise in which one of our respondents is employed at one of the middle range management positions. Since the decision was enacted on the city level that employment in public enterprises should be reduced and accordingly a new employee could be engaged only after three employees went into retirement, our respondent reached an agreement with the General Manager to get the quota for employment on behalf of her party at the level of one third.

*I came to the Manager and told him: 'I am fully aware that you will be exposed to pressures, as I am exposed to pressures. We can make a deal: one of every three new employees 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 a cousin. There was no pressure from the party to employ more people because people in the party are reasonable. They know exactly how much you can do in your position.*

(female respondent, interlocker)

According to our respondents, jobs in the public sector are more prestigious than employment in private companies, because they are considered more secure and less work intensive.

*'Those who are employed through a political party, they don't want to work for private employers because there is no security and you have to work hard.'*

(male respondent, political elite)

#### Between the political and private sector

Mechanisms that have been developed in the cross-section between political actors and the private business sector are different from the previous. Although money as the most valuable resource for exchange appears here as well, there are other important resources and mechanisms for financial exchange which are slightly different.

**Lobbying for legislative and administrative 'favours'.** This is one of the mechanisms through which business actors get benefits from political actors in exchange for economic re-

sources. Practices through which this mechanism functions include complex negotiations, bargaining at meetings that include various actors from both sectors.

*For example, there was a meeting of the Business club, at which it was concluded that it would be good to invest in agriculture, but there was some bylaw that did not suit us. It would prevent us from making a profit... the profit would be halved. In these cases, we speak with politicians and if they estimate that it is somehow also in their interest, then they initiate revision of the law or bylaw.*

(male respondent, big entrepreneur)

**Financing political parties.** Mechanisms for financing political parties are diverse. One way is through foundations, associations, donations, sponsorships. One respondent illustrated it by the example of building a church in one local community. A company makes a donation to the church for reconstruction. The church presents that all was spent on the reconstruction, while in reality only a part was spent on reconstruction and the rest is transferred to the political party.

In some cases communication between political actors and businessmen is rather direct.

*Well, a party leader tells you his price and then you see if you will pay it or not (laughing). I think that political parties present this money as sponsorship. This is not the same as 'harac'<sup>9</sup> (meaning regular payments to a political party), but this is some kind of 'free' donation.*

(male respondent, big entrepreneur)

Money is sometimes paid directly to some bank account that parties open only for this occasion. After the payment, money is transferred to some other account or abroad, and this account is closed, eliminating the traces of payments.

Based on the testimonies of our respondents we can notice that two forms of financing political parties could 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, the desire to 'contribute' to the changes. In these cases (not so numerous among our respondents) financing of a political party is considered almost as an investment in a better socio-economic environment which is also a better business environment.

Another type of (semi)voluntary financing of political parties can be found among entrepreneurs who understand that this is 'the rule of the game' and they accept it as a part of doing business. This type of economic actors does not resist to 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.

*Like it or not, we have to maintain our relations with politicians. In my case this does not mean that I regularly attend cocktails at political parties, or participate in their regular activities, but I try to be at their disposal when they need me – whether it is about design, printing of party brochures, printing documentation for party conferences or advertisements in digital media. I could say that clients and colleagues with political background somehow always have advantage in my company (even if it is not in the best interest of my company, such as pro bono work). Simply, I follow my intuition for survival of the business and today, this means that you should be at disposal (to political parties).*

(male respondent, entrepreneur)

The dilemma of this type of economic actors is not whether they should finance political parties, but rather which parties they should finance. Some shift swiftly from one party to another guessing the next election winner or after the establishment of new power structures. Others finance different parties, expecting that they will keep a privileged position whoever wins the elections.

The third type of economic actors is those who are reluctant to finance political parties, those who resist such requests. They report various forms of 'punishment' for their refusal to finance parties. Sometimes this is intensive inspection of their work during longer periods, sometimes termination of contracts or warning

9 Turkish word for taxes that the non-Muslim population had to pay to Turkish authorities symbolizing submission to the Sultan's power during Turkish rule in the Balkans

others not to do business with the 'blacklisted' company. Among these respondents the request for financing is perceived as extortion. According to their testimonies sometimes they are approached by representatives of a political party directly, and sometimes by other businessmen who already 'cooperate' with the party.

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

(male respondent, big entrepreneur)

**Public tenders.** This is the same mechanism like in the case of public enterprises, but this time seen through the eyes of the private sector. Although there are opinions of some respondents that presently it is not easy to manipulate this mechanism, since it is public competition there are legal rules governing the process, still many respondents claim that the major part of public tender procedures is manipulated. This is usually done by setting the criteria that match a particular company, by leaking the information about price offers of the competition, by provision of an already semi-prepared offer, or similar.

*Once, the company in which I was employed participated in a public tender that was opened for development of a web site and digital channels of one public enterprise. My company received a version of the already half-filled tender documents. I found it on my desk in a folder labelled 'confidential'. The other agency who was competing against us received a completely different set of documents, which I found out later from a colleague who was working on that tender in that agency. We got the job. It was clear that the 'deal' was*

*agreed earlier, in our offices with wine and a friendly chat between our Manager and the then Advisor of the President of state.*

(male respondent, entrepreneur)

In cases of small scale public procurement, when there is no legal obligation to announce the tender offer, there are common manipulations. According to the rules three offers should be submitted, among which the best one should be chosen. The invitation for competition is sent to selected companies. And what is usually done is that there is actually a deal with one company, which calls two other friendly companies to apply with a smaller offer, so its success is guaranteed. On another occasion this company will return the favour to the other companies. And this is how the circle of intertwined public, private and political network is created around specific economic resources and through series of cooperation occasions. But essentially, the process is controlled by the political actors.

At the local level, according to some testimonies, local political power can act as the gatekeeper for all external investments. Sometimes, if they do not recognize benefit for their circle (individual or party-related), they would even prevent the investment. Respondents described some cases when investments in particular local communities were coordinated from the national level (government). Even if these investments would bring benefits to the development of their local community and consequently enhance support to their political power, they prevented such arrangements, because they were not in control of such investment plans.

**The use of control mechanisms.** A very significant way of use of public resources is through operational *control mechanisms*. They are used to enable influence in two following ways: 1) By enabling economic actors to do business regardless of the legal framework. In these cases, even though the business violates some norms (mostly ones related to anti-monopoly regulation and quality standards), procedures deliberately *tune* results and business is misrepresented as legal and legitimate. 2. By putting pressure on disloyal and non-collaborative economic actors by threatening them with prosecution for violation of the rules if they fail to meet the expectations set outside the formal procedures and channels.

In the first case, this means that the prosecution, court, police services, inspection organs of all kinds will *look away* and they will not react to the violation of legal procedures. Informal channels within the institutions are used for sending the signal to key persons in the operating position to issue a permit, sign the statement on the quality control and enable smooth functioning of someone's business. On that occasion, the rules are violated while the participants in the process are aware of it.

*Everything is veiled in secrecy, all things are done away from the media, various permits are arranged, but very few people benefit from these operations of the Big Ones in the country. These are all combinations made among friends.*

(female respondent, local politician)

These mechanisms are very difficult to detect as all formal procedures have been implemented officially and, *on paper*, all is done in accordance with the regulations. One example given by a public company's director is related to the construction of a public institution building. The director, who shared the responsibility for the construction with the municipal government, stopped construction works personally and refused to testify by signature that it had been done according to the regulations (such acting also had a political background as he belonged to a political party which was about to leave the ruling coalition at that time). The building was not built in accordance with the standards set in the public invitation. On this occasion, he was pressured by the supervisory organs and head of the municipal administration. He was told that there was nothing to worry about if the head of the administration and supervisory authorities signed. Although he refused to sign that the work was done properly and although he informed relevant institutions, there was no consequent reaction about the issue and no additional quality control was carried out. The fact that such things actually do happen becomes clear during each pre-election campaign, when the public get to know more about privileges of some companies on the market. One of the most significant examples was a long dispute over whether the MAXI retail had a monopoly on the domestic market, as well as many examples of violations of construction standards repeatedly enabling con-

struction companies to increase their profits to an extent that would not be possible to achieve if operating within legal framework.

Another way of utilizing the operational control mechanisms is through the pressures on economic actors with the intention to prove that they did not comply with the procedures and standards in some segment of work. This method of utilizing, most often the inspection services, has a function to get some actors out of the market game or to persuade them to start informal cooperation. These are usually the economic players who used to be loyal to another political option so that after the political change their place is taken by another company (usually in obtaining work arrangements guaranteed by the state) or they are required to maintain informal arrangements with the new government. In practice, it works in the following way: the inspection services intensively monitor the conduct of these companies. Bearing in mind that they used to be under certain protection of former authorities and due to the privileged position clearly violated legal norms, it would not be hard to find some evidence against them.

*There are party companies. These are fairly clientelist firms which manage to win public biddings. It's hard to say exactly how, they will always find a reason why their company was the best, but you can clearly see the coincidence that a firm wins public bidding while a certain party is in power, then that it later loses bids, that they are more often controlled by all kinds of inspectorates, labour, financial, etc. Then some other companies start to bloom.*

(male respondent, political elite)

One of the current politicians who had previously worked in the finance inspectorate explains how it works. He believes it is very unlikely that there are the businessmen who use public funds out of reach of informal politics' requirements.

*The first kind of pressure is that if you start a company, someone immediately sends an emissary with a list and a number of people to hire ...these are always the party's voters. Another way is financing of campaigns, i.e. donations to political parties. If you want neither one thing nor the*

*other, a new form of pressure comes in the form of an inspection and it is now a question whether you want four inspection visits in a month, and they can always find something. I worked as an inspector for 8 years and inspectors are exempt from their own mistakes. Even if someone does everything according to the law, you can always write a complaint that he is unable to respond, but has to pay a lawyer and thus spend some time and that is annoying. The inspector has the right to make a mistake and has no related consequences. People under this kind of pressure most often give up and say, "OK, so what, I'll hire another two or three people, it's better for me to be on good terms with them than to be constantly under some kind of surveillance."*

(male respondent, big entrepreneur)

Barriers to certain actors can be set by manipulating legislation and procedures, while state officials have a right to their accurate interpretation. Favouring one and excluding the other businessmen is done this way as well. One of these (disprivileged) individuals was a great entrepreneur who wanted to expand his business to the territory of a major city. He bought the land, obtained all the permits necessary for the construction of a wholesale facility and a gas station. Although he had submitted all required construction projects and assessments in accordance with all regulations and although he had paid all taxes and fees and submitted complete documentation, he waited four years to get the permission to start construction works. As per the legal framework, this had to be resolved within 30 days. After the first calls and after the insistence of his lawyers, he received verbal answers that the case was about to be resolved (it lasted more than six months). After that, he was informed that there had been a change in the legal framework and if he wanted to re-apply, he must re-submit the complete documentation, with the new standards. That would require not only time but also new taxes he had already paid. He complained to such interpretation as the new law stipulated that its provisions were to be applied only to new projects and not those which had already been in procedure. The response of the city authority for urban planning and construction was that it had not been their interpretation of the law and that if he wanted

to build the facility he had to abide by their decision. He had previously invested 330,000 Euros in the business. By informal channels, he was informed there had been other ways things could have been resolved. This would include bribing urbanism inspectors. The sum of 5,000 Euros was mentioned. He says he wanted to do business without paying it, because he was sick of all the inspectors racketeering businessmen. He refused the offer and was never given permission to work.

At the highest level of politics, the information obtained by the police and secret services becomes a method of control. Political actors say that information about individuals (especially their economic and political arrangements), stored in police files accessed by some members of the power network, is an important mechanism for controlling behaviour and discrediting political and/or economic opponents.

## ■ CULTURE OF INFORMALITY

### ■ Language

It is interesting which terminology some respondents use to describe the economic assets over which competition evolves after the election and establishment of new political power structures. *Booty* is the used term, and the process of distribution of positions is described as bargaining over *booty* after a successful conquest action.

*Why are the 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, but OK, even the library is part of the booty, because the party cannot be financed by the library like it can be financed from Serbia gas. Then some people who are not powerful are appointed to the library and they will be grateful and they will contribute to the campaign, they have some circle of friends who are probably powerful in art or science.*

(male respondent, political elite)



## ■ Norms

**Norm of loyalty.** Paradoxically, loyalty is one of the most important norms regulating relationships within the parties and between political and economic actors, but at the same time, there is the broadly accepted norm of shifting loyalties in line with someone's interests. The party grants access to economic resources to those who are loyal and who can provide satisfactory exchange of values, but it is completely acceptable for loyalty to be broken when another party or political circle can provide better opportunities for the person. Therefore there is the broadly acceptable norm of shifting loyalties if backed by economic interest.

*In order to be loyal to someone, you have to cancel your loyalty to others. But this is not the problem. In every occasion you assess your opportunities – with whom it would be better, who can protect my interests better. And this is fascinating, how fast, without any scruple people can shift from one side to another... and nobody even blames them. The majority does that. Those who do not do this, they disappear. If you don't have your team, you disappear.*

(male respondent, local politician)

Some respondents indicate that norms of loyalty are completely different in the political and economic sphere. In business, loyalty

networks are fully grounded on the interest for money and profit making, while in politics they are different, they are being built and rebuilt from the lowest levels of engagement, such as sticking posters on walls during campaigns, up to the highest ranks.

## ■ Places of transaction

Our respondents indicated various places which are typically used to reach informal agreements. One of the most common places, very much linked to the business culture in Serbia is 'kafana' (tavern).

*Best business deals are still agreed in 'kafana', whether they are small deals or strategic projects. It is because 'kafana has no ears', and with good food and drinks everything seems much easier. In such a relaxed setting I often got additional deals. The agreement was set in the office only for one project and when we were leaving 'kafana', we had three signed contracts. So my attitude about informal meetings is mostly positive. At the end this is a part of our Balkan culture.*

(male respondent, entrepreneur)

Other places that respondents mentioned are: private homes and public places such as walkways along river banks or similar. People think that nobody can tap a wire there.

➤ *Jelena Pešić*

➤ *Slobodan Cvejić*

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## SOCIAL REPRODUCTION THROUGH INFORMAL SPHERE – THE STRUCTURE AND THE SYSTEM OF CLIENTELISM IN SERBIA

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The fact that coexistence of informal practices such as clientelism, corruption and patronage with new democratic, market and state institutions is typical for post-socialist countries is well known (Burawoy and Verdery, 2000; Helmke and Levitsky, 2004; Ledeneva, 2013). We analysed informal relations between political and economic elites and inside political parties in Serbia as an important form of power relations that affect reproduction of the whole society. Our aim was to recognize major actors, mechanisms and forms of informal practices and to conclude which is the character of the relation between formal and informal institutions, convergent or divergent. Based on earlier researches on the topic we expected that informal institutions prevented normal functioning of formal institutions and deepened economic inequalities, that way endangering nurturing of trust and solidarity as main ingredients of social cohesion. Ultimately, we wanted to know if informal structures have grown to the level at which they dominate reproduction of the whole system. Our empirical data served as the basis on which we wanted to make a conclusion on the nature of the social system being established and reproduced in post-socialist Serbia (by comparing and contrasting them to the theoretical model of political capitalism, originally described by Weber (1922) and further developed by Kolko (1963) and Holcombe (2015)).

The economic and political history of Serbia (and the Balkans in general) shows that lack of strong institutional heritage, slow economic development and weak democratic culture make fertile ground for establishment of informal practices that provide subsistence to many citizens as well as informal structures that protect private interests at the cost of public resources. However,

it is also evident that the sphere of informality has been evolving and changing its actors, mechanisms and forms in modern history of Serbia in accordance with the changes of the formal system, which means that informal power relations have been intertwined with formal institutional setting and therein established structures (social, economic, political). This variation in size and impact of informality also affects everyday lives of people, ranging from providing basic social survival (getting a job, accessing quality health care, participating in local community) to an alternative strategy for increase of income. Based on high importance of informal power relations for functioning of formal institutions and reproduction of the whole society, we made an inquiry into the essence of these relations. What is the size and strength of informal structures in Serbia today and how much and in which ways do they affect the lives of all citizens?

Having this question in mind, the first important issue to address is related to the **extent of clientelist networks**: whether the benefits (rents) remain restricted only to the elite members, contrasting them to the masses, or the clientelist networks have the ability to expand across and down the social pyramid. While Holcombe's (2015) model of political capitalism implies that rents are restricted only to elite members, Kopecky and Sherlis (2008) argue that since clientelism implies an asymmetrical nature of the linkage between actors of different status and power, it preserves and reproduces inequalities, and is, therefore, more likely to be found in economically undeveloped societies, involving all social strata.

The next question that has to be answered is related to the **nature of clientelist relations**

established in post socialist Serbia: is it the system of relations that involves traditional types of asymmetrical social exchange (based on obligation, personal loyalty, duty, servant mentality, etc. – “old clientelism”) or the characteristics of “new clientelism” (based on impersonal, more democratic and less dependent nature of the relation, wherein loyalties of the clients are more fluid, changeable and instrumental – see: Hopkin, 2006) which prevail? Do government and ruling party changes lead to the formation of new clientelist networks or are they able to survive political changes? Or, in other words: are clientelist networks durable and stable or dependent on the changes in the political arena? Are we faced with a single clientelist network or several opposing networks? Another important issue that is being derived from the nature of clientelist relations is the type of networks established: whether these networks tend to be more personal or based in power positions? Or, in other words, whether and on what grounds are personal and power networks intertwined?

The third important issue is to determine **the nature of resources that are being exchanged** and the type of recipients: are these resources more or less private/excludable or are the goods and services offered to narrow or wider groups? Hopkin (2006) suggests that the more the resources are provided for individual clients rather than to narrow or wider groups or organizations, the more the clientelist nature of exchange prevails. Or, in other words, the more the resources are excludable, the nature of relations tends to be more clientelist.

Having in mind the variable and adaptive nature of informal structures as well as the specific nature of post-socialist transformation in Serbia, the next issue to be addressed, in the light of our empirical results, is **the nature of power distribution between political and economic actors**: whether the power is, ultimately, concentrated in the political or economic subsystem (and consequently in the hands of political or economic elites), and whether the changes in global and local economic and political contexts are leading to shifts in the centres of power?

Related to the former is the question of **how much the informal institutions and rules penetrate the formal system and whether informal rules represent an obstacle to the formation of formal ones**; what are the sectors and

levels at which the resources are being captured? As Helmke and Levitsky state, ‘...informal rules shape formal institutional outcomes in areas such as legislative politics, judicial politics, party organization, campaign finance, regime change, federalism, public administration and state building’ (2004: 726). The wide dispersion and deep penetration of informality might ultimately characterize the whole system as political capitalism.

## THE EXTENT OF CLIENTELIST NETWORKS

Holcombe’s (2015) model of political capitalism implies that the system is being reproduced based on the clear division between elites and masses (between ‘1 percent’ versus ‘99 percent’), with restricted entry to rent-seeking only for the first group. The model implies that within the political capitalism framework, rents are limited solely to the elite members, i.e. to those who write rules in order to create entry barriers for those not in the elite group. By restricting rents, elite members become sole rent beneficiaries at the expense of others, and therefore welfare costs of rent seeking do not equal the entire amount of the rents. For Holcombe (2013), an essential element of political capitalism is the elites maintaining their status relative to the masses and at their expense.

Vast political sciences literature on party patronage and political clientelism (Kopecky and Scherlis, 2008; Kitschelt and Willkinson, 2007; Van Thiel, 2008, etc.) shows that the phenomena, especially in economically poorly developed societies, may also include creation of wide clientelist networks that are cross-sectioning the social stratification pyramid, involving hierarchical organization of protégés, with electoral clients at the ground floor of the system, various levels of brokers organized in a pyramidal fashion, and patrons at the top (Kitschelt and Willkinson, 2007: 3–4). Polycentric political systems, with fierce competition between political parties, are prone to establishment of principal–agent linkages of accountability (Kitschelt and Willkinson, 2007: 30).

Our empirical findings suggest that both models are applicable and not necessarily incompatible. The system of political clientelism established in Serbia strongly relies on the relations es-

tablished between political parties and business elites (which consequently enables elite members to be prime rent seekers), but the competitive nature of the political system (that rests on weak institutions and democratic procedures) is ending up in creation of vast clientelist networks among actors at all levels (including common electorate, at the bottom of the pyramid). After the introduction of a multi-party political system in the 1990s and its consolidation after the year 2000, strengthening of democratic political institutions (precisely free elections and representative democracy) has influenced the shift of the model of political clientelism, too. Unlike during socialism, the patrons now needed to exit the narrow circles of power and win support of the electorate if they wanted to maintain an influential political position. And if their inclination was towards maintaining informal control over public resources, they needed to bring large parts of the party structure into clientelistic relation. That was how the clientelistic pyramid was built. Today, a highly competitive political system (under polycentric conditions) together with a poor level of economic development (enhanced by economic recession) makes the winning of political power an even more valuable goal that enables parties to control the authoritative allocation of public resources in an unconstrained manner. Or, in other words, political parties are the main actors that are capturing various state resources, distributing them either to business elites, or to their own electorate in exchange for different kinds of support (financial support, donations, in-kind contributions from business actors and votes or volunteer work from the electorate).

Although prime rent-seekers are the members of the economic and political elite, the clientelist network has the ability to expand at all levels, retaining and even widening old (hierarchical), but also shaping new (lateral) social inequalities between those that are included and excluded from the clientelist network. In the situation of increasing economic recession, lateral inequalities (that are being established between actors at the same level of social stratification scale) tend to gain more importance: at the top of the pyramid, inclusion in the clientelist network differentiates elite members and their companies that are able to get public tenders, bailouts, state subventions or to shape regulatory policies and use control mechanisms in their own interests from those that are excluded, while at the bot-

tom of the pyramid, inequalities are established between those who are able to get public sector jobs and those who are not. Our empirical evidence also show that increasing inequalities are being established not only between those that are included or excluded from the clientelist network, but also within the network itself: scarcity of available public resources leads to increasing differentiation between clients included in the network at same hierarchical level (a good example are different types of contracts within public sector jobs or differentiation between public and ('extorted') private sector jobs that are offered to loyal party activists).

### THE CHARACTER OF CLIENTELIST NETWORKS: DURABLE AND/OR FLUID NETWORKS, PERSONAL AND/OR POWER NETWORKS, OLD VERSUS NEW CLIENTELISM?

Another important issue is the character of clientelist networks established between political and business actors and their stability in relation to political changes. Or, in other words: whether we are faced with stable and durable networks that are cross-sectioning political parties (and are, therefore, the object of political exchange and trade) or these networks tend to constitute as parallel, opposing and alternative? In order to answer this question we have to address the issue of the nature of clientelist relations: whether they predominantly rely on hierarchical, personal ties, duties and obligations (to which Hopkin refers as 'old clientelism'), or they tend to be more impersonal, democratic, changeable and instrumental ('new clientelism')?

The structure of clientelism in Serbia is quite complex. It assumes combination of networking and (political) organizing. It seems that both types of ties (old and new clientelism) are present on all hierarchical levels of the clientelist pyramid. At the top, their presence shapes power and personal networks, often making them only analytically distinguishable, but in practice, clearly intertwined. However, most often, personal networks at the top level are being formed on the basis of friendship or kinship, but also assuming some level of personal dependence. As Ledeneva stated (2013:13) "power networks operate on principles similar to other informal

networks and impose certain norms of reciprocity and informal constraints on people in official positions". Power networks based on close personal ties (friendship or kinship) and maintained by shared lucrative interests dominate at the top of the clientelistic hierarchy. There it has two modes: one is the relation between political and economic elites and the other is the relation between most influential party members. However, it has to be said that dominant power networks are being formed within political parties, in the form of *'ekipa'*, the more traditional type of clientelism, where mutual exchange of resources (money, political support, valuable information, tenders and other favours) at the end brings benefit to all members of the network, but the patron dictates the rule of distribution. *'Ekipe'*, at the top of the clientelist hierarchy are being formed mostly out of the party core members, sometimes involving loyal friends that are not a party member, but rarely including economic elite members. Political parties represent a suitable organizational framework which enables establishment of firm power networks, while economic elite members mostly function as atomized satellites of these networks. Down the hierarchy we can find more asymmetric relations with clients being more dependent on resources, decisions and directions from the patron and his personal network, but with options for establishing smaller clientelistic nodes at the local level or in certain domains, too. By being successful in soaking public resources in public positions they hold, or in their local communities and/or providing significant political support among the electorate, some clients qualify for strengthening personal position and entering the *'ekipa'*, thus gaining higher benefits later in their career.

However, democratization has also influenced the persistence of the 'old' clientelism at the top, since patrons now know that their political longevity depends on other influential members of the political and economic elite, so they have to maintain both formal rules and institutions at least seemingly working properly and protect main political competitors 'in the game' by not raising charges against them for their former clientelistic conducts. These circumstances make their political power more tradable and the relation inside the power network less asymmetric. This increases rivalry among different *'ekipe'*, which heightens the chance of opportunistic defection (Kitschelt and Wilkinson)

even at the top level. Under the circumstances of economic crisis and increased competition over economic resources, the most probable outcome of increased chance of opportunistic defection is strengthening of informal personal networks through increase of contingent direct exchange, predictability and monitoring (the 3 constituents of clientelistic exchange – Kitschelt and Wilkinson, 2007: 9). This means that networks on the top are slowly transforming from the personal mode to power mode.

Inclusion of business actors in the network may be voluntary (when business actors enter the clientelist networks before election, anticipating the winning party, or after elections, accepting the rules of the game, or being a part of competing clientelist networks established by different political parties) or involuntary (under threat or use of various forms of force, most often by manipulating with different control mechanisms and semi-state agencies or by changing regulatory mechanisms, but ultimately, also by using physical violence). In the first case, relations tend to be more instrumental in their nature (with fluid and multiple loyalties of economic actors towards different political parties), while in the second case they tend to get the form of coercion.

At the lower level of the clientelist pyramid, we also found a combination of instrumental and dependence clientelistic relations. Although there were testimonies of the presence of "flyovers" and vote traders, one could say that there were two types of clientelist relations that serve two different but functionally dependent purposes. One has the purpose to prevent opportunistic defection and strengthen the core of the power network and is made of those members of the hierarchy who get positions in local administrations or local public enterprises, or get an employment or some other direct benefit through political party channels. In return, they perform different tasks in reproduction of the clientelistic hierarchy and in this way participate in contingent direct exchange, which increases predictability and allows for monitoring of the network performance. The other type of clientelistic relation at the lower level of the pyramid has the purpose to bring votes in the elections and win wider political support. Here, the mode is more instrumental and individuals give their votes or even do some voluntary work with the expectation that the promises given by the elite affecting

their personal or group interests will be fulfilled (non-contingent, indirect political exchange).

Evidence also suggests that clientelist loyalties and even whole networks can be the object of trade. Political change does not always imply formation of a new network from scratch, but most often a new clientelist network is being formed by comprising elements of the already established networks, with key positions being filled by “new”, loyal members. The usage of the existing network is more pronounced if the party is coming to power for the first time and does not have its own clientelist “infrastructure”, especially within government bodies and regulatory agencies. Evidence also show that during the first phase of unblocked transformation, in a more unstable political environment, the networks tended to be alternating, while in the period of political stability and increased economic instability (with reduced public sector resources), network infrastructures tend to be more durable, but with fluid loyalties.

Power networks (*‘ekipe’* at the top) are being formed out of members of political elites occupying crucial government positions, interlocking agents (politicians appointed to managerial boards of public enterprises), top members of the economic elite and actors that occupy key positions within ruling parties, but without any public (political and economic) functions. They are called a power network because of the positions they occupy. Members of the power network may or may not be involved in personal networks (based on personal loyalties, such as kinships or friendships), formed around the core members of the ruling party. However, power networks usually tend to become personal networks (either by positioning loyal core members in power positions or by establishing personal relations with power position holders that were previously not a part of the core).

Formation of different (tradable) networks characterizes different political parties, but can also be found within them (following the formation of party factions). These networks are cross-sectioning all hierarchical levels of the party (formed from the top to the bottom), and although potentially formed as parallel and opposing, they are usually intertwined. Networks can be established around formal structures of the party, but inevitably, as empirical evidence show, they include, to a greater or lesser extent,

informal institutional arrangements. The more the party networks are established within certain territorial (local) units, the harder it gets for their members to be involved in loyalty trading (opportunistic defection), contributing to formation of durable networks and firmer loyalties (which, additionally can be supported by personal and ethnic/traditional loyalties).

### INCLUDABLE/EXCLUDABLE RESOURCES: WHO ARE THE MAIN RECIPIENTS?

As Hopkin (2006) suggested, the final recipients of resources that are being exchanged may vary: in more traditional models of clientelism, they are usually individuals or narrow groups (cores) gathered around the patrons; in democratic and contemporary settings, these recipients tend to be wider groups (within ruling parties or parties as a whole), although the nature of clientelist relations inevitably involves exclusion of some groups and parts of the society.

Our data for post-socialist Serbia suggest that we are faced with both groups of the recipients: the prime recipient is political party as a whole (and different party members are evaluated primarily on the ground of their contributions that are benefiting the party as a whole and are being recognized as such); the secondary recipients are members within party networks (wider groups); however, recipients can also be the members of the power networks at central and local levels (party cores and other relevant individuals). Although wide distribution of resources to the recipients is the most effective, in terms of getting support and maintaining loyalty, scarce resources often lead to their distribution only to the certain members of the party or, most often, to the members of power network (good example is the positioning at the most desirable functions of loyal core members that are not being recognized as most distinctive members of the party). Finally, the final recipients can also be people that are not either core or party members, i.e. that are not part of power or personal networks, but by getting positioned on the grounds of their favors (whom Ledeneva (2013: 55) calls ‘useful friends’).

The character of the resources exchanged through clientelistic and corruptive relations is

ultimately concentrated on financial benefit. All the resources like: valuable information, control over money flow, capacity to control and obstruct other actors operations, capacity to influence legislative, control of media, management of political party and its organs, and even 'volunteering' political activity are ultimately financially compensated, either directly (salaries or direct cash transfers) or indirectly (in kind benefits otherwise sold in the market, jobs 'won' in tenders, etc.). By the allocation of these 'selective benefits' (Hopkin, 2006: 7) inside the hierarchy and especially inside the power network we can distinguish between old and new clientelism, the first one characterizing primarily the power network and the second one characterizing primarily the clientelistic hierarchy. However, it should be stressed, in line with earlier conclusions about political democratization in Serbia and shift towards more competitive political market, that even at the top of clientelistic hierarchy (inside the power network) the character of the clientelistic exchange is shifting from old to new clientelism.

## ■ POLITICAL OR ECONOMIC POWER

The next issue we need to address is the nature of power which generates clientelist relations. Developing the model of political capitalism by examining specific historical forms of capitalism established in American society that were related to stronger government involvement in regulation of economic activities, Holcombe (2015) points out that the system implies twofold and reciprocal relations between the members of political and economic elites; the system is being reproduced on the mutual benefit of both groups. However, an important question is whether the power is concentrated in the political or economic arena? Or, in other words, what is the dynamics of the relations between organized interest groups coming from the business sphere and those that hold political power and are in position to determine the nature of economic regulations?

Kolko (1963: 6) argues that 'major economic interests' themselves design constraints under which they act, in order to retain a dominant position. The economic elites recognize that creative destruction of capitalism works against them, and that, in the long run, not only their

profit, but their very existence might be challenged. That is why they seek government regulation of the economy in order to preserve the status quo, by stabilizing the existing state of the affairs and making it difficult for someone outside the elite to replace them. However, Holcombe (2013) notices that regulatory capture creates a dependence of those firms on the regulatory regime that benefits them, so they must support the political structure that maintains that regime or they will suffer transitional losses. Although the *capture theory* suggests that benefits go one way, to the business elite capturing public resources, *transitional gains trap theory* offers explanation on why the process is reciprocal: business elites became dependent on the regulations for their continued profitability, so political elites are in the position to extort benefits from economic elites in exchange for beneficial legal and regulatory framework they desire.

In the historical-contextual chapter of the analysis of Serbia's post-socialist transformation we saw that the situation appeared to be more complex: in the first phase, the political elite managed to establish domination on both political and economic subsystems and by controlling the privatization process and legal, semi-legal and illegal economic activities (in the situation of wars and economic isolation) to convert political and organizational resources into economic capital. The process led to the reconstruction of the new economic elite that gradually started to differentiate on the basis of the dominant mechanism of reproduction: one group consisted of those whose positions were dominantly being reproduced by retaining close relations with the state (interlocking agents who hold both political and economic positions – directors of large state owned companies that were, at the same time, highly positioned functionaries of the ruling party); the second group consisted of those who entered the elite circles through use of state granted benefits (and involvement in legal, semi-legal and illegal activities that the state tolerated), but whose reproduction gradually started to rest on market mechanisms. There is no doubt that the first phase of the process was marked by domination of political power. However, economic strengthening of the latter group within the economic elite and the need for stable and regulated markets, led to a gradual (although not complete) shift of power from the political to the economic arena. As a consequence, the once

monolithic and unshakable Milosevic's regime was dismantled, announcing the new period in which the position of economic elites changed.

With the dismantling of the system of single party political dominance, the vacancy for outer financing of competing political parties opened. Once almost fully dependent on Milosevic and its inner circle, members of the economic elite were now in a position to influence government policies and market regulations to their own interest in exchange for financial support to new, unstable political elites. Political instability at the initial stage of political pluralisation marked by increased political competition, frequent government changes, fluid political coalitions (due to a large number of political parties that were unable to form stable governments), etc., led to the establishment of a political system in which parties had to rely on vast clientelist networks in order to gain leading positions and stay in power. The clientelist network that was established between members of political and economic elites included such a system of exchange in which business provided financial support in exchange for: 1. legal and regulatory arrangements that enabled them to exclude other actors from business activities and continue to extort profits; and 2. use of public resources (tenders, subventions, state-granted jobs). In this way, an unstable political system together with financial strengthening of the economic elite (in the phase of macroeconomic stabilization and economic growth) gradually led to power shifting from the political to the economic arena. Our respondents stated that in this period members of economic elites had increasingly controlled crucial economic processes in the country and captured state resources.

Starting from the year 2008 and the economic recession, financial strength of the economic elite decreased (on the impacts of the global financial crisis on Serbian economy, see: Prašević, 2013). Simultaneously, the political system entered the phase of relative stability, with major political parties in control over the majority of parliament seats. This phase was marked by the declining influence of economic elites, which became more dependent on state intervention in the economy (and 'too big to fail' policy, where state underwrites the losses of major companies), together with gradual strengthening of political elites which controlled the much needed public resources and regulatory policies. Major

electoral support for the currently leading Serbian Progressive Party, confirmed in two consequent elections, marked the height of the process in which the power shift between the two arenas occurred (the whole process is referred to as 'new authoritarianism' in political sciences literature – see: Džihic, 2012). Major economic interest fell into the transitional gain trap, becoming dependent on regulatory policies and public resources provided by political elites, who are in the position to extort benefits from economic elites ('rent extraction'). In addition to that, acceleration of the European integration process that Serbia entered tapers the manoeuvring space for making beneficial legal arrangements for major economic interests, making them even more dependable on informal and clientelist networks established by political parties in power.

To conclude, the system established in post-socialist Serbia represents an empirical model that is far more complex than Holcombe's ideal type of political capitalism (constructed in relation to developed western societies). Although it implies reciprocal relations between political and economic elites, the concentrated power is shifting between the political and the economic arena, depending on the wider economic and political processes. Furthermore, the transitional character of the society (with substantial state and public sectors of the economy), together with rather late inclusion of Serbian economy into the global capitalist system on peripheral grounds, implies the existence of rather strong relations between the state and business, leading to establishment and preservation of interlocking actors and networks belonging to both political and economic spheres.

## INFORMAL AND FORMAL INSTITUTIONS

Post-socialist transformation of Central and Eastern European societies is commonly understood as (re)constitution of parliamentary democracy and market capitalism. The crucial component of this transformation is establishment of institutions that define and practice a new normative framework that sets formal 'rules of the game'. However, it is also commonly perceived that the whole process of institutional change occurs in an environment of inherited social relations and cultural forms, in a certain framework



of informality. To paraphrase David Stark (1996), the new societies are not built on the ruins of socialism, but with the ruins of socialism. This interpretation means that old societal patterns have been transferred into new institutional arrangements influencing thus the whole process of social reproduction. This fact enabled evolutionary transfer to the new system on the one hand, but on the other it built into the foundations of the new institutions' vulnerability to informal concentration of power. As shown in historical review, the beginning of post-socialist transformation in Serbia was marked by almost unrestricted power of one political party and its leader to direct major determinants of social and economic living. Clientelistic relations and informal concentration of power were developed as the rule of the game from the very beginning. The whole history of institutional transformation after that was parallel development of the role of formal institutions and strengthening of informal institutions of political patronage and clientelism. As Holcombe noticed, "... political capitalism is more than just an explicit recognition that politics influences the economic system—an idea that is well recognized in the public choice literature. Rather, it 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). Due to the strength of informal power networks during the most part of the post-socialist period in Serbia, formal institutions were more, to use Acemoglu and Robinson's (2012) terms, extractive than inclusive, which in the end led to an economic fall down and increase of inequalities.

Another question is whether the relation between the formal and informal institutions can change for the benefit of the whole society and how? Here we will use Helmke and Levitsky's approach to relations between informal and formal institutions. As shown in the description of informality in Serbia, informal institutions could be characterized as competing, which means that they produce incentives that are incompatible with the formal rules and thus lead to clientelism, clan politics and corruption. This state of affairs has been challenged by increased competition between different political parties and power networks, but it could be said that due to blocked socio-economic development this competitiveness led to clientelistic rather than programmatic responsiveness (Van Thiel, 2008;

Kitschelt and Wilkinson, 2007). Clientelistic relations penetrated to a higher or lesser extent all major institutions relevant for the functioning of the system: parliament, judiciary, government, local administrations, political parties and media. When needed, even the civil society organizations get involved in clientelistic transactions, especially some trade unions or non-governmental organizations. It is only a few of the regulatory, independent bodies (the Ombudsman, the Trustee for protection of personal information, Anti-corruption agency, etc.) and several social media platforms and initiatives that maintain pressure to strengthen formal institutions and restrict informal ones.

According to Helmke and Levitsky's scheme, if the change in the current situation would happen at all, it could go into two directions. Based on the indications from our research the less probable scenario would be that the elites forming the power network in Serbia would change their interests and goals making thus the outcomes of informal institutions functioning more convergent to the outcomes of formal institutions. Such an 'enlightenment' of the elites would make the shift from competing to substitutive informal institutions, but it seems improbable having in mind that almost all political parties competing for political power in Serbia today have a history of contributing to the constitution of clientelism. The more probable change would lead to accommodating informal institutions, those allowing power networks to adjust their divergent goals to the growing strength of formal institutions. This again means that, together with the pressure coming from the civil society, at least a part of the political elite should be reformist enough to support accountable governance, independent judiciary, closing down of public enterprises, efficient administration, and independent media.

## ■ IN CONCLUSION

Our analysis of informal relations, party patronage and political clientelism in Serbia, during the period of post-socialist transformation, relied on a Weberian notion of political capitalism as theoretical framework that explains wide contextual conditions in which these phenomena occur. Our goal in this chapter was to examine empirical findings and conclude which type of

clientelist system is being established in Serbia and furthermore weather these findings support the thesis on development and reproduction of political capitalism.

As we know, in Weber's original conceptualization, political capitalism represents a system in which the exploitation of opportunities for profit arises from the exercise of political power (and, ultimately, from the use of violence). In other words, it rests on usage of state monopolies, benefits, financial speculations and corruption, wherein economic success does not depend on the market but rather on the privileges given by the state (Weber, 1976: 130–131).

However, in contemporary interpretations (Holcombe, 2013), political capitalism is described as distinctive (political and) economic system in which economic and political elites cooperate for their mutual benefit. Although it is depicted as system relying on reciprocal relationship between two elites, wherein business elites are capturing public resources, becoming, at the same time, dependent on the regulations for their continued profitability, so that political elites are in position to extort benefits from them ("rent extortion") in exchange for making desirable legal and regulatory conditions (trapping rent recipient into dependence), Kolko (1967) and Holcombe (2013), argue that it is the system in which the power is ultimately concentrated into economic arena ("organized interest groups", as Olson (2002) calls them, or "major economic interests", in Kolko's approach).

On the other side, the nature of political capitalism formed in post-socialist context of Serbia, involved, as AntoniĆ (1993) noticed, members of political elite (ex-socialist nomenklatura members), which have managed to gain control over political and economic spheres (in situation of wars and international isolation of the country), converting political and organizational resources into economic (Lazic, 2000). In AntoniĆ's interpretation, political elites have managed to establish hierarchical clientelist network of protégés, at the top of which were members of the economic elite who could get high profits due to the trade monopolies on goods from public stocks, involvement in barter arrangements, illicit tobacco and arms trade, purchase of building lots under preferential conditions, etc. (AntoniĆ, 1993).

Period of un-blocked post-socialist transformation that roughly started after the regime change in 2000, has been marked by competition of political parties over gaining and keeping power positions. If the first period of transformation

(1990s) has been marked by relative regime stability (due to the formed clientelist network, but also due to use of state repressive apparatus), the second phase was characterized by political instability, frequent government changes, instable coalitions, and so on. However, as AntoniĆ (2006) noticed, the structure of power was not changed, although institutional and personal elements were altered. In his interpretation, economic system remained under political domination, where power and privileges were concentrated in the hands of small group of people. Power holders formed new protégé networks, the strengthening of which was justified by a need for privatization. AntoniĆ (2006) distinguished two types of relations within clientelist networks, according to the type of capital: in the case of foreign investments, the protégé networking started to obtain some characteristics of *comprador* relations, while in the case of domestic capital the emphasis was on the elements of personal and party clientelism. In our research we focused on the second type of clientelistic relations. Privatization or bankruptcy of state owned companies represented an opportunity for members of the economic elite to acquire more capital, while at the same time, for workers in these companies that could mean the loss of jobs, in which the government had the final say.

Although the transforming system in Serbia implied formation of interlocked political and economic elites (AntoniĆ, 2006; Arandarenko, 2000), there is no doubt that, in interpretations of these authors, the main source of the power, during the first ("blocked") period of transformation, lied in political arena. However, complementary processes of blocking transformation and conversion of political into economic resources, led to gradual reconstruction, division and even conflict among elite factions, implying shift of power from political into economic arena. These (rather early) findings were confirmed through our empirical analysis. Transition of institutions and society didn't end with lessening of state and public sectors of the economy. Besides that, Serbia was late with including its economy into global capitalist system on peripheral grounds, which led to rather strong relations between the state and business. As a consequence, interlocking actors and networks belonging to both political and economic spheres were established and preserved which supported sustainability of Serbian political capitalism.

A complex informal system of power concentration and resources distribution was set and

maintained based on informal, but quite strict rules and on hidden, but very functional roles. Through several mechanisms these roles have been reproduced and both punitive and rewarding rules applied as to favour extractive mode of formal institutions functioning. The ongoing economic crisis is sharpening the edge of political clientelism: competition between and inside informal networks and political parties serving them over ever more scarce resources will lead either to additional pressure to discipline the informal system and prevent defection, or to fragmentation and weakening of political power. The later scenario might lead either to strengthening of inclusive formal political institutions or to switch to yet another stage of dominance of economic elite inside Serbian political capitalism.

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# **INFORMALITY AND CLIENTELISM IN KOSOVO\***

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## HISTORICAL AND SOCIO-ECONOMIC CONTEXT OF INFORMAL RELATIONS BETWEEN POLITICAL AND ECONOMIC ACTORS IN KOSOVO

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The issue of informality continues to be a topic of discussions among leading researchers and policy makers, as its impact on the overall economy is significant. It represents a coherent issue whose magnitude is rather spread at the world-wide level, expressed mainly in the developing countries, which attracts much of the global workforce and resources (Chen, 2012).

In Kosovo, a distinctive pattern of collaboration between political authorities and bands of irregulars can be traced back to Ottoman rule. Armed clan<sup>1</sup> chiefs were not only co-opted as auxiliaries during military campaigns, but also for extracting taxation, protecting trade routes and monitoring borders in times of peace (Kasaba & Barkey, 1994).

### ■ PRE-SOCIALIST PERIOD

Similar to other Balkan territories, Kosovo was also administered by the Ottoman Emperor. In particular, the largest portion of its territory belonged to the Vilayet of Kosovo. Despite having a rather powerful central authority, decision making power had been to a significant level delegated to local/regional structures named Sanjacs, Kazajas and Nahija (Riza, 1985). Further, like in the rest of the Empire, in the territory of today's Kosovo, there were local self-governing structures called "hykymetler" – family and tribe based structures, led by Albanian leaders (ashiret) (Riza, 1985). Informal practices and norms were present throughout social segments, and ac-

countability of such leaders was rather obscure. Further, according to some Austrian observers of that time, respective public administration was not distinguished as effective, whereas access to public resources was limited only to a few persons, closely and informally linked to the elite. The economy of that time resembled that of a feudal system, where agriculture was the main economic sector; yet, in urban areas, other economic activities such as artisans of leather, metal and silver (filigree), and production of weapons could be found (Malcolm, 1998).

Overall, people of the time adhered more to certain informal rather than formal rules; particular rural customs, traditions and norms were amalgamated in a specific book titled "Canon of Lekë Dukagjini" (Sellers & Tomaszewski, 2010). It transformed informality into a publicly spread reference point for various aspects of social life, playing a pivotal role in social organization and self-governing of respective Albanian tribes for centuries to come. Simultaneously, communities living in urban areas were organized relatively more based on certain religious (Islamic) foundations. Similar trends, although with varying intensities continued until the end of the XIX century.

In general, Kosovo has a controversial history of linkages between formal and informal institutions throughout its whole history. Large parts of its political elites, who were integrated into the Ottoman Empire aristocracy, began intensifying their requests for reforms during the national revolution of the XIX century. In particular, they articulated those requests in the form of an extended autonomy up to the establishment of a unique Vilayet. In addition to that, even

1 "A group of close-knit and interrelated families" (Oxford, 2015)

while Kosovo was part of the Serb, Croat and Slovene Kingdom, formal institutions operating at the time were not fully functional. The Albanian political elite in Kosovo of that time established the “Xhemjeti” Party, and cooperated with radical as well as democratic parties, attempting to advance Albanian national interests. Delegates of Xhemjeti in Belgrade were occupied by advocating the interests of Ottoman “çifligar”—landlords; yet, often they raised issues pertaining to the living conditions in Kosovo (Malcolm, 1998).

## ■ SOCIALISM

Socialist era was the time when informal relations got specific forms and became the necessary components of the system functioning. The key player during the Socialist period in Kosovo, same as in other areas of Yugoslavia, was the CPY (Communist Party of Yugoslavia). Through various formal and informal channels, it exercised its influence in economic, cultural, and political spheres. Since Kosovo had been incorporated within the People’s Republic of Serbia, the latter through its CPY branch in Kosovo administered the flow of public resource ownership and distribution (Pula, 2004).

According to the Yugoslav census counts taken in 1948 and 1981, Albanian population in Kosovo made about 68% and 77% of total, respectively. The change in ethnic structure in Kosovo was highly correlated to demographics trends, namely the difference in fertility rates between Albanians and Serbs (KAS, 2014; Pula, 2004). The constitutional amendments in the late 60s and early 70s made Kosovo a top priority for the Federal funded projects aiming for economic development.<sup>2</sup> However, the economic crises of the late 70s heavily affected Kosovo too, already one of the poorest regions in Yugoslavia. Consequently, the labor market could not absorb the new entrants, while the public sector employment outpaced that on the industrial production. Namely, the unemployment rate in Kosovo by 1980s reached 60%, whereas it is estimated that around 100,000 people left the country. Admit-

2 A growing (socialist) industrial base enabled the creation of strongly political-related economic elites. Indeed, Kosovo, once an agriculture-oriented economy, began its major shift towards extractive industries built on its mineral wealth. An expanding industrial base and public sector attracted many people to move from the rural into urban areas.

tedly, clientelism and bribery became the dominant ways of finding jobs, leading to the loss of legitimacy of the socialist political and economic system. In addition to that, clientelism in Kosovo was also ethnically oriented. The official statistics for this period show that Serbs were disproportionately more employed at the managerial and white-collar positions and received relatively higher wages than Albanians (Pula, 2004).

The unmet promises of the CPY pertaining to the Kosovo Albanian population’s request for autonomy, in addition to the institutional expulsion followed by violent measures undertaken against those who sought reforms, including members of the Kosovo branch of Communist Party<sup>3</sup> (Albanian component of it), were the main reasons for a relatively abrupt loss of the CPY’s influence over that community after the introduction of pluralism in Kosovo. Notwithstanding, throughout the 1950s, Kosovo enjoyed a rather symbolic territorial autonomy, whose constitutional status was equalized with that of the northern province in Serbia, Vojvodina. Such a situation prevailed until the late 1960s, when repressive measures undertaken by the Serbian secret force were publicly exposed, and the League of Communists of Serbia made major concessions in terms of giving back more powers to its provinces. In particular, it was the constitutional amendments passed during the period of 1969–1971, that changed the status of such provinces into territorial units at the federal level, giving them powers equal to those of the republics. That was the period in which the Albanian population were relatively more integrated into formal institutions, which in return lead to the creation of a perception among the local population about the formal institutions being relatively more legitimate. However, this period did not sustain long enough to change major patterns of relations between formal and informal institutions.

The political elite during the socialist era was composed of communists, whose roots date back to the National Liberation Movement (NLM) in WWII. Although they acted quite independently, quickly they were “recycled” by the Serbia’s Communist Party whenever making some political moves “unpleasing” to the Party. The economic elite of that time consisted of higher rank officials in the public administration and

3 Kosovo’s provincial Assembly.

managers of the socially owned enterprises. Having close ties with the communist leaders was the key to getting such jobs. Nonetheless, after 1980, particularly after the Serbian Communist Party's constitutional reforms led by Milosevic that resulted in Kosovo losing its autonomy, such elites were eradicated (Pula, 2004).

## POST-SOCIALIST TRANSFORMATION

Similar to the rest of the Balkans, Kosovo went through specific political-economic conjuncture during the 1990s: the end of the socialist system brought social destructuring throughout the region. The crumbling of the political and social economic systems (and the normative standards they embodied), and the transition to a market economy were turbulent processes, in which the not-so-invisible hand of mafias gave protection, assistance and contract enforcement (Strazzari, 2008).

The peculiarity of Kosovo of that time was the transfer of regime from a communist/monist system to the pluralistic one, including ten years of institutional boycotts (establishment of a parallel system), and ending up with armed conflicts and war (NATO intervention). It was the time when many members of the communist elites transferred into new elites. Simultaneously, there was a rise of the new members of the elite; yet, they did not gain significant influence among Albanian masses until the moment when Kosovan Albanians began perceiving the pacifist route, fanatically promoted by the old members of the political elite, as no longer the most viable way of accomplishing their goal (independence).

### Changes in the recruitment patterns of political and economic elites during post-socialist transformation

In the post-socialist period, most of the Kosovo leaders derived their legitimacy from peaceful resistance and dissident roles in the 1990s, or national liberation contributions during the 1998/99 insurgency. Other factors such as their perceived contribution towards Kosovo's independence, their business(es), and regional or clan based roots and backing helped them build their personal influence and form informal power networks.

On the other hand, in the post-socialist period, the Albanian parallel institutions sought to ensure their legitimacy through holding elections in 1992. This was the time when Mr. Ibrahim Rugova won a significant share of votes for President of Kosovo. While the respective Serbian regime defined such elections as unofficial, others criticized them for lacking transparency and real internal competition.

In the absence of a well-set political elite, they were mainly professionals, fired from their workplaces, who engaged into political campaigns against such measures. The recently established LDK (Democratic League of Kosovo) filled the void at the political level. It served as a unifying organization of most of the societal segments, later to be recognized as a parallel system.<sup>4</sup> Such a system was relatively well-structured and mainly composed of LDK activists, but also teachers and health service professionals, as the education and health system were its two main pillars. The economic elite of that time mainly consisted of private small businesses that were domestic-market oriented by and large, while remittances from diaspora provided the critical source of "energy" for sustaining the mentioned economy in general. Besides, LDK highest hierarchical circles also controlled the finance and who got what positions within such a system. Such an approach to political management was criticized even by the insiders such as the Prime Minister of the Government of Kosovo in exile, Bujar Bukoshi<sup>5</sup> (Sannar, 2004).

### Informal economy and 'Parallel System' in Kosovo during 1990s

Our attempt to explain informality in Kosovo up to the late 1990s was especially enhanced by the analysis of political economy. Indeed, discrepancies within political elites had a direct and significant effect on the overall economy. Such a correlation was relatively more emphasized by the end of the socialist era, and the beginning of

4 Please see the subsection on informal economy in Kosovo for more details about it.

5 Former Kosovo Prime Minister-in-Exile Bujar Bukoshi told the German magazine *Der Spiegel* that there was widespread corruption in Kosovo. Bukoshi served under Ibrahim Rugova prior to and during the armed conflict in the late 1990s. Bukoshi also helped co-found Rugova's Democratic League of Kosovo (LDK), which he left in April 2002, when he founded his Kosovo New Party (NPK).



the Constitutional constellation of that time, with regard to the Constitutional status of Kosovo.<sup>6</sup>

Namely, the term informal economy in the post-socialist context captures a scope wider than the economic activities or relations between enterprises and their workers. Instead, it encompasses links/relations between the actors in economic and political sectors, where the former definition is just one of their integral parts. In the case of Kosovo, such relations were of relatively high importance, as, besides pure economic interests, they were considered by Albanians also as an alternative for reaching their political goal – independence (Pula, 2004).

The struggle of Albanians' parallel structures for sovereignty over the territory of Kosovo was offset by the relatively stronger institutions of Serbia. When the Regime of Milosevic removed from office the Kosovo provincial leadership in 1988,<sup>7</sup> hundreds of thousands of Albanians marched into protests. This gave them more confidence to continue on their path. Only a few months later, a hunger strike by Trepca miners marked another turning point of the Albanian grassroots resistance. The reply from Serbian authorities was imprisonment of the provincial and miners' leadership and declaration of state of emergency. The Albanian delegates and the Albanian masses considered such measures of Serbia's regime as unconstitutional. In September 1990, fused by the mood of the latter, the former secretly gathered in a small town in Kosovo (Kacanik), and declared independence from Serbia (Maliqi, 2011). Admittedly, protecting the autonomy of Kosovo was proclaimed to be their main goal, yet, history showed that it was just a mask for a more radical one such as independence (Maliqi, 2011). Indeed, only six months later, the Kosovo's provincial Assembly<sup>8</sup> declared its goal to achieve sovereignty. Such a "rebellious" act by a formal institution of that time marked the unification of the formal and informal Albanian leadership, to be led from that point by the LDK. By formal leadership here, we mean those who were included in the institutional life of that time and somehow had embraced the Yugosla-

vian project of an equal federation for all the nationalities. By informal leadership, we mean the influential (intellectual) people of the local and regional communities who happened to disbelieve that such a multi-national organization as Yugoslav Federation had delivered its proclaimed standards, especially in the case of Albanians.

The response from Serbia was the suspension of all the Kosovo's provincial institutions (political, economic, and cultural institutions), marking the beginning of the establishment of the parallel system in Kosovo (Pula, 2004). Resiliency through informal channels and pacifist actions were the main components of the response of Albanians to such a situation. Faced with institutional blockage and discrimination, Albanians organized themselves around certain vital societal sectors. The education and health sector were cornerstones of the Parallel system (Pula, 2004), followed by print media, small business and private properties, trade unions, political and humanitarian organizations, and professional and citizens' associations (Maliqi, 2011).

Despite the appearance of the new political elite on the surface of this parallel system, those who laid down its "legal"<sup>9</sup> foundations and led its internal and external strategic policy were some of the key political figures belonging to the previous Albanian communist nomenclature.<sup>10</sup> The most influential among them was Fehmi Agani<sup>11</sup> who facilitated the political processes of 1990–1992 that precluded the establishment of the parallel structures (Maliqi, 2011).

The main structures of the parallel system were the political elite<sup>12</sup>, government-in-exile, lo-

6 At this particular time, Kosovo was one of the Yugoslav provinces.

7 They were forced to leave their positions.

8 There is a lack of relevant source on the ethnic composition of the Kosovo Assembly of the time, although the presumption is that Albanians dominated it.

9 Yet, the Serbian authorities perceived them as illegal.

10 Fehmi Agani, Mahmut Bakalli, Gazmend Zajmi and Pajazit Nushi were among the most important ones (Maliqi, 2011).

11 He was the intellectual ideologue of the demand for a republican status for Kosovo through the demonstrations of 1968. He was also able to establish relations with some communists leaders who agreed with the compromise of the double status (part of Serbia but also equal unit within federal system) for Kosovo that the Yugoslav leader, Tito, had conceded to. (Maliqi, 2011). Later he refused to publicly denounce the demonstrations of students in 1981, for an upgrade of the status of Kosovo from an autonomous province to that of a republic; he was expelled from the Communist League (party). He was murdered in 1990s (Partos, 1999).

12 Various political movements joined the parallel movement led by the LDK and its leader Rugova.

cal financial councils, social assistance networks, educational and cultural institutions, and health services. All of the activities undertaken through that platform were defined as illegal (informal) by the formal federal authorities, however the exact opposite existed among Albanians (Pula, 2004). The system ensured its sustainability mainly through money from abroad (Albanian diaspora), local community money and in-kind donations, in addition to “informal tax revenues,” which were collected by the following informal mechanism: the government-in-exile and LDK-controlled financial councils that were established throughout Kosovo (Pula, 2004).

According to Jusuf Buxhovi, the respective Government of Kosovo as the executive branch of the Parallel system defined a 3% contribution in personal incomes and incomes mainly from diaspora. From a financial statement of the Central Council for Finance, during the seven-year period, it appears that 81% of the funds were spent for the needs of primary education, 3.3% for the University, 0.5% for research institutes, 3.8% for Kosovo institutions and municipalities, 0.3% for culture, 0.2% for sport, 0.4% for health, 1.2% for social assistance, 2.1% support for vulnerable regions and 3.8% for vulnerable families.

During the period October 1991 – September 1999, the Government of Kosovo disposed from its funds and other resources a total of more than 217,666,570.60 DM 3.632.099.67 USD 30,566,699.17 CHF and 24,120 GBP (Kosovo, Jusuf Buxhovi, p. 511). In an attempt to deliver those funds in accordance to domestic needs, including but not limited to financing operations of the Government, education, health, culture and social solidarity, the respective government created the Central Council of Democratic League of Kosovo. What is more, in order for the funds allocation to be institutionalized and aligned with domestic needs, the respective Government of Kosovo, upon the proposal of the Central Council of the Democratic League of Kosovo decided to establish the Central Council for Finance in March 1992.

Similar to the period of socialism where every public resource was actually under the control of the Communist party, during the parallel system in Kosovo all of the money was collected by LDK. Then, it was the persons high in the hierarchy of LDK, the leading political component within the grassroots movement of the

non-violent resistance (mainly upon the approval of its leader Rugova), that arbitrarily decided about the way such resources were to be allocated, presumably in accordance with the Party’s objectives. Such a constellation was transformed into the one where many political parties had to compete for the same public resources – evolving of political pluralism (Pula, 2004).

A look into the nature and management of parallel education reveals a system in which repression and politics created a number of significant outcomes. In this regard, the Alliance of Albanian Teachers (LASH) and the Independent Teachers Union (SBASHK) were the key players behind the parallel education system. Instead in schools, students mainly had to learn at garages, private houses, and basements. In addition to this, the health parallel system mainly derived as an outcome of similar expulsion measures applied in the education sector. In 1990, all public clinics and hospitals were closed. Doctors sought after private clinics, whereas the most important actor was Mother Teresa Association, which offered free medical services for up to 300,000 people by 1998 (Pula, 2004). In fact, according to its leader, Rugova, the main reasons why this system was successfully established and sustained were the tradition of endurance and culture of solidarity (Maliqi, 2011). Moreover, this could also be interpreted as an opportunity for the development of the existing and establishment of new informal relations.

In the meantime, other political parties apart from the LDK emerged. A former LDK deputy, Hydajet Hyseni and Rexhep Qosja formed a rival party – the New Democratic League of Kosovo (NDLK). Another radical, though not very influential, political element of that time was the Popular Movement for the Republic of Kosovo (LPRK), which launched guerrilla attacks on the authorities.

## ■ POST-ARMED CONFLICT PERIOD

In the late 90s, at the beginning of the armed conflict, a new political elite mainly consisted of the previous non-violent movement and Kosovo Liberation Army (KLA) leadership.<sup>13</sup>

13 The Kosovan Albanian emigrants in the Western Europe were the key founders of KLA along with relatively small-armed groups in Kosovo. Its first public appearance occurred in November 1997 (Crampton, 2014)

Obviously, the legitimacy of the former group was derived from the time of the parallel system, while the latter one, consisting mainly of warlords, benefited from their military legitimacy and reputation of national heroes, on their way to becoming the new state-makers (Montanara, 2009). Afterwards they formed their own political parties (PDK and AAK as the most important ones). On the first elections after the armed conflict, held in October 2000, it was their old "rival" (LDK) from the pre-armed conflict period, mainly oriented to the pacifist resistance, that won the elections. The political elite was complemented by the UN presence through its special Mission – United Nations Mission in Kosovo (UNMIK). UNMIK had a rather wide scope of power and authority, but was at the same time unaccountable to the people of Kosovo. Its scope of work and influence was significantly downsized after the Kosovan institutions declared their independence in 2008.

While in the pre-armed conflict period, activists were mainly acting under the LDK's political platform; its end brought the development of numerous political parties. Except the LDK,<sup>14</sup> which had inherited the political philosophy of the times of resilience, none of the political parties had a clearly developed political program, and had a "cultivated" relatively traditional political support. As far as the new political parties were concerned, the most important ones were those established by the previous KLA leaders.<sup>15</sup> Nonetheless, they too lacked a clear political program, hence, most of their political support derived out of their previous contributions and relations comprising mainly of KLA members and their friends and families. Regionalism was also an important element, at least during the first

years after the armed conflict. Ever since, such political constellations have dominated the political and the rest of societal aspects of the society in one way or another.

Contrary to the socialist system and to a large extent the parallel system era, in the post-armed conflict period, the only way for political parties to ensure their existence was through votes. Fear of losing votes brought various forms of informal norms that quite often prevailed over the formal ones. Clientelism, party patronage<sup>16</sup> and irregularities with regard to public procurement were some of the main mechanisms for the mobilization of more votes.

Furthermore, many cases were recorded about conflict of interests, when close family members of the political elite got managerial positions at the public agencies/institutions, as well as enterprises at both central and local levels (EC, 2014). Other illicit practices, which tend to have pervasive consequences on the overall development of the country, by diverting resources from projects of the higher returns and making biased decision, are: "manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision-makers, who abuse their position to sustain their power, status and wealth" (TI, 2014: 3).

As far as the key labor market figures are concerned, despite a slight improvement, they remain at levels of critical concern. The issue of unemployment remains at a relatively high rate, with females and youth being affected more, relatively speaking. In fact, the general unemployment rate in 2014 was 30.9%, whereas that of females and males was 40% and 28.1%, respectively. The unemployment rate among those of 15–24 age, 2014 relative to the year before increased from 55.9% to 61%, respectively. In addition to this, labor force participation of females in 2014 was 21.4% or 1/3 of that of males (61.8%) (KAS, 2014).

According to the European Agency for Reconstruction (EAR) the share of grey economy as a percent of GDP in 2004 and 2006 was 27 %

14 Lead by Mr. Ibrahim Rugova (Prentice, 2006)

15 PDK, AAK, and lately Vetevendosje comprise the main KLA leadership and are led by Mr. Hashim Thaqi, leader of the Political branch of the KLA (MFA, 2015a), Mr. Ramush Haradinaj, Commander of the Dukagjini KLA Branch, in the western part of Kosovo bordering upon Albania and Montenegro, and Mr. Visar Ymeri (who came after the founder of the party, Mr. Albin Kurti, former KLA General Secretary Assistant), respectively, although relatively smaller portions of such category of people belong to the LDK and other relatively smaller parties too. The latest Parliamentary elections, held in 2014, continued to show similar trends to the past with the domination of the PDK and LDK with 30.38% and 25.24%, respectively, followed by the AAK(9.54%), and increasing one of the VV (13.59%)(CEC, 2014).

16 Following the last local elections in Kosovo, the new Mayor of Prishtina submitted to the Court 70 files accusing well-known political figures of the political party of the previous Mayor of corruption and installation of the clientelistic networks in almost all of the local public companies. Upon the last national elections, the previous Mayor was elected as the Prime Minister of Kosovo (Gazetaexpress, 2015).

and 35%, respectively, while 85% of that came from workers who paid no taxes. The same EAR assessment showed that informality is mostly spread in the construction, trade, tourism, transport and agriculture sector (Krasniqi & Topxhiu, 2012), which are, at the same time, the most developed sectors (KAS, 2014).

### **Informality in the frame of dual institutional system**

Since the end of the armed conflict in 1999, the political system in Kosovo was characterized by a multiple stakeholders' participation, which in this case we will refer to as a dual system. The rationale behind such a definition mainly belongs to the continuous existence of domestic and international institutional settings whose roles and responsibilities have undergone significant transformations.

Following the immediate post-armed conflict period, the main actors in the Kosovan socio-political scene were NATO, UNMIK, Kosovo Provisional Institutions of Self-Government (PISG), Serbia-dictated parallel structures (schools, hospitals and provisional councils), ICO and EU institutions (Commission Liaison Office, EULEX, EUSR). For the sake of better explaining the evolution of such a system, we have divided our analysis into two sub-periods: first, the limited autonomy period, encompassing the time period from 1999–2008, and second, supervised and controlled independence (Fracnik, 2007).

One of the most important players in the political scene, both at the central and local level was UNMIK. Its scope of mandate was rather wide, while its authority was often expressed above that of the Kosovan institutions at both levels. Such authority was pragmatically translated into four main pillars: Pillar I – humanitarian affairs (done by the UN), Pillar II – civil administration (done by the UN), Pillar III – democratization and institution building (done by the OSCE), and Pillar IV – economic reconstruction (directed by the EU). In particular, UNMIK was mandated to run the fiscal policy, administration and privatization of public utilities, elections, transport and telecommunication, foreign relations, and minority rights and returns (Freedom-House, 2004). The IV pillar represents the component wherein the EU had the key responsibilities (Mahncke, Ambos, & Reynolds, 2004).

This period was characterized with UNMIK playing a dominant role, although the process of transferring this role to the PISG institutions had started in 2003 (Freedom-House, 2004). During this process, there were many cases of intensive rivalry between the PISG and UNMIK, as the former were pushing for faster and more significant transfer of competences. A clear reflection of those relations is found in the process of privatization (Freedom-House, 2004), which is partially explained by the dominance of informal networks that fused the formal mechanisms, as this process turned to be one of the most disputable of all in the post-armed conflict period. The one thing that did not change much, however, were the relations between the PISG and the Serb parallel structures. Hence, this period is marked with Kosovo being incapable of extending its authority in the Northern part whatsoever.

The second stage started in 2008, with the PISG (Assembly) declaring Kosovo's independence. This act had tremendous implications in every societal aspect, as well as on relations between the newly established Kosovan institutions and other above-mentioned stakeholders. Indeed, Kosovan institutions slowly developed since 2000, but technically received most of their power from UNMIK only after they declared independence. On the other hand, despite the fact that the Kosovan Institutions received the majority of responsibilities that once were under the UNMIK's mandate, there was still a significant presence of the international community, but this time transformed into monitoring and advising format. Throughout these periods, both before and after 2008, the international as well as Kosovan structures had political power, with noticeable shifts, from which we derived the term "dual system" (dual governance), seeking to explain such co-existence of authorities. That dual system of governance differed from the parallel system, as in the case of former, the international and local authorities mainly served as complementarians to each other (ICG, 2011).

At the beginning of this "second phase", it was rather confusing who the real "boss" in Kosovo was. On the one side, it was the UNMIK, as the only fully UN recognized institution, followed by the EU's special mission organizations such as the ICO and EULEX, and on the other side the (mainly) freely elected Kosovan institutions. One of the main reasons which contributes to this complexity is the fact that international

mechanisms present in Kosovo operate within the status-neutral framework of the United Nations, even though they recognize the existence of and cooperate with the Kosovan institutions. That is so due to the fact that the newly declared independent country, Kosovo, is not yet a UN member<sup>17</sup>, nor has it been recognized by all the EU member states<sup>18</sup> as such entity (UN, 2014).

### Political participation of Kosovo Serbs from 1999 to 2015

Participation of the Serb community in the political scene in Kosovo has gone through different phases. In the first parliamentary elections, coalition Povratak (Return) won 22 seats in the assembly, still being the largest political representation of the community.<sup>19</sup> In time, political participation was changing, depending on the support of Serbia. If political leadership in Serbia were against Serbs' participation in the local and parliamentary elections in Kosovo – both the participation and the turnouts would be minimal, and *vice versa*. The largest boycott of both the institutions and the work of the international community took place after the biggest post-armed conflict ethnic violence in Kosovo that occurred in March 2004. For the most recent local and parliamentary elections, held in 2013 and 2014, there was direct support from Serbia, which resulted not just in high turnouts, but also in holding elections in four northern municipalities for the first time. Through the EU-facilitated dialogue between political representatives of Serbia and Kosovo, also known as the Brussels dialogue, the relation between two sides changed in the manner of jointly addressing certain political/social/economic issues (but not the status of Kosovo).

From the perspective of Kosovan institutions, the northern part, dominated by the Serb community, represents a completely grey sector of economy, and not only that. After 2000, Serbs did not recognize the UNMIK ruling nor the Kosovan institutions. Subsequently, in all municipali-

17 Kosovo has been formally recognized as an independent State by 96 countries (MFA, 2015b)

18 Out of 27 EU member states, these five have not yet recognized the independence of Kosovo: Slovakia, Romania, Spain, Greece and Cyprus.

19 It is important to notice that coalition Povratak had direct support of main representatives of the Serbian Orthodox Church in Kosovo, such as Father Artemije and Father Sava Janjic. (Deda, 2009, 6)

ties in Kosovo, Serbia maintained their separate security forces, courts, schools, hospitals, municipal governances, that were mainly financed by the Serbian Government to whom they were accountable (OSCE, 2003). Those institutions are perceived as the parallel ones, in relation to the Kosovan institutions, similar as the parallel institutions of the 1990s, with, of course, certain political differences. In time some of those institutions got dislocated in Serbia (security forces and courts), and some remained in Kosovo until the present time (schools, hospitals, municipal governances/provisional councils). Nonetheless, within the Brussels agreement, the issue of the institutions remaining in Kosovo is presumed to be solved by forming of Association/Community of Serb Municipalities – ASM (Zajednica srpskih opština), which is presumed to have some autonomous power within the Kosovo's legal framework. This matter aroused much controversy and refusal, especially by the opposition political party with nationalist ideals. Indeed, upon agreeing by representatives of both governments on the general principles/main elements for establishing the ASM, the Constitutional Court of Kosovo has ruled some of them as not fully in compliance with the Constitution of Kosovo. Correspondingly, that whole process has been frozen, where ambiguity and uncertainty are the terms best and most often assigned to its end (Hopkins, 2015).

The issue of informality continues to hinder the development of Kosovo economic sustainability; and the refusal of the Republic of Serbia and five EU countries to recognize its status, affects the affirmation of Kosovo international subjectivity and European integration.

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Informal Power Networks, Political Patronage and Clientelism in Serbia and Kosovo\*

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## ACTORS, RESOURCES AND MECHANISMS OF INFORMALITY AND CLIENTELISM IN KOSOVO

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**K**osovo represents a specific case of “political marketplace” in various dimensions. In this context, the term political marketplace describes a platform where the highest bidder purchases political loyalty; simultaneously, holders of power are interested to maintain the current *status quo*, but also a certain degree of state fragility and instability. Typically, it includes a violent tendency to achieving certain objectives, which means keeping competitors out of the access to institutional sovereignty. In particular, Kosovo has been defined to follow the trend of violent monetization of such marketplace, as its political sphere comprises various transactions between the public and private sector during the elections time period especially, entrance of new sources of revenue and easily achieved financial deals (Anten, Briscoe, & Mezzera, 2012).

A category that could be useful in describing corruption in Kosovo is that of a “neo-patrimonial state”, where public resources are exploited by the ruling elite and distributed to those in their clan, party and those from their region in order to ensure their loyalty. Clans tend to promote the material, social and political interests of their members, instead of public goods. As a result, institutions mandated to distribute the public goods are mostly perceived as unworthy (Anten et al., 2012). The relevance of this category is confirmed by the weakness of both the rule of law and institutional capacity; this neo-patrimonial dynamic affects the way the democratic transitional process unfolds, and pervades a political and administrative system constructed on an official and legal basis (Montanara, 2009).

Such patterns of corruption are argued to mainly belong to the recent history of Kosovo. It

relates to the post-armed conflict establishment of the new interest groups which penetrated the economic and political elite, and the prevailing legal vacuum even though the UN Administration was present (Sadiku, 2010). Moreover, during this period Kosovo was critically weak along a number of axes, including its legacy of powerful regional clans, a criminal-political nexus, its extreme ethnic polarization, dynamics of parallel authorities competing for legitimacy and its deep economic stagnation (Montanaro, 2009). The international administration that was in charge of governing Kosovo for a number of years after the 1999 sacrificed the participation of citizens or transparency at the expense of rebuilding the state (Spector et al. 2003). As a result, a rather fertile ground was created for corruptive practices to evolve such as bribery, speed money, fraud, extortion, favoritism, nepotism, influence peddling and others.

Furthermore, the persistent existence of inward-looking social capital<sup>1</sup> in Kosovo, rooted in clan and regional ties and interests, constitute the primary causes of the current difficulties in building a social contract. What used to be a cultural and political inequality between various ethnic groups (ethnic Albanians and Serbs) during the socialist system, was mainly replaced with intra-Albanian inequalities, although the former ones still exist. Distinguished tradition of patronage along with relatively high and persistent levels of poverty resulted with many local “bosses,” responsible for managing their local areas and dealing with the central power on their behalf.

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1 According to the OECD, Social Capital represents “the links, shared values and understandings in society that enable individuals and groups to trust each other and so work together” (Keeley, 2007:152).



The trend of capturing public assets for personal wealth, and tactical placing of cronies, began earlier, during the Milosevic era in Serbia (Anten et al., 2012). Simultaneously, during his regime, people developed a relatively greater tolerance for arbitrariness of the government and became pessimistic about its role in serving to the public interests (Spector, Winbourne, & Beck, 2003). The discrimination Albanians faced, particularly since 1989, along with the armed conflict, are crucial formative experiences, and negative references that influence several generations in the way they perceive and form their nascent state. Besides, when societal inequalities get prolonged, once they are removed, a new elite usually develops out of marginalized groups, which while trying to gain and protect power, may utilize illegal actions and feel rather vindicated (Anten et al., 2012).

## ■ INSTITUTIONS

As Kosovo goes through the ailing process of consolidation between its political parties and democracy, clientelism damages the latter in two main aspects: at the government institutional and societal level (Smajljaj, 2011). Some of the most vulnerable ministries within the government are the Ministry of Public Services, Ministry of Health and Ministry of Education. Ministry of Public Services is responsible for providing administrative services of government and running a professional civil service. Education and health services get the largest grants from the Central Budget of the state. Within the health service, the greatest threat is within the pharmaceutical sector, with a significant proportion of irregularities in the process of procurement and dissemination of drugs. In the education sector the biggest problem is in hiring practices that are highly politicized on all levels; the USAID questionnaire from 2003 portrays public opinion of the level of corruption; the most corrupted sectors by the public are energy, customs, healthcare, education and public services (Spector et al., 2003).

As far as relevant local institutions are concerned, the leading institution in monitoring the implementation of the relevant legislation in the area of anti-corruption, prevention of conflicts of interest, and the law on the declaration of assets of public officials is Kosovo Anti-Corruption Agency (KACA), established in 2006 (EC, 2012).

In collaboration with civil society and municipalities, the KACA developed a 'hot line' website<sup>2</sup> where anyone can report corruptive practices they know or face (EC, 2014).

Another rather important, but a much technical level institution, is the Anti-corruption task force. The Special Prosecution established this Unit in 2010, aiming to investigate economic and financial crimes. Simultaneously, Police of Kosovo established its economic and corruption Directorate, whereas Inspection departments have been established in relevant authorities and institutions to tackle corruption and criminal behavior within such organizations (EC, 2012). This Task force has had limited results so far, though (EC, 2014).

Despite the establishment of such formal and informal rules, the prevailing systematic practices of corruption signal for their overrun by the informal ones. Admittedly, corruption prevailed in public procurement especially (EC, 2014). The effectiveness of the relevant institutional setup is seriously hindered due to its complexity, lack of political support, inadequate financial resources and analytical capacities (EC, 2014). Overall this system is fragmented with unclear roles and responsibilities of the stakeholders (EC, 2013).

Similar to other post-socialist countries, the issue of informality has been argued to emerge also because of the discrepancy between the governmental institutions' morality and that of the society. In such case, the likelihood of vicious circles where entrepreneurs undermine formal rules at concerning level and engage into informal practices is rather high. Interestingly, long term institutional reforms that would better align formal and informal institutions were argued by Williams and Vorley (2014) to be an effective alternative to reduce the above-mentioned discrepancy.

## ■ MAPPING THE KEY ACTORS

Perception on relevant political actors in Kosovo goes beyond political representation in

2 Such an online platform is funded by the UNDP. It "offers opportunities for all Kosovo citizens to report on corruption, fraud, conflict of interest as well as on other cases such as abuse of official position, negligence, endangering human rights of Kosovo citizens or endangering general interest" (KACA, BIRN, Internews, & LENS, 2014).

governing institutions. Our respondents listed six different actors. Under the category of political actors fall political parties as the “most obvious” ones, along with international actors, who were marked as direct political actors in the period before the declaration of independence. Afterwards they were perceived as independent actors in charge of oversight, rather than establishment of the state of affairs. The second important group of political actors are “parallel” institutions run by the Republic of Serbia, which continue to exist in Kosovo upon the end of the armed conflict. Economic actors are marked as important ones, especially those “abusing” public resources and creating informal clan-based networks with political parties/individuals. For the establishment and maintenance of those networks, intermediaries are needed, here described as interlocking actors. The last on the list of relevant political actors mentioned were also nongovernmental organizations and clubs, holding leverage for policy making and for obtaining funds.

All the foregoing actors hold certain political leverage, and as such, are important in the overall “scheme” of political patronage in Kosovo. Even though it is hard to measure the exact influence and power of each actor individually, especially in informal networks, our interlocutors made some presumptions based on their experiences and knowledge. Here we focused on roles and practices, in order to shed light on each actor individually, but in relation to each other as well.

### POLITICAL ACTORS – INTERNATIONAL ACTORS AND POLITICAL PARTIES

Following the end of the armed conflict, UNMIK was granted with exclusive power over every state branch, leaving the leading political parties – the PISG (LDK, PDK, and AAK) rather limited in terms of assigned legal mandate. In this period, UNMIK and other international actors worked on establishing the governing instructions in Kosovo, along with creating a new legal system, as the previous one was not in power anymore. The perspective on the volume of international influence differs among interlocutors, along with the perspective on the outcome of that influence. Some considered this pe-

riod as oppressive and discriminatory toward the domestic institutions, as it created an overall impression of them as inapt for self-governing. On the other hand, most interlocutors agreed that international influence was not bad concerning the outcome it produced. The pressure of the international actors on Kosovan leadership to abide by certain EU and/or international standards was argued as rather positive, especially in regard of imposing certain laws and regulations.<sup>3</sup>

The effectiveness of the system that existed in the pre-independence period was dependent on cooperation between both international and domestic stakeholders. Their cooperation was reported to have been effective mainly because of great servility<sup>4</sup> of domestic actors. Although that servility was publicly presented as a form of “respect” to international community, primarily reasoned by the argument that the latter had supported the liberation of Kosovo, another perspective is that this was significantly incentivized by certain informal relations grounded on personal economic and political gains. Subsequently, vicious cycles evolved between certain international and local informal clans, who took advantage of their respective legal mandates, and extracted benefits for themselves.

*“...some sort of marriage in paradise between some of the international diplomats and some local politicians, married in corruption. ...often we have had influence, even physical intervention on the work of the Assembly.”*

(Respondent, political elite)

The main political parties in the pre-independence period were LDK – winner of all na-

3 This might be one of the main reasons why, at least on paper, newly drafted laws in Kosovo are perceived as relatively well done (harmonized with the EU Acquis). Consequently, as so many laws were sponsored by external sources, the Kosovan officials often lacked basic understanding of these laws, which is why they failed to explain them when faced with the respective parliamentary working groups. What is more, most of the interlocutors noted that Kosovo fails at implementing those laws, as they are not adapted to Kosovo, and they exceed the capacity of local institutions to implement them.

4 A great majority of our Albanian respondents consider the obedience of Kosovan leaders to international actors in particular as an obligation, taking into account that the former supported Kosovo in its efforts for independence from Serbia.

tional elections, PDK – the one that controlled the executive branch for the most part, and AAK that held executive powers for less than a full mandate. While they were in power, particular individuals, or groups of individuals from those parties, took advantage of their mandates to create “room” for their clan members to enter the public sector. Such clans were more active in the cases of relatively big investments, and processes of appointing board heads and members, and managerial positions within public administration. In fact, those were the topics that triggered some of the greatest inter and intra political party grievances, as those positions were considered as very important in serving as medium for accessing other public resources.

Other critical actors at this period were Quint Group and European Commission – EC, followed by the rest of foreign offices (to be transformed into embassies in the next sub-period). They worked very closely with PISG<sup>5</sup> in enhancing their capacities, but at the same time exercised a significant influence over them; examples of such influence were pointed out with regard to sudden changes of voting behavior of certain members of the Parliament, or requests for cleaning up voting lists of certain parties while indirectly alluding to specific individuals.

Kosovan leadership was rather influential as it mainly consisted of figures well known for their contribution during the peaceful (Ibrahim Rugova – LDK) and armed resistance (Hashim Thaqi – PDK, Ramush Haradinaj – AAK, Albin Kurti – LVV) against the regime of Milosevic. Their activities from that period had brought them great respect among the masses (Albanians). After the armed conflict, they spread and established different political parties. Essentially, those parties were defined as feudal by the style of organization. The general hierarchy of a political party consisted of its leader, council members, party members and informal clans, linking the representatives of all these layers with one another as well as with external actors. Usually heads of the parties were the ones who made decisions in cooperation with their informal clan. That is especially the case when party leaders arbitrarily decide about certain individuals being placed at

certain positions within their parties and certain public institutions.

*“I consider that certain cases of such nominations are made more because of some personal interests of particular individuals within parties, at the expense of the party itself, or in order to perform certain tasks since such a person is considered to be more flexible in terms of violating the law.”*

(Respondent, political elite)

Also, it was argued that party leaders continuously maintained close ties with representatives of the main international factors in Kosovo (Quint Embassies<sup>6</sup>), in order to synchronize their actions.

*“In fact, the overwhelming majority of laws are sponsored by somebody outside the Government, be it embassies or corporations... One of the reasons why they (MPs) do not recognize them (laws) is because they have not seen them, ... maybe a half an hour before coming to committee, assembly, and as a result they do not know how to defend them...”*

(Respondent, political elite)

Another reason why those leaders engaged into such relations was to maintain control and superiority against intra and inter party competitors. Typically, party councils served as discussion forums where a rather small group of members presented contrary views to party leaders. If those “incompliant” voices became a barrier, party leaders would move them out of the voting list in the following elections.

Further, an extreme point of view was put forward on the matter of power within and of political parties. This viewpoint defined political parties as non-existent in terms of influence and decision-making power; instead, the party leaders and their relatively small clans<sup>7</sup> were the only ones who really mattered. In fact, the great

5 Typically, they met only with party leaders more in order to convey than to discuss their decisions; subsequently, the party leaders brought those decisions back to their party heading councils, repeating what former actors told them.

6 It consists of representatives of the US, France, Germany, the United Kingdom and Italy, later to be transformed into official embassies of their respective countries.

7 They were often led or related to high rank political figures, whose influence extended to other state branches and independent agencies.

majority of our respondents initially began listing names of party leaders (mentioned above) rather than actual parties, when we asked them about the most important actors in the political scene of Kosovo. This implies the existence of leader-centric organizations. Throughout the post-armed conflict period, those leaders have been able to keep their influence at relatively same levels. Exceptions were made after the death of Rugova (leader of LDK), establishment of the new political movement (party) LVV, Alliance for New Kosovo (AKR) and NISMA. Exceptional cases are the establishment of new and growing political movement of LVV, where a new party activist, Visar Ymeri, replaced its leader and founder, Kurti. Other changes occurred with regard to the failure of AKR to pass the threshold on the last national elections, whereas NISMA, a new political party established by the former leaders (founders) of the PDK, successfully passed it and joined the institutional life.

### ■ Party networks

Intra-party contest for top hierarchical positions between individuals and certain informal clans was mentioned as one of determining factors for the development of political patronage. Each party member needs to win the above-mentioned contest, prior to entering inter-party competition for top hierarchical positions, at public entities. Fiercer competition evolving between certain interest-based clans was argued to represent a significant exploratory factor of the (institutional) origin of political patronage. Once a candidate or party wins enough votes to, for example, become a mayor of a municipality, or the governing party, their “victorious” informal clans bring their clientelist patterns along with them at public institutions. Subsequently, members of those clans are the ones who are appointed to the highest positions at public institutions and benefit primarily, if not exclusively, due to their patronage penetrating those institutions and their resources along the way.

For those reasons, especially after the elections are over, many highly ranked politicians move from one party to another, establish their own parties, or completely retire from politics (some return later on). Exceptions are made in cases when such moves are made by members of governing parties, as they are perceived mainly as outcomes based on ideological reasons, rather

than economic ones.<sup>8</sup> Some of the most conspicuous phenomena of the kind occurred initially within the LDK, and continued in the rest of political spectrum. Indeed, upon the death of Rugova (2006), in the battle for party leadership, Nexhat Daci, then-speaker of parliament, departed from the LDK and formed his own party (2007), the Democratic League of Dardania (LDD) (BallkanInsight, 2010). Likewise, Fatmir Limaj, a former KLA Commander, Minister of Transport and Telecommunication, and lastly lawmaker and one of the most popular political figures in general, along with Jakup Krasniqi, Speaker of Parliament, who left the PDK, established in 2013 their own party NISMA. The reason behind that was said to be the intellectuals being ignored and suppressed by the new party structure (Tota, 2014).

The above-mentioned clan-based mentality was said to have been developed, among other things, due to the context in which political figures operated. Political scene was reported of being heavily dominated by a mentality where politicians (ministers, mayors and others holding lower ranked positions) were evaluated based on their contribution to their political party and those affiliated with it. The term contribution here was usually associated with the 1) number of party members employed in the public institutions which they led, 2) funds allocated by a minister for projects to be implemented in a municipality governed by a mayor of the same political party, 3) support given to sectors or projects out of which members or voters of their political party were the main beneficiaries. Very rarely was a political figure evaluated based on his/her job performance while being a public servant.

There was disagreement among interviewees on whether the political patronage is more spread at the local level of governance or at the central level. While some argued that the local level politicians are more likely to get involved in various informal activities, other claimed that this is only ostensibly the case, as the local level is more see-through in their actions, while the central level is better at hiding its traces. Changes of mayors are followed by almost automatic changes of every head of directorate, changes of board members of respective public local companies, followed by changes at those positions at relatively lower hierarchical ranks. By doing so, mayors create opportunities for themselves, and

8 Nationalist motives were reported to have been rather limited, especially after the declaration of independence in 2008.

their clans, to exercise their influence in almost every process (policy-making, allocating public budget, hiring and firing persons at different layers of hierarchy or in different public institutions such as schools or hospitals) within those public entities. Those who benefit the most are clan/party members of mayors, along with family relatives and friends.

### ■ “Parallel” institutions

After the armed conflict, public institutions run by Serbia in Kosovo continued with their work until the present time. These institutions were referred to as the “parallel” ones since newly established political power “UNMIK has never accepted these Serbia-controlled structures, which operate in parallel to the UNMIK administration” (UNMIK, 2003 5). In time some of the “parallel” institutions were closed (such as security structures and courts), or more precisely they were dislocated in towns in Serbia, while others (education and healthcare institutions) remained functional within Kosovo. Along with that, Serbia kept its municipal governments, for two reasons: first, for providing services to the citizens, and second for executing/demonstrating political power. The structure of those municipal governments changed in time, but the competences remained the same. Currently provisional councils run the municipal governments.<sup>9</sup> Persons holding executive places in provisional councils are usually the same persons as those holding executive places in Kosovo-run municipalities with the Serb majority.

There is a number of social and economic factors that give the “parallel” institutions social/political/economical leverage within the Serb community. First, there is the issue of a lack of trust in Kosovo-run institutions, based on the perceptions of Serb community toward those institutions, coming from personal experience and the accounts of others. Second, the access to services of Kosovo-run institutions for minority communities is often challenging for a number of reasons.<sup>10</sup> In addition to that, Serbia-run institu-

tions in Kosovo employ the majority of Serb community members, leaving only a small percentage employed in the Kosovo-run institutions (in most cases those employees hold the so-called “political positions”). All this makes “parallel” institutions relevant for the community, and hence present a good resource for political patronage. Interlocutors mentioned two most common scenarios:

1) Paying it twice, doing it once/misuse of budgetary lines – Survey committee for assessment of expenditures of budget allocation of the Republic of Serbia in Kosovo and Metohija<sup>11</sup>, found that in the period of 2000–2012 there were misuses of budgetary lines in each of the budget categories: restoration from earthquake damage; buying houses; infrastructure building; building homes for returnees; education, health and local government expenditures. One of interlocutors explained one of the most often used methods of misuse:

*For example, there were some infrastructural projects that were financed through the Ministry for Kosovo and Metohija, from the budget of the Republic of Serbia, which were in fact implemented by the Municipality of Gracanica with Kosovo budget. For example, Municipality of Gracanica wants to build the sewerage system in one of its villages, someone from the “parallel” municipality finds that out and offers/suggests the same project to the Government of Serbia. Municipality of Gracanica implements the project with the Kosovo budget, “parallel” municipality documents that (i.e. takes pictures of the utilities) and sends the pictures to the Government of Serbia as the proof of successful implementation of the project. One of the reasons for this was lack of communication among the two governments, and the two systems of local governance.*

(Respondent, political elite, male)

9 Provisional councils are established by the decision of the Government of Serbia, by direct appointment of three persons in charge over each provisional council.

10 One of the most common problems with regard to access to services is poor translation of public documents (laws, by-laws, regulations, different forms) or lack of translations at all; even though Serbian

language is the official language of Kosovo, according to the Kosovo Constitution, Article 5.

11 More on the report: [http://www.parlament.gov.rs/upload/archive/files/lat/doc/izvestaj\\_odbora/VERZIJA%20IZVESTAJA%20NS%2014.%20APRIL%20FINAL%20LAT.doc](http://www.parlament.gov.rs/upload/archive/files/lat/doc/izvestaj_odbora/VERZIJA%20IZVESTAJA%20NS%2014.%20APRIL%20FINAL%20LAT.doc) (Accessed 27 November 2015)

2) Exchange of “resources” of the two system of governance— takes place when the same persons are in a governing position both in the “parallel” municipalities and Kosovo-run municipalities (happens in cases where the communication between the two systems of local governances does exist). Having in mind that “parallel” municipalities hold jobs in all “parallel” institutions in the respective municipality, they use those jobs as a bargaining chip with potential voters for the local and national elections in Kosovo.<sup>12</sup> Other type of resources exchange between two systems may take place as well.

### International actors

Upon declaration of independence, the role of international actors in the political sphere in Kosovo changed from direct to indirect, that is from decision makers, to the observers of decision makers. This meant transferring executive power to Kosovan institution, while keeping the limited scope of official power to itself. The most important international actors from 2008 until today (2015) have been EULEX, EC, KFOR, Embassies of Quint Group and other foreign embassies, along with the EU and the USAID.

Although Kosovan institutions became the main authority, they were supervised by the ICO that had the right to veto the former’s decisions. This was the case during the first years in the aftermath of the declaration of independence, until the ICO completed its mission. In this period, all the same, Kosovan institutions were given leeway, at least to a certain degree, to operate as they saw fit to the presumably public interest. On the other hand, the ambassadors of Quint Group and that of the USA<sup>13</sup> remained the focal point whenever there was a need for “educating” domestic leadership, or when the deep discrepancies erupted among other influential types of actors. In certain cases, the USA ambassador directly intervened on the National Assembly,<sup>14</sup>

Government, and even main political parties,<sup>15</sup> when they failed to act “appropriately”. Bearing in mind the historical contribution of the USA to the Kosovo, such influence was swiftly adopted.

However, some of the interlocutors defined that influence as detrimental<sup>16</sup> in cases when, thanks to certain informal relations that certain segments had within domestic and international actors, it was used to advocate specific laws, policies and/or projects, which were beneficial primarily, if not exclusively, to a particular interest group.

Nevertheless, EULEX was established with a mandate consisting of exclusive executive powers and of technical assistance to relevant Kosovan institutions in the area of the rule of law. Having more than one central power within the judiciary and security state branches resulted in a significant decrease of the overall effectiveness of those critical branches. Despite being crucial and raising great expectations, EULEX performed rather poorly,<sup>17</sup> resulting in failure of its mission.<sup>18</sup>

12 It is important to mention that the government of Serbia directly appoints provisional councils in “parallel” municipalities, while the positions in Kosovo-run municipalities are obtained through regular voting system.

13 The USA ambassador’s role was crucial during the indecisive times among Kosovo leadership over what state symbols, flag and hymn should be used for their new country. Interlocutor from political elite.

14 To illustrate the influence of international community on Kosovan institutions (Assembly), a couple of

our respondents mentioned the case of the ratification of Agreement for normalization of relations with Serbia, also known as The Brussels Agreement. In essence, under great pressure, MPs agreed to voting for some documents about which they had no or little information. The only persons who had the information were ambassadors, high rank political figures and specific (economic) interest groups.

15 Some of our respondents mentioned the cases when international community intervened on political parties’ voting list by requesting to include or exclude certain candidates. Interlocutor from political elite.

16 There was the case of building the highway linking Kosovo and Albania, for which the US Ambassador was reported to have been rather in favor of it and taken an active role to make that happen. Certainly, it was done, but at a three times higher cost. Coincidentally, the implementing company was an American Consortium; what is more, after finishing his diplomatic mission, the Ambassador was hired by that particular company.

17 Recent leaks showed its officials to presumably be involved in corruptive affairs, by intimidating particular segments of Kosovan leadership in order to ensure their support for their personal gains. For more information, please refer to the link: <http://www.eubusiness.com/news-eu/kosovo-corruption.yh5/> (accessed on 23 November 2015)

18 In a recent declaration, the head of EULEX himself, Gabriele Meucci, admitted that his organization has failed to meet its expectations. For more information, please refer to this link: <http://indeksonline.net/?FaqlID=2&LajmlID=156294> (accessed on 23 November 2015)

## International actors

A distinguishing sub-group of actors that played a similar role as the above-mentioned actors were the representatives of foreign offices. Their influence was present in cases of big public investments (such as construction of highways) and designation of particular economic policies (trade and manufacturing policy, the FDI incentives, and regional integration). They sought to gain personal benefits and/or advancing interests of particular companies from their country of origin. Two examples were mentioned in this regard by one of our respondents from the political elite: first, the vice ambassador of the US had ordered political parties to go back to the Parliament's Auditorium, because a certain law was being stopped, it was the Law on Construction..." and second, "Christopher Dell who has reached the agreement with Bechtel..."

Distinctively, some respondents defined the economic development model applied in Kosovo today, whose foundations were designed by UNMIK, to serve relatively more interests of traders instead of domestic producers. In other words, Kosovo joined the international markets such as CEFTA under very unfavorable terms (while every CEFTA member enjoys some quota on certain products, Kosovo has none) and a very liberal trade policy (the same low tariff on imported goods that Kosovo does not have the capacity to produce as well as on those vital for its (infant) economy) (GAP, 2011). Another major force that contributed to this situation was the influence of big trading companies, which were typically (co)owned, or closely linked, with distinguished politicians. Those companies were also the main partners of international corporations or producers, whose interests were advocated by their respective home-countries' diplomatic offices in Kosovo.

*"... in the majority of those businesses or those in the oil market, politicians take part in the decision making scheme and ownership, own shares of those firms, however, as I told you, it is rather difficult to document that because if you take a look at the list of owners at the Business Registration Agency, their names do not show up."*

(Respondent, political elite)

International donors had, and still do, a great influence over institutional setting in general. There were many international organizations contributing in different areas including, but not limited to, humanitarian aid, reconstruction of burned houses, private sector development, infrastructure and institutional capacities development. The leading donors were and continue to be USAID and major European economies.

In the immediate years after the armed conflict, Kosovo was rather destroyed, and the idea of an economic recovery resembled more of an illusion. For that reason, the support of donors was a key to individual and society's survival as a whole. Indeed, relatively large funds were distributed to various segments of Kosovan society. However, as was the case with other types of actors, political patronage found its ways to establish certain informal relations with particular segments of this category as well. In this regard, private firms and NGOs were categories with presumably the highest number of unfair beneficiaries. It was emphasized that some are perceived to exist even today, advocating certain agendas in favor of the interest of their clans.

*"... frequent declarations over the misuse of funds have debased the overall role of such organizations, it is not clear whether investment being made on such clubs (business associations included) are serious ones, which would enhance the state welfare, or the investments are made for the interests of individuals..."*

(Respondent, political elite)

The most distinguishing feature regarding this type of actors was their abrupt downsizing in time. Yet, the support from EU countries and the USA (USAID) remained relatively the same, with a change of the focus to the area of legislation, rule of law (Acquis Communitarian) and private sector development.

## Economic actors

A dominant part of the economic elite was composed of relatively large firms mainly (co) owned by 1) strong influential political figures/parties, 2) their family relatives, 3) informal clan members. They were mainly engaged in economic activities that are most frequently contracted

by public sector, as well as in trading (importing). We were told that in most of the cases owners or shareholders of the biggest companies in those sectors were either in politics or closely related to the political elite. Political-business cycles were put forward as outcomes proving that type or relationship. Indeed, it was indicated by one of our interlocutors from the economic elite that there were “stars” rising overnight as market leaders whenever certain political figures gained power, and vice versa. Those were the firms that were ordained to win the majority of relatively big public contracts, turning into artificial monopoly.<sup>19</sup>

*“... there are some companies which have a monopoly and access to almost every large income for consumption, whether in terms of public tenders or other categories ... medium and small businesses do not have adequate access in procurement... There are cases when companies that are more competitive for executing a certain contract get eliminated from competition because they lack political support.”*

(Respondent, economic elite)

Subsequently, the second layer of economic elite was established, largely consisting of subcontracting firms of those belonging to the first layer. Indeed, having near– zero chance of winning a public contract on their own, they decided to cooperate with the firms that did win contracts. Similar trends continued along the value chains, creating some sort of a pyramid, where everybody was dependent on the public sector. The two most often cited causes for that were first, competition for capturing the same public resources evolving between powerful informal clans, where other private firms (competitors) and political influential figures co-habitated; and second, prevalence of political patronage in almost every public institution/company.

Regardless of that, some of our respondents from the economic elite argued that being connected to politics was not a prerequisite for a private firm to become a market leader in certain economic sectors if: 1) spending of the public sector did not make the bulk of the aggregate demand; 2) the main targeted market was other businesses and/or international companies/do-

nors; and 3) the quality of products/services was relatively better and potentially cheaper.

A distinct feature was the increasing presence of international investors. Although they were perceived as being less involved into informal clans and channels, most of them either paid a higher cost or had to negotiate with representatives of such informal clans. To illustrate that, we were told by one of our economic elite interlocutors about a common practice where for a particular investor, not linked with certain segments of politics, it would be almost impossible to privatize a public company at first hand; instead, they ought to buy it from another entity, which might have owned no more than EUR 100 prior to privatizing a particular public asset for millions of euros.

*“Behind every privatization of big public companies there is someone powerful from politics. Upon privatizing such companies, they sold them out to second and third hand. If somebody from abroad wanted to come and invest in Kosovo, he/she always had to buy from a second hand, as the first one was taken by politicians who had risen the price at which it was sold to that particular foreign investor”*

(Respondent, political elite)

*“It was impossible to privatize if you did not provide certain bribes”*

(Respondent, economic elite)

## Interlocking actors

Evolvement and exercise of political patronage was heavily dependent on the third type of actors – interlocutors. Namely, they represented persons who habituated in the elite circles of politics and economics, serving as bridges between them, and extracting certain personal benefits as well.

In addition to owning leading private firms, or certain shares of them, interlocking actors were also highly ranked within the main political parties and public entities. In many cases, certain well-known business owners also held positions of MPs, Ministers, and other lower hierarchical positions. What is more, some of our respondents mentioned the “revolving door” phenomenon – where certain influential individuals moved

<sup>19</sup> “A market situation in which there is only one buyer” (Oxford, 2015)



from business to politics and vice versa. They also emphasized that those particular firms tended to benefit most from the public contracts at both levels of governance, regardless of whether they actually met all the respective requirements or not. Thus, monopolies were created, where certain institutions became recognized for being “friendlier” to certain businesses.

*“... it is very difficult to draw the line between business and politics links, between business and politics... This is another problem, as many politicians are business owners at the same time...If there is a revolving door, here we have no door at all, where business and politics have become as one person, often unified.”*

(Respondent, political elite)

The only time when there was no “revolving door” at all was during the days or weeks before the elections, when politicians were “on the hunt” for influential persons who could “secure” more votes for them. Politicians knew that big businesses employed thousands of workers, and together with their family members only, these represented a significant voting power. Thus, they tended to use both “carrots” (various favors and contracts were promised, out of which only a small portion were fulfilled) and “sticks” (threats about taking their licenses away, avoidance of taxes, etc.) to convince as many of those owners as possible to vote for them. On the other hand, learning from experience, some businesspersons approached political figures/parties themselves, and offered their resources such as vote of campaign donation, in exchange for something.<sup>20</sup> In most of the cases, businesspersons were eager to run for MPs or mayors.<sup>21</sup>

20 In the case of minority-dominated municipalities, where there is no active private firm operating, such a lesson might have not been learned, yet; still, politicians and their middlemen are the ones who approach potential voters.

21 Concrete examples were pointed out, such as Margarita Kadriu and Ramiz Kelmendi, who besides being MPs, each own one of the biggest trading malls in Kosovo. In fact, it was difficult to differentiate when they were speaking as business owners and when as politicians/policymakers.

## Non-governmental organizations and clubs

Minority communities’ businesses in Kosovo lack representation in business chambers, or have it in a small number; while also lacking the capacities for forming their own business chambers, or other forms of joint platforms/unions. Non-governmental organizations (NGOs) took their role in this sphere, as since the armed conflict, they have held most of the unofficial communities’ resources – from foreign donations to political representation. In that context, the criticism made toward political parties, business, or clubs and chambers, holds valid also for some NGOs. More specifically, they have been rather successful in misusing public funds from Kosovan and Serbian governments, along with the funds from international donors.

Being aware of that, many persons, including politicians, became highly interested in participating in NGOs projects, mainly for personal benefits. More specifically, some local politicians from Serb community, who held and/or continue to hold key positions at public institutions, advocated for allocation of funds for particular objectives that were closely linked to the objectives of certain NGOs. Hence, although those public (financial) resources were distributed through regular competition (public calls), those NGOs were placed in an advantageous position before the competition even started. In return, politicians ensured benefits for themselves through informal channels, whereas many projects were not implemented at all, or were implemented only “on paper”. Implementation “on paper” means presenting receipts of respective expenses, which in reality were never realized; usually those receipts were issued by other organizations/businesses owned by friends and family members of those who were employees of NGOs.<sup>22</sup> No exemption was made concerning the funds offered by international donors, as it was argued that segments of the latter, too, were interested in extracting extra profits for themselves.

Another relatively new trend relates to the establishment of various business-advocating clubs e.g. Rotary club, which in one way or an-

22 Another way of abusing donations was through the implementation of projects, but with costs of their implementation presented much higher than they really are.

other, are expected to improve the policy-making in Kosovo. Yet, we obtained different opinions regarding the contribution of and to those clubs. From one perspective, they were defined as positive, but rather weak and/or limited at scope. Others stated that their real intentions were assumingly oriented toward gaining control over the institutions that their leaders were interested in taking over in the (near) future. Similar perspectives were put forth when trying to evaluate the roles of other “clubs” such as chambers of commerce,<sup>23</sup> NGOs, research institutes or think tanks, except that their primary concern was influence rather than leadership over specific institutions. Regardless of their differences, they share their heavy dependency on financial resources in order to (objectively) perform their expected roles.<sup>24</sup>

## RESOURCES

The exchange of resources among the interested parties was mentioned as one of the most common aspects of political patronage. It can occur between different actors, such as citizens (who have voting power; hence they “hold” the votes) and politicians/political parties (who have political power; hence they “hold” job positions in public institutions). In addition, there are other various stakeholders with certain resources (such as funds and donations), which give them the leverage for participating in informal exchange of resources. Some of the resources most often referred to are votes, jobs and means of financing political parties.

### Votes

One of the main factors for developing political patronage and for maintaining political power is the votes, that is, obtaining as many votes as possible. Having in mind that politicians do not have exact information on the overall voters’ political preferences, they are at constant unease about their political perspective, especially in the pre-election year. For that reason politi-

cians have a tendency to turn to various informal or alternative methods for mitigating their fears. A rather frequent method is entering in clientelist clans, through which they obtain the possibility to capture certain public resources; and later they use these resources to expand their political support. More specifically, politicians, voters, and other potential relevant stakeholders create a certain platform of cooperation, which could best be explained as ‘vote-trading’.<sup>25</sup> This platform represents a “place” where politicians seek as many votes, as cheap as possible, whereas the voters request long or short-term<sup>26</sup> benefits from the political groups or individuals as payback for their support. These platforms improved with time, becoming more complex and sophisticated. What is more, this is where the additional layers of stakeholders (middlemen) were developed, usually consisting of influential persons within the respective communities. Similar to the political figures, those middlemen are expected to go out in the field, and ask for votes among their family relatives, friends, and other community members for a certain political figure. Additionally, they are usually “authorized” by those political figures to provide, in most cases, two types of “carrots” for potential voters: immediate (cash, in-kind support of daily food or utility bills), and future benefits (promises about employment, public contracts, continuation of political support of those already employed in certain public institutions), and a “stick” (intimidation of persons already employed in public services – for example, by threatening that they will get fired if they or their family members do not vote for certain parties/individuals).

We identified two main phases through which the political patronage intertwines with the politician-voter relationships: first, before the elections, and second, after the political figures

23 The most influential ones were reported to have been Economic Chamber of the US, Kosovo and Germany.

24 Typically, chambers of commerce are funded by membership fees, whereas the rest of “clubs” exclusively by international donors.

25 For the purpose of this paper, we use the term “vote-trading” for describing an informal trading system where the main stakeholders are politicians on the one side (buyer) and potential voters on the other side (seller).

26 Voters seem to learn from experience in participating in vote-trading platform, due to the previous numerous betrayals by their political representatives. In other word, once the elections are done, they have a rather hard time accessing their political representatives, who tend to forget the promises made to them prior to elections. This is why voters prefer short-term benefits in exchange for their votes: cash, in-kind support, concrete vacancy, etc.

that are part of those informal relationships gain power. Within the first phase, the majority of politicians establish informal clans, mainly based on promises of their contributions to the clan members, once they come into power. Together with those clans, they seek out as many votes as possible among potential individuals and groups (business) of voters. To the former, they promise positions within the public institutions, organizations and parties, whereas to the latter they promise specific public contracts or other favors they believe best fit that particular firm/market. As far as the second phase is concerned, it is characterized by great uncertainties, betrayals and disappointments; but also by great benefits for those few lucky ones. In order to maintain their integrity among their constituents, those political figures are careful in fulfilling their obligations to at least a few of those whom they made promises during the election campaigns. Various forms of political patronage are extensively utilized to do so, since they have to overpass certain legal and technical requirements in order to reward their political supporters.

### Jobs

After the armed conflict, the public sector remained the single largest employer in Kosovo. As such, it was a very attractive target for governing parties, as it provided the possibility to use it as a resource for ensuring more votes. Controlling certain aspects of the public sector meant controlling the work posts in that sector as well. This provided political parties with a resource for negotiation with voters, either by promising them a work post, or by threatening to fire them. In this period, public companies were the most profitable ones, which explains the great interest of the majority of politicians for obtaining control over those companies. It became common, especially after a political party gains power, to experience a large influx of that party's members joining either public administration, or public companies, at various levels of hierarchy – from management positions to the cleaning personnel. One of our political elite respondents agreed that during his mandate as minister, around 80 persons were employed at the ministry that he was in charge of. Three arguments were put forward in order to justify such a decision: 1) some of those who got employed were party members who kept party branches active in locations with

very low political support; 2) it was an obligation to be fulfilled towards those who had contributed to collecting votes; 3) by hiring persons (party members) already known to him, he avoided unprofessional individuals taking certain positions at public administration.

*“There are some employed based on preferences... because we had to support a party branch... In fact, there are cases when I requested that the best be hired. Yet, even those that were hired without any connections were no better than the former ones. Now that difference is eroded, though.”*

(Respondent, political elite)

This pattern of political patronage proved to be rather successful mainly because political parties could appoint their desired persons in certain positions, and they were loyal as well as servile to them. The majority of our interlocutors emphasized the importance of friendships and other informal relations with politicians or political parties in power, as a determining factor for one's career within the public sector. Further, it was mentioned that political relations tended to dominate even the family-based ones. “I would support you a lot, were you in my party”, was said to one of our economic elite respondents by a family relative, who belonged to the higher ranks of a different party.

### Money

One of the resources, often mentioned by the respondents as a power tool used for various political “games”, was money. This resource can be used in many ways, ranging from legal to illegal. Beneficiaries can be both individuals and the political parties. Individuals use their party membership, while political parties use their power, to capture this resource. As previously noted, individuals in most cases use the party membership and the hierarchical position within the party to obtain jobs or board membership, which then provides them with regular salaries or per diems. The higher the individual is within the party, the better position he or she can acquire. Along with that, there are other, more direct methods of capturing this resource, that is, money, such as bribes (varies from small to large amounts, depending on the favor acquired) or percentages (e.g. if a company wins a public ten-

der using informal networks, they are expected to provide a percentage of the overall amount to those who helped them to win the tender in the first place).

Money is also an important resource for political parties, which will be explored later in the subchapter on financing political parties as a mechanism; but here we wanted to focus on the interplay of a party and an individual when it comes to capturing this important resource. One of the respondents from the economic elite explained that in most cases donations are made both toward the political parties, and toward individuals in those parties, in order to ensure the support, no matter what the overall outcome of the elections is. For example, a party which receives donations can pass the census during the election period and enter the Parliament, but remains in opposition. In that case, that particular party may not have the capacity to provide certain “favors” to its donors, as it is not part of the government; but the individuals from the party holding MP positions may still have certain power. This is why businesses which give donations to the party also give “donations” to the individuals – those who are most likely to obtain a seat in the Parliament, and placements in certain boards such as those for public tenders. A similar method is applied for local elections, when “support” for the party candidate for mayor is as important as “support” for the party itself.

*“There was money in cash that was not transferred via banks; there were cases when the value of that money surpassed the limit allowed by the respective law. Much of what is shown at the Central Commission of Elections is not even close to what is given informally.”*

*(Respondent, political elite)*

## MECHANISMS

The above actors use different mechanisms for the exchange of resources listed, but for other informal practices as well. Such practices can occur within the political party, between the party and institutions, and between the economic and political systems. The last option can take place in three different scenarios: through abusing contracts, abusing privatization process, and with illegal construction supported

by central level politicians. All these mechanisms are put in place for two main reasons: obtaining resources (from finances to allies), and maintaining political power (primarily absorbing votes). Major mechanisms used for these purposes are explored in the following text.

### Within the party

The electoral system in Kosovo enables voters to vote for a political party, but also for up to five specific candidates as representatives of that particular party. In other words, voters have the power to choose not just the party, but also specific party members that will represent them in the Parliament.

Correspondingly, it can be inferred that political representatives do not compete just against members of other parties, but also those of their own. Under those circumstances, it becomes rather necessary for any party member to establish, or join, informal clans in order to win over the competition, both at the intra and inter party level. Such a struggle was reported to be almost impossible to overcome for any party member who had not received the support of his/her respective parties’ elites. Further, a common feature of most political parties is that they have a powerful leader who knows everything, and whose decisions should not be objected to. Thus, the party leaders are the ones who make decisions on who will get which positions within the party, as well as within the public institutions, whenever their party gains political power. Upgrading party members to higher positions within the party is usually decided based on two factors: 1) direct or indirect family relations, 2) economic interest-based relations. Party relations were found to dominate the family ones. Although paradoxical at first, there were cases of relations based on the mentioned factors/interests, emerging among parties’ elites coming from different parties, as long as there were economic interests that were beneficial for all involved.

### Between parties and institutions

Political parties, or individuals, as previously described, have a tendency of delegating their party members to various power positions at the central level: within the legislative (MPs) as well executive institutions (ministers, politi-

cal advisors to the ministers); followed by power positions at the local level (mayors, municipal executives, directors of public institutions). An argument in favor of these practices was the established “tradition” for the changes within public administration, beginning with positions at managerial level; and within units that deal with public procurement and human resource management. Certainly, by providing power positions on both local and central levels, political parties acted strategically in two main dimensions: first, they rewarded some of their most loyal supporters; and second, ensured themselves extended arms in other public resources available at those respective public entities.

Numerous family relatives of influential politicians from the governing party in the municipality of Pristina were employed in public companies at various power positions, including those at board and top management level (Gazetaexpress, 2015).

Similarly, the board and management of Radio and Television of Kosovo – RTK<sup>27</sup> was reported to have been critically influenced by the governing party (PDK). Both of those cases demonstrated that boards of public companies have two roles: 1) neutralization of boards as monitoring mechanisms for the work of management which works under directions of particular clans of governing parties; and 2) replacement of “unprofessional” (politically undesired) management, from the governing parties’ point of view.

*“I have a personal experience regarding the issue of RTK, as I have been dealing with it a lot. The Assembly appoints the Board of RTK. As a monitoring mechanism, the Board is completely ignored by the Management, because the latter is directly linked with the party on power... They (parties in power) have sent their persons on Board, just to reward them and give a salary of 1,000 euro. These persons were assigned to hire a particular person as Director, who in return would hire some*

27 This example was brought up by one of our respondents from the political elite who was personally involved; the Board could not do its job of monitoring the work of the respective Management, because the latter for the most part neglected it. Management was able to behave that way because it had strong direct ties with political figures from the governing party (/ies), who in return had appointed the majority of board members too.

*other persons. The RTK has around 1,000 workers, out of whom 200 were recently hired without any criteria whatsoever, but all are linked with politics either as a nephew, uncle, brother in law, sister in law, etc.”*

(Respondent, political elite)

A distinctive scenario was noticed in those public companies that were near bankruptcy, or had already declared it. A Board member of one of those companies told us that there was near-zero influence from politics in his or other board members selection process. Also, they were given more freedom in terms of decision-making on strategic policies; however, they had no sufficient resources to implement them.

*“We have heard sayings that we are the most professional Board in the respective municipality. Maybe it’s only been a short time, but so far, there has been no negative influence whatsoever. In fact, there has been only positive influence, including professional contribution of the municipality’s management for improving the condition the public company is in at the moment.”*

(Respondent, economic elite)

## Between economic and political systems

Bearing in mind the weak judiciary system, political parties are, among others, perceived by businesses and by party members, as a way of gaining protection from legal consequences of their illegal actions. These types of favors are provided mainly thanks to the neutralization of the judiciary system by informal clans.

*“I am not quite sure, however it is often referred that there are 350,000 up to 400,000 families in Kosovo... what I want to say is that there are 400,000 unresolved cases waiting for trial at the Courts of Kosovo, resulting with one case per family. That level of ineffectiveness of the judiciary makes it compulsory for you to search for informal alternatives that might give you a faster and easier solution, without waiting too long, etc.”*

(Respondent, political elite)

Admittedly, when a governing party needed the court to give them, or the business closely related to the party, a (favorable) verdict, various formal instruments were activated through informal relations to expedite the procedures, and vice versa. A concrete example on pressuring the juridical system was mentioned by one of the interlocutors: a mayor of a relatively big municipality in Kosovo, who was found guilty by the Basic Court and was sentenced to two years in jail. That decision was never enforced as his defense continuously found certain legal exceptions to prolong the process, giving him more time to finish his mandate, and hoping for an expiration of the Court's decision.

*"...because the Basic Court still has not reached a decisive ruling, its initial decision may be appealed. However, it has not re-evaluated that particular decision for more than a year now, enabling him (the mayor) to continue the mandate"*

(Respondent, political elite)

In order to ensure the legal protection, and to restrain from creating political enemies, big businesses tend to support all major political parties, as previously described. What is more, those businesses are the ones that have identified even more lucrative ways for obtaining benefits from governing parties. In particular, thanks to the relations they have with strong political figures, who are also leaders of certain informal clans, and the relations with persons at high level positions at state agencies/structures, they (businesses) have additional benefits from public procurement (e.g. avoiding tax and tariff payments, and applying unfair (illegal) business practices to beat their competitors). Correspondingly, it was emphasized that some of the top debtors to Tax Administration of Kosovo (TAK) are firms that are at the same time the biggest donors to the governing parties. This outcome derives from political patronage used for granting protection from certain legal consequences for those individuals (firms). At the same time, certain politicians were described to have put pressure on those businesses, signalling for the possibility of terminating the respective informal networks.

### ■ Financing political parties

Attempts to identify potential sources for financing the political parties, or the election campaigns, turned out to ultimately generate ad-

ditional incentives for the development of political patronage. In this regard, we have identified a number of main sources political parties or individuals turn to when in need of financial support:

- Public budget: Each political party holding MP position within the Parliament receives annual funds for the party. The amount received depends on the number of MPs, but some estimations are that for each MP the party receives around 33.000 euro. These funds are provided for utilizing operational expenses of political parties, while MPs are allowed to keep up to 10% for personal expenses. Some interlocutors consider this regulation as discriminatory toward smaller political parties, such as minority parties holding limited number of positions, and even worse toward political parties not represented in Parliament. In any case, these funds are relatively small when compared to the overall costs of management of a political party. Subsequently, political parties are in need for additional funds for management, and even more for the campaigns.
- Party members: One of the ways for obtaining additional funds is through charging party membership fee. This technique was greatly applied by one of the fastest growing opposition parties – Self-determination Movement – LVV.<sup>28</sup> They have set rules such as “no organization member is allowed to earn more than three times the average income in Kosovo”, while anything above that ceiling goes to the party's account. Also, they decided to utilize such funds for paying per diems to party activists who provide help to the organization, or to the MPs.
- Private business: Some interlocutors indicated that certain political parties use their informal clans to ensure the necessary finances, through forceful collection of regular tributes from businesses. They are mainly collected in cash, with a relatively small portion received through the banking system too. In recent years, this serves as the main source of funding for all the main parties, at both central and local levels of government.

<sup>28</sup> LVV is officially registered as an organization/movement instead of party. On national elections in 2014, LVV won 13.59% of the total votes.

Correspondingly, it represents a rather conducive mechanism for the development of clientelist informal relations, out of which serious implications (corruption) erupted. Moreover, it was reported that many (big) firms support more than one political figure/party, as they do not want to create enemies in politics, and at the same time, they behave strategically by building alliances with all potential winners, mitigating the potential risk associated with political changes. These strategic choices were defined as “Strategy of octopod”, where private firms, unsure of who would actually win the elections, built close ties and contributed to campaigns of more than one political party.

*“There are some firms which have cooperated with the system of an octopod, as we call it; they have kept a balanced relationship with all political parties, no matter which party was at power they had certain relations and arrangements in place”*

(Respondent, economic elite)

Typically, it was the big trading companies (trading centers, oil companies, etc.) which were reported to be (co)owned by influential political figures, that provided the majority of such funds; however, as already stated, it was very difficult to document that. Further, it was emphasized that businesses which planned to compete for big public contracts were especially keen to use this tactic. An interesting case was revealed when one of the biggest private firms approached an influential political figure shortly before the results of the elections were published, for voluntarily providing financial support.

*“Once we were offered certain financial support by a very big company, which we turned down, mainly because we knew that a similar offer was made to another party, and he waited up to the last moment to see who was closer to winning the elections, and only then made that offer to us.”*

(Respondent, political elite)

This was perceived as a strategic choice by the private firm, as he might have believed that a different party was certainly going to win, or a simple way for establishing good relations with all parties that were expected to win the elec-

tions. The funds coming from private businesses are in most cases utilized for funding campaigns of local elections. Initially, candidates for mayors establish special commissions, which contact almost every private business operating in a specific local area, asking for their support; while the value of contributions vary, one thing remains constant – avoidance of reporting them to the Central Commission of Elections (KQZ).

– International donors: Another alternative option for financing political parties is by obtaining funds from various international donors. This can be done in two ways: by direct donations to political parties or by financing certain programs such as raising the capacities of politicians.<sup>29</sup> In addition to that, there were cases of misusing donations for NGO projects, where the funds for project activities were allocated for financing political parties of campaigns.

*“In addition to formal mechanisms of financing political parties, such as through MPs in the Parliament, there are informal ways of financing as well. One of the most common ways for financing (minority) parties is by “money laundering” through NGO projects, which are implemented only “on paper”. Sometimes those projects are valued at half a million euro.”*

(Respondent, economic elite)

## ■ Contracts

The phenomenon of certain private firms, which sponsor political parties, winning public contracts from public institutions governed by those parties, was referred to as a “public secret”. Thus, public procurement to a large extent fails to accomplish its main role of enhancing efficiency of public spending. Public contracts are utilized as another type of public economic resource of political patronage in order to ensure personal benefits and/or political support. As a tool, it becomes available once political parties penetrate particular units of public entities, dealing with public procurement. According to our interlocutors – of which some were directly involved in the below described actions – there are three main methods in which a particular con-

<sup>29</sup> This was the case with some political parties of minorities.

tract is “locked-in” for a particular private firm. It is also important to notice that bribes were reported as a rule in almost every publicly procured contract.<sup>30</sup> Those methods are:

1. Designation of terms of references: the committee that is specifically established for drafting the terms of references of a particular contract misuses their given role. In particular, since they are required to define, as much as possible, the technical and financial implications of a particular contract, they have the possibility to deliberately include specific small preconditions that could be fulfilled by only few, or in some cases only one, private firms. This is how competition fades away even before it appears.
2. Unrealistic offers: part of the job of the above-mentioned committee is to research market prices of relevant goods and services that are to be acquired through a public contract. Based on their findings, an early request for allocation of a certain amount of funds for a particular contract is to be submitted. Thanks to the informal relations they have, private firms learn about the decision, even though it is not public, and usually submit a bid close to that value.

Another way of winning the competition is bidding with a much lower bid, assuming that other private firms (also potentially informed about the amount of funds allocated for the contract they are competing for) will submit a bid near to that allocated value. This type of behavior is rather tempting for businesses, bearing in mind that public contracting authorities generally prefer and reward contracts to the lowest bids. By rewarding contracts to lowest bidders the amount of (public) money is intended to increase; however, in cases when those bids are “unrealistically” or significantly below the respective prices in the market, respective economic operators typically act in one the following manners, which tend to generate the opposite effects from those intended in the first place:

- a. Firms that have won a certain contract under such low bids will not be able to

completely deliver the expected output as defined in the terms of reference in the respective initial contracts. As a result, those businesses utilize their legal right to ask for as much more funds as possible, or they officially declare that they will not be able to finish their job as expected; and/or

- b. Fearing that they will not be able to meet the required deliverables, even with the additional funds granted, those private firms look for other alternatives i.e. sacrificing the quality and corrupting the respective monitoring authorities (if they had not done so already during the bidding phase). By the time that such low quality of services/goods provided is noticed, the time for appeal has passed already. As such, those firms manage to finalize the project without acquiring for more funds or delays.
3. Abolishment of tenders: whenever an outsider private firm “surprises” all the involved actors with a relatively lower price, insiders at public institutions find various intriguing ways for the abolishment of the whole process. In some cases, such mistakes are too obvious, making it hard to believe that they were not included as a preventive measure. There was a case that one of our interlocutors from the economic elite reported during the interview, when a public tender for opening a well was abolished; the justification of the relevant contracting authority consisted of an error in the terms of reference, where instead of opening a well, constructing a road was required.
4. In some cases, such businesses complain to the relevant public institution(s). Even though such businesses possess evidence in their favor, the reviewing body, most likely composed of persons informally linked with the same informal clans, rejects their complaints as unwarranted.

*“Once I have participated in a tender which I hoped I was going to win, because the main criterion was the price, and I had bid with the most favorable (lowest) one. Their explanation was that there was something wrong with my application documents, even though they never checked them. I did complain and paid 500 euro for that, and I was told that I had no right to make such an appeal. When I went to withdraw the sample documents, they lit-*

30 10% – 15% of the value of contracts was the usual percentage that the winners of those contracts had to informally pay as bribes to the representatives of contracting authorities.



*erally told me this: 'This is the first time that you've participated in a tender, right?' I responded: yes, but you do not care about the difference in price of around 300,000 euro relative to the winning price of that tender, and that the budget of Kosovo is being misused."*

(Respondent, economic elite)

5. Discrimination of minorities: As for the matters related to abusing public procurement processes, a relatively worse situation has been reported from interlocutors representing minority groups. Certain rules in public calls are written in that manner that usually none of the businesses owned by minorities is eligible to apply for the tenders; in other cases, even when they are, they are asked to fulfil extra criteria, designed especially for them. A concrete example was pointed out to be the case of donations/subsidies offered for stimulating private sector growth; typically, it is required for private firms to have specific capacities of production, which are unrealistically high for the respective businesses, operating in areas where minorities make the majority of population.

*"Terms of references are such that businesses run by minorities are not able to fulfil them. For example, they are offering support for building refrigerators of 500 tones, while I need a refrigerator of 150–200 tones, as in the area where we live that is the maximum that can be produced. We, as a minority community have to have a special treatment so we could participate in society as we are asked to."*

(Respondent, economic elite)<sup>31</sup>

31 Another business owner from the minority group complained that his company may receive its working license valid only for a year, whereas other companies (owned by majority group representatives), competing in the same sector, usually receive a license for three years. That automatically results in tripling the costs for him, as each application for licensing is associated with particular fees; and during the renewal period, his business cannot legally operate. Further, particular state taxes/charges were defined to be unequal for minorities – for example, every local TV station pays the same taxes as those at the national level. TV stations owned by minorities primarily serve minorities, who are by default less in terms of quantity, but are also geographically more disperse, which makes reaching each viewer costlier; and still leaves the number of viewers vast-

In addition to these, other cases of discrimination of minorities have been noted as well. In 2005, the LVV lead a campaign<sup>32</sup> against buying products imported from Serbia, and products made by local businesses owned by Serbs.<sup>33</sup> Similar actions and unresolved political issues between Kosovo and Serbia were defined as having significant detrimental impact on trade relations between the two. What is more, Serbian government imposed certain barriers and blockades to Kosovan products. Indeed, while Serbia refuses to recognize Kosovo as an independent state, it does not recognize the relevant official documents with state symbols, required for exporters in Serbia. As such, even Serb minorities were greatly affected, resulting with loss of markets and competitiveness.<sup>34</sup> Namely, doing business with producers from Kosovo meant doing business locally, as far as Serbia was concerned or alternatively businesses had to pay double taxes (Nosov, 2013). That was particularly the case after the Kosovan institutions declared their independence from Serbia in 2008. However, in 2011 in Brussels negotiations, Serbia and Kosovo signed an agreement on Custom Stamp, which was expected to solve these issues and improve their trade.<sup>35</sup>

ly smaller than that of other TV stations targeting majority groups.

32 For objective reasons, it must be noted that we could not find evidence, besides the respective opinion of our respondent, in support of the idea that such a campaign was also against Kosovan products, made by (Serb) minorities. As such, one might argue that it could have been an indirect impact of that campaign.

33 "We were producing juices for a couple of years, but our business failed for a number of reasons: closed market, inability to export to the Albanian market (areas with Albanian majority within Kosovo), blockade, issues with bar code, and the whole campaign against buying goods produced in Serbia or by local producers from Serb community in Kosovo. This situation started changing in 2005/2006, and the markets opened up." Interview with a business representative, May 2015.

34 Indeed, Kosovan businesses had to export their products in Serbia through other neighboring countries, i.e. Macedonia and Montenegro. By default, their prices were not so competitive/lucrative anymore, as transportation costs increased, along with other losses due to longer routes that had to be undertaken in order to reach their customers in Serbia.

35 More on Custom Stamp, and other agreements reached during the Brussels negotiations can be found here: <http://www.kim.gov.rs/eng/p09.php> (accessed 23 November 2015)

## Privatization

Almost all of our respondents stated that this process had been a big failure. They explicitly stated that the process of privatization was conducted on the basis of political patronage.

*“These privatizations of public companies have been done not only through political patronage, out of which the politicians have also benefited a lot, indeed. ...one of their ways to hide their traces was avoiding the declaration of ownership on their names”*

(Respondent, political elite)

Moreover, a lack of transparency and opportunities for citizens to gain ownership of previously socially owned enterprises, followed by a failure to create sustainable and new jobs, to revitalize industrial manufacturing and to enhance competitiveness of the private sector, were pointed out as some of the main failures of privatization. Further, informal relations, bribing, and even physical attacks or coercions were the dominant and decisive factors in almost every case of privatization.

*“Such interferences have been made public already through media. Similar phenomena have been so brutally and clearly displayed so that this is no longer our society. Someone shows on TV and declares that he had won a tender, but somebody told him to quit it in return for 200,000 euro, and it was never executed in reality.”*

(Respondent, political elite)

A distinguishing feature of this category of resource being exchanged/mechanisms used is the direct involvement of international actors. In fact, international actors had a decisive role, especially during the period right after the armed conflict. The main institution in charge of managing the processes was UNMIK, followed by Kosovo Privatization Agency (KPA). In fact, the KPA was established by UNMIK under its fourth pillar. The influence of domestic institutions was rather limited during the phase of designing their structure and operational system. Yet, they were very intensively involved with specific processes of privatization, e.g. public companies with relatively large areas of land and metal stocks. The KPA

Head of the Board – Dino Hasanaj, was told to have committed suicide<sup>36</sup>. Almost four years have passed without a new Head of the Board. On the other hand, some of its staff in higher levels of management were delegated by the Government to distant countries as ambassadors, in order to draw away the attention from these matters.

*“There are so many irregularities, as the majority of people from politics have entered the KPA, so that they could favor certain businesses from inside by disqualifying other businesses... There have been cases when government officials had engaged into privatizing certain companies at symbolic prices, and company staff were sent as ambassadors to some distant posts, to silence such issues”*

(Respondent, political elite)

The KPA was described as one of the most corrupt state agencies. Despite the fact that it was designed to serve as an independent agency, its Board members were appointed by political parties. Actually, prior to, or after joining the KPA, some of them held high-level positions at public institutions, such as the minister of finance or vice ministers. As such, the KPA was portrayed as the tip of the iceberg, part of a much bigger corrupt system, heavily influenced and controlled by certain informal clans. Those clans consisted of highly ranked (domestic and international) political figures, who applied illegal actions in order to generate certain profits for themselves. To illustrate, there were many cases when inadequate persons were (purposefully) hired at very important positions in public enterprises, resulting with bankruptcy of many of the public companies prior to their privatization. Our interlocutors defined this as a clear intention of potential buyers who, through informal relations with relevant stakeholders, managed to reduce the market value of such companies prior to privatizing them.<sup>37</sup> Besides, having access to vital information in advance enabled them to create certain advantages over other competitors.<sup>38</sup>

36 For more on this case, please see (Aliu, 2012)

37 It was members of the above-mentioned informal clans who made the first purchases, to later sell the very same companies at a much higher price. Privatizations of the Grand Hotel and the Iliria (now the Swiss Diamond Hotel) were mentioned as relevant examples.

38 Those individuals/clans, who had access to information at earlier phases about the location where a

*“...when a business owner makes an offer to a political party, he/she expects something back, be it tenders, or execution of certain projects, drafting urban plans where varying interests exist. For example, the location of Vermic-Merdare highway was changed a couple of times, because certain persons owned lands and properties in particular areas and this was not done unconsciously...”*

(Respondent, political elite)

Consequently, various detrimental outcomes emerged, including but not limited to disincentivizing and/or excluding foreign investors, criminal clans gaining more (economic) power, many public companies being sold at relatively low prices when the price criterion was the only evaluation factor of bids, transformation of previous manufacturing companies<sup>39</sup> and arable land<sup>40</sup> into restaurants and construction land, respectively, and concentration of a public ownership into the hands of very few.

On the other hand, there were respondents, especially from governing political parties, who argued that although privatization was a rather complex process, characterized by many irregularities, there was a tendency to exaggerate things.

### Illegal construction

Probably the most challenging issue, at least for the local level politics, is preventing the illegal construction on municipal peripheries, which has been happening for years now.<sup>41</sup>

new highway was going to be built, were quick to buy out or even privatize the relevant land of public companies, to later sell them to the Government at a much higher price.

39 There were two relevant cases reported to have occurred in Gjiilan: two public companies that used to produce textile and parts for different vehicles, were turned into restaurants after their got privatized.

Another example of a failed privatization was the case of the biggest hotel in Pristina, the Grand Hotel. It was contracted to the highest bidders, but with zero experience in the hotel industry. As such, it was said that the company went bankrupt.

40 There were cases reported in the municipality of Vushtrria and Prizren, where hundreds of hectares of arable land were transformed into construction land, where many hotels, motels and pools were built.

41 One of the main reasons for the continuation of illegal construction, or rather the lack of mechanisms

In the case of municipality of Gracanica, most of (illegal) construction is done alongside the road Pristina – Lipljan, also known as the “industrial zone”. Illegally built objects are a couple hundred square meters in size, designed to serve as business centers or warehouses. In most cases, those objects are built without construction permits or meeting the physical infrastructure prerequisites, i.e. those related to waste, water or electricity. Further, constructions are usually completed in a relatively short period, where contractors work even nights and weekends, all in order to finish as fast as they can. The two most important reasons for this approach to work are: 1) finishing construction before the official ban,<sup>42</sup> and 2) legalization of the construction<sup>43</sup> – municipalities are in stalemate trapped with already (illegally) built objects which are more reasonable to legalize than bring down.

After the legalization of certain, above all, illegally constructed buildings, the municipality is responsible for providing basic needs for their functioning such as the sewerage system, electricity, building of roads, etc. A common problem here is the price that municipalities have to pay in order to provide the above-mentioned public services, whereas the revenue collected from the legalization process as a whole is often not sufficient to cover the relevant expenses of treating those buildings as the ones constructed legally in the first place.

*The Municipality is in process of legalizing those objects, from which we hope to fund the budget in order to cover for at least some of the things needed for functioning of those objects. (...) All the money we receive from the legalization we invest*

for putting an end to it, is a close relation between the owners of construction companies and political parties in power on the central level. For that reason, the issue of illegal construction falls to the local level politicians, who are either also in close relation with the owners of construction companies, or lack the capacity for stopping the illegal construction in general, and work on a case-by-case basis.

42 The process of banning construction comprises six steps; in some cases, those steps take somewhat longer than expected, generating a “loophole” for investors and contractors to finish their work before any banning decision is made.

43 It is important to notice that legalization of objects costs ten times less than obtaining the construction permits, which gives a relatively strong incentive to avoid going through the latter (legal) process.

*in the development of infrastructure, but the problem is that legalization costs about a tenth of the price of the building permit.*

(Respondent, political elite)

Another constraint for the Municipality of Gracanica in its attempt to control and stop illegal construction is the lack of staff at the Department of Inspection (DI).

*We tried to be in the field all the time, but the problem is that sometimes we stay at one place until 8pm, and as soon as we change the location, they (constructors and workers) come, light up the reflectors and start building.*

(Respondent, political elite)

In addition, investors have different ways of negotiating with those in political power on local level, either by using connection with central level political parties, or other, more direct, means.

*First, they engage into bribing, by sending their middlemen, and if that is denied, then they make threats to family members and other relatives of those in power. It puts a lot of pressure, but it is more of a psychological game, as no physical attack was recorded.*

(Respondent, political elite)

Currently (in spring 2015), that Municipality has 30 open cases at the Municipal Court in Pristina, regarding illegal construction taken place within its territory. Interestingly, in those cases both investors and contractors have accused each other, although they are differently impacted by doing so. Indeed, for investors it is an opportunity to expedite the process of potentially obtaining a construction permit, whereas contractors have no benefits, since they are not allowed to utilize their operating license (their company is shut down) during the process period.

### ■ Regulation of prices of certain products

Although this type of public resource was mentioned to be used relatively rarely, its effects were direct and rather detrimental to private firms as well as the general welfare.

These practices are usually based on ad-hoc and sudden<sup>44</sup> decisions made by government or regulatory bodies (energy prices), mainly in a form of increase in the Value Added Tax (VAT) on certain products. Within this context, it was very difficult to avoid the impact of lobbyists asking for changes of regulations that would generate higher prices of products and services, at the expense of others. The assumption is that only few firms closely related to policy makers had timely inside information on the planned changes. The firms which suffered the most damage from this were the ones that could not anticipate the changes of respective regulation/policies that tended to have direct effects on their products/services' final prices.

An example of that was the case of increasing the VAT on alcoholic drinks, which quickly translated into higher final prices. Since producers of alcoholic drinks failed to anticipate such a (sudden) change of VAT, they had agreed upon fulfilling orders from their business clients at a relatively lower price than they would do in the opposite scenario. This turned to be rather problematic, as it was stated in those contracts that prices might change after a two-week notice, whereas the respective governmental decision was ordered to be executed on the next day from the approval.

### ■ Changing laws in favor of interests of certain lobbies, interest groups

The most powerful actors in this context were the persons defined as interlocutors, and big private firms that funded more than one political party. Bearing in mind that top businesses in Kosovo mostly belong to trading sector, and much less to manufacturing, some of our interlocutors pointed out to this phenomenon as one of the main reasons why Kosovo does not have a more supportive domestic manufacturing policy. This statement was also supported by arguing that there are no strong lobbying groups of industrialists that would lobby for their interest, which would possibly generate a more balanced treatment of those sectors at the policy level. In addition, the majority of laws were sponsored by outside government entities i.e. embassies and corporations.

44 Assuming only a few firms that are closely related to policymakers had that kind of information on time.

Apart from that, our respondents from the political elite mentioned the case when Kosovan lawmakers lacked clear understanding of certain laws that they themselves were presenting and asking for MPs votes. That was described as a potential threat to the eminency of institutions, as even the highest state apparatus (Assembly) proved to be controlled by external forces.

## ■ CULTURE OF INFORMALITY

*Q: Apart from offices, what are the other places where politicians meet with interested parties and what are the reasons for doing so?*

*A: Primitivism. Frivolity of political representatives and dishonest pursuit for making changes. During the election period, everyone is talking about changes, and then they continue with the same practices for years. Taverns offer anonymity – when you make deals in the office you are obliged to submit an official report, and it is sort of putting a stamp on it, while the things you agree on in a tavern “may be, or may not be”. Along with that, proving corruption is much harder, and it lays with the one who was paying for it – and quitting never pays back. It is absurd and rude, and it goes that far that even when you send the official invitation for a meeting you get a call back asking for the meeting to take place in a tavern. In a tavern there is no record, hence, after the meeting, you cannot send the official notes from the meeting and there are no official, signed and stamped agreements. It is all in the air, it becomes a matter of interpretation, and the success of the agreement depends on the political will of the moment.*

*(Respondent, economic elite)*

During the last decade in particular, a new norm has evolved, regarding the locations where informal practices are developed, including but not limited to restaurants, coffee shops, offices of foreign diplomatic missions,<sup>45</sup> private houses,

<sup>45</sup> Many of our respondents described the process of policymaking as heavily impacted by international institutions. One of our political interlocutors stated: “Often, party leaders are invited to foreign (diplomatic) offices when important topics come into play. Those are the places where decisions are made.

and pubs.<sup>46</sup> What is more, places as those in the countries in the region, were said to be preferred relatively more, especially when rather important decisions were negotiated i.e. relatively bigger value contracts.<sup>47</sup> Many significant implications were pointed out to derive out of such informal practices. To begin with, they are difficult to be fought from a legal point of view, as such informal, or in some cases even illegal, practices are difficult to prove, and having in mind that the agreements were reached without any trace (e.g. documents and signed papers) that could be used in the court of law. Only the persons who actually paid particular bribes may be considered as a valid source, however, based on the experiences in the past, those persons feel that such undertakings are unworthy. For the reasons stated above, informal meetings, or informal places for meetings, became almost a regular practice of both central and local level political representatives.

Another interviewee, who mentioned that everything is done verbally, but that at the same time, “those are not things that one would discuss at a coffee shop”, made a different observation. Another point of view includes the idea that places of meeting do not matter at all. “Even when such decisions are made through debates at official institutions and publically transmitted...” e.g. in parliamentary sessions, “...all they do is legitimize informally agreed decisions well ahead,” he said.

Notably, in addition to fully extracting public resources for their private/personal exclusive

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Party leaders bring those decisions to their party councils, subsequently”.

<sup>46</sup> “Restaurants (the Tiffany, Ron, Puro, and Gorenje were mentioned as the most frequented ones) are the main policy-making institutions in Kosovo, and I say this with competence” was the answer of one of our respondents from political elite from central level to our question pertaining to the main actors in the political scene in Kosovo.

<sup>47</sup> One of our respondents presented a rather illuminating first-hand experience regarding this phenomenon (from political elite from local level). While on her campaign for the city mayor, she was approached by a certain group from the respective local business community asking this question: “How are we going to meet you in case you are elected as the Mayor, while we know that most of the deals are made at restaurants late at night?!” Surprised by their question, she presented her willingness to open a special office dealing exclusively with issues that they and others like them might have. Apparently, she gave the “wrong” answer, as she was quick to learn that they were supporting her opponent.

benefits, informal practices were helpful also for gradual “harvesting” of the former. Moreover, individuals holding particular (managerial) public positions take advantage of public resources they have in control, as they seek to further accommodate themselves. Examples of that include using public vehicles for private tasks, and/or lending them to their family members; increasing operating costs e.g. phone bills, lunches, conferences or printing; and/or inviting their companions or spouses to domestic or international business trips.

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## INFORMALITY AND CLIENTELISM IN KOSOVO EXPLAINED

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Political patronage is reflected in a mix of formal and informal practices, whose interactions take various forms, mainly depending on factors such as the strength of the formal institutions and the level of their accessibility perceived by relatively large masses. Certainly, those two factors were indicated as the main determinants of the actual relationships between formal and informal practices of exchanging resources, which typically evolved as substituting, competing, complementing and/or accommodating relations. Our expectations were that the informal relations evolving between the actors of the economic and political elites, in particular, heavily affect general social reproduction. Indeed, informal institutions are expected to hinder the proper functioning of the state and society in general, risking the sustainability of the system of reproduction as a whole. That particular relationship is argued to derive, at least in the end, in cases when informal institutions tend to substitute the formal ones, and especially in societies with relatively greater social and economic inequalities and mistrust. Yet, we acknowledge the fact that in the socialist period in the USSR, informal institutions had an opposite role, as they helped the functioning of the state (although they were not intended to) by supplementing the missing parts of the state administration.

Contrary to formal rules, informal ones are derived and communicated through informal channels. Indeed, rules comprising norms, customs, and conventions that ought to determine behavioral expectations and which get monitored by acquaintances, friends and family or close-knit group or community, while social approval/disapproval is perceived as main form of sanctions, Nee (1998) defined as informal in-

stitutions. Nee describes them as ways how to occasionally build social capital, as they facilitate collective action and coordination. On the other hand, formal institutions are the ones monitored by the state (Danielson, 2010).

There was general consent of our respondents that informality (informal practices) is a rather complex outcome of multiple origins. The available literature strongly dictates that such phenomenon is rather common in all post-socialist countries. Particularly, scholars such as Aliyev (2015) argue that such outcome is strongly correlated with communist legacies. Similarly, Mistzal (2000) argues that economic shortages (something commonly found in underdeveloped post-communist countries like Kosovo) significantly push the society in general to rely more heavily on informal (personalized) networks for accomplishing what they need/want. Yet, although informality is mainly associated with those seeking to survive, most of our respondents argued that a significant portion of the overall economic activities from formal actors is conducted informally seeking to gain certain competitive advantages or simply enhancing their profits, contradicting Smith and Stenning (2006), who described informality more as a surviving strategy.

Being significantly influenced by foreign conquerors that extended their control during the past centuries throughout the region and beyond, Kosovan society is no exception when it comes to its culture. What makes it special, however, relates to the immense aversion accumulated through centuries against formal rules and institutions (Pula, 2004). Obviously, that does not hold true *per se*, but in terms of having foreign (not necessarily international) constellations governing their local matters. Subsequent-

ly, all that aversion transformed into an extensive resistance to formal rules and institutions, and support for informal ones instead. That was particularly emphasized during the establishment of the parallel system during the 90s as part of the peaceful resistance, and later on the armed one, led by the KLA. Indeed, Kosovars were almost entirely deprived of having their formal institutions throughout their history. Even those existing institutions were rather deficient and limited formal institutions and under the Serb, Croat and Slovene Kingdom, where Albanians were not constitutionally equal to those other nations (Malcolm, 1998; David, Fenwick, Bayes, & Martin, 2010). Thus, not until recently, Albanians had the chance to run their matters on their discretion. That was described as critical for understanding why the informal practices are still powerful and widely accepted by general masses, although the trend has been described to be somewhat diminishing during the recent years.

From a general perspective, we identified an indirect relationship between the existence and the level of efficiency of formal institutions with that of the informal ones; on the other hand, a mixed relationship was proclaimed to exist between the level of efficiency of informal institutions and the degree of freedom for local people to (freely) lead them. Rose (1997) and Grodeland (2007) found similar results, where informal networks serve as far more reliable sources than the formal ones in post-socialist rather than developed countries.

Regardless of where one stands on those conclusions, one thing was generally shared by almost all of our respondents: historical events have had tremendous implications on creating certain norms, or seeking ways out of formal foreign rules and institutions' authority, and perceptions, which means formal institutions and rules hindering their national and personal interests, regarding the interactions between formal and informal practices. To better understand these relationships, we have divided the respective period studied in this research **into three parts**, based on the key respective transformations that took place.

**The first period** relates to substituting and competing types of interactions between formal and informal practices. These were particularly present during the immediate years of the post-2000 period. Some of the main reasons behind

that outcome were indicated to be: the complete absence of or very weak formal institutions, primary orientation of a significant portion of Kosovan leadership on personal economic benefits, and a relatively high aversion of local people toward formal institutions largely controlled by the international community (UNMIK). Subsequently, while formal rules and institutions were extensively violated and ignored, informal ones were widely perceived by the society as a more effective alternative of "getting things done". Another significant factor contributing to the weakness of formal institutions was claimed to be the lack of a clear vision about the future of Kosovo among the international community. Indeed, "UNMIK was itself a victim of an international policy that lacked vision" (Eide, 2005, par. 1). Dependency theory of social change projects that previous institutional arrangement take time to mutate, independent of the attempts and investments put in. Similarly, Nee and Cao (1999) empirically backed it up by showing that abrupt changes in the process of institutional development are rather rare to find. One of the main reasons behind that is argued to be the interest of powerful networks or individuals to maintain the status quo. That was also reflected into dysfunctional formal institutions, whereas informal clans and practices were being established throughout them. That was particularly the case with regard to the judiciary and public administration state branches. Ensuring their control was described as critical for political patronage to further develop, mainly because the latter was endowed with relatively large public resources to be maneuvered with, whereas the former provided shelter for such maneuvers. Possible explanation of such behavior could be that of Chavance (2008) who stated that unexpected and/or undesired results might occur due to the imposition of new formal rules; the incongruence with the existing institutions and lack of legitimacy represent his two main arguments behind that explanation. Stark (1995) supported the idea that the post-communist societies rebuild their institutions with the leftovers of communism, too.

On the other hand, the complementing type of interactions between formal and informal practices was found to be dominant during **the second period** pertaining to the last few years prior to Kosovan institutions declaring independence from Serbia. This was the time when most of the Kosovan leadership and international com-



munity made great efforts in strengthening the existing formal institutions and creating the necessary conditions for the establishment of the new ones. Doing so, Kosovan leadership had the opportunity to be part of the institutional establishment process right from the beginning. This was argued to have had two main effects on the way interactions evolved through political patronage: first, Kosovan leadership had the chance to (try to) influence their designation and/or extend its influence on them, and second, instead of continuing in one way or another to endorse informal institutions, which until then were considered as (direct) substitutes and/or competitors to the formal ones, they began considering them as complements of the latter.

**The third transformation** of the interactions between formal and informal practices was defined as being dominated by the accommodating type of interactions between formal and informal practices. However, it must be noted that, especially during its first years, the competing type of transactions was also very much spread and, in some cases, dominant, as formal institutions were only beginning to emerge. Nonetheless, following the declaration of independence, many responsibilities that were concentrated on UNMIK were transferred to then recently established Kosovan institutions. Subsequently, the attitude of masses toward formal institutions hit an all-time high level of acceptance, and had it not been for the latter being rather weak and formal rules not well designed, the spread of informal practices of exchange would have been rather limited.

### AMBIGUOUS INTERACTIONS BETWEEN FORMAL AND INFORMAL RULES

In a relatively short period of time, it became unclear which type of interactions between formal and informal practices was the dominant one, mainly due to the development trend of the two determining factors (effectiveness of formal institutions and by that people's trust in them), which experienced some oscillations. The primary reason for that was indicated to be the fact that a significant portion of Kosovan leadership, motivated by personal gains, returned to informal practices as alternatives for more effective access

to public resources, mainly for enhancing their personal interests. That had tremendous implications in almost every social aspect, as greater energies/resources were being spent on extending informal influence over formal institutions, transforming them and their rules more as normative rather than descriptive points of reference. That statement is argued to hold even today, regarding public administration and judiciary state branches, where "special" interpretations of terms of references of public contracts and legal acts are made in order to favor and protect, respectively, particular segments of informal clans, composed of members belonging to political and economic elites. Additionally, this was the time when political patronage experienced its boom, as informal clans related to governing political parties made sure to extend their tentacles throughout the previous and newly created institutions, major and profitable public organizations, regulatory bodies or independent agencies.<sup>1</sup>

Another distinguishing and relevant factor that contributes to exploring the prevailing interactions mentioned above, refers to the deficiencies of most of Kosovan leadership which have evolved in the past, in terms of representation, accountability, transfer of power, and perceiving themselves as part, rather than the beginning or ending, of social organization process (Riza, 1985). Such deficiencies were argued by the majority of our respondents to have primarily derived out of the lack of (well-established) mechanisms of election, checking accountability, and protection of social organization structures, respectively. The majority of that leadership was defined as largely reactionary and surviving corollaries, heavily dependent on the respective circumstances, instead of strategic rudiments for reaching a greater level of social organization and development.

Most of the above-mentioned features of leadership seem to be applicable also to the current leadership and general masses. In the past, the powerhouses of informal practices were relatively larger and more influential families (Krasniqi & Topxhiu, 2012). They were endowed with relatively more financial and social capital where personal contacts were the most influential ones. Typically, their norms and practices became

1 For more on this issue, please refer to Section 4, Subsection Types of public resources and ways how they are "exchanged" for votes.

standards for the rest of their communities, regions and beyond. That culture was dominant even during the last resistance of Albanians in Kosovo against foreign controlled formal institutions (by the regime of Milosevic, in particular). Likewise, social structures continue to serve as powerhouses of informality, but they have been organized now into different format, that is, political parties. This is reflected in party leadership that mainly consists of family relatives and clientelist clans, whose political support largely originates from regions where their party leaders and his/her close people come from.

Moreover, in the post-armed conflict period, economic elite initially comprised businesspersons who survived the pre-armed conflict as well as the armed conflict era. Simultaneously, dozens of informal “systems” were formed, which to one extent or another incorporated these five main components: military, political, criminal, legislative and social component. Many of the new economic elite members generated their power through criminal groups, which mainly engaged into smuggling, trafficking, money laundering, and extortion. The most influential systems were linked to some of the dominant political elites. Those informal relations were rather deterministic on establishing social order and ensuring stability. They enabled military, economic and political components to receive their rents and privilege. Faced with the vulnerability of the international community, a part of such elites had the means and incentives to refuse enforcing the law over their political-criminal structures, paving their way to gradual entrance (1999–2008) into the governance system of the UN protectorate (UNMIK). Such power structures capitalized their informal relations by getting top managerial positions at the largest public enterprises and public administration, winning public contracts, acquiring monopolies and influencing market regulation and privatization (Capussela, 2015). Admittedly, these closed political-economic cycles ever since continue to minimize the space for new economic and political elites to be formed, while only those “conformist” to the clans’ interests may be successful in entering the elites.

In contrast to the past, during the respective period studied here, at least from a literal point of view, legal and institutional fundamentals of society had been put in place to a great extent. In the area of anti-corruption Kosovo has

been able to develop relevant institutions, as well as elements of the legal framework (EC, 2012). A number of relevant laws and provisions have been passed, aligned with the National Anti-corruption Strategy and the Criminal Code of Kosovo (EC, 2014). Specific laws have been passed in the areas of declaration of assets, preventing conflicts of interest in exercising public functions, whistle-blowers, public procurement and financing of political parties (EC, 2012). The most relevant is the Law on Anti-corruption, followed by the Law on Political Party Financing, Law on Prevention of the Conflict of Interest, and Law on declaration and origin of the property and gifts of senior public officials. Further, the Central Election Commission Office is in charge of monitoring the implementation of the Law on Political Party Financing. However, implementation of legal framework lacks capacity and resources; and as a result, political parties generally do not comply with the set requirements under this particular law (EC, 2014). Despite the public funds that political parties receive based on the number of seats they have in the Parliament, the Law on Financing Political Parties allows them to receive contributions from other sources (ARK, 2010).<sup>2</sup> These alternative sources of finance are often criticized for not being properly conducted and monitored by the respective institutions. As such we assume that they turned into real sources of establishing various informal relations and buying political influence (TI, 2013). On the other hand, when the Law on declaration and origin of the property and gifts of senior public officials was linked with the Criminal Code of Kosovo, its implementation was rather satisfactory. Around 99.25 % of those who were obliged by this law made their declarations. Another contributing factor to this has been the fact that the KACA has built enough capacities to verify the truthfulness of such declarations (EC, 2014).

The current legislative infrastructure was built mainly thanks to the support received from the international community, which allocated a relatively large volume of resources for that objective. Yet, many of our respondents were rather reserved when asked to assess the effectiveness

2 Political Subjects are allowed to receive contribution from 1.1. natural persons in the amount not exceeding two thousand (2.000) euro per calendar year; 1.2. legal entities in the amount not exceeding ten thousand (10.000) euro per calendar year (ARK, 2010).

of that support. On the other hand, while in the past respective leadership used to fight the influence of (foreign) formal bureaucratic institutions as a whole, it was argued that a great majority of the recent ones have either tolerated or deliberately designed institutional and legal loopholes, to be filled with various bureaucracies, later on.

## MAIN DETERMINANTS OF POLITICAL PATRONAGE

Having in mind the context described above, we can state that political patronage is perceived as a rather effective alternative for accessing almost any kind of public resource and/or favor. Subsequently, the level of attractiveness for joining informal clans was described as rather high, resulting with the latter spreading in almost every segment of society. The following were claimed to have enhanced the evolvement of such outcomes:

- **Lack of rule of law and mechanisms of accountability** – most of our respondents pointed out to the failure of the judiciary system in fulfilling its mandate. Also, the level of institutional and individual accountability relative to their respective mandates was defined as being very low. A key factor used to explain the relatively low level of law implementation, was argued to have resulted also because of the incompatibility of the legal framework adopted in Kosovo, largely “copied and pasted” from foreign countries of different contexts. A shared belief among the majority of our respondents regarding the harmfulness of the previously described fact, is that the judicial system in Kosovo does not have the capacities (or will) to deal with the issues regarding political patronage and abuse of political power.<sup>3</sup> Further, they claim that (domestic and international) institutions, which were legally obligated to stop such mal-practices, failed and continue to do so.<sup>4</sup> A primary rea-

son behind that dates back to the origin of the establishment of Kosovo as a state itself, and is based on the idea that international community was more concerned about the stabilization of the region (the Western Balkans) rather than its development.<sup>5</sup> Under such “mood” among the very influential international actors, the necessary legal prosecutions against influential political figures that would create particular uncertainties were greatly avoided, incentivizing them to continue their work causing similar issues as the one addressed in this research.

- Failure of law-enforcing institutions was argued to be the case especially in the context of minorities, for whom international organizations were seen as guardians of the rule of law, instead of the local institutions. Indeed, first UNMIK, and then EULEX, had the exclusive right to deal with relatively complex cases of corruption and crimes. On the other hand, other institutions the Serb community had to turn to when in need of legal or political protection were the Belgrade-run Provisional Councils, as the only local institutions active in this field. However, their mandate was rather restricted and they mainly dealt with relatively low-profile cases (EC, 2014; Freedom-House, 2004; Muharremi, 2010).
- **Tolerance of the international community toward clientelist networks** – throughout the post-armed conflict period, international community had full capacities for more fiercely fighting the corruptive practices undertaken by some of its segments together with those of Kosovan leadership. Despite some success stories, it has failed to do so. What is more, almost all of our respondents emphasized the idea that such failure mainly derived from negligence, rather than lack of capacities and/or relevant information. Many critics of this argue that EULEX, contrary to general expectations about the effectiveness of its mission,

3 Kosovo might be the only country, in Europe at least, where the average years of work experience of prosecutors was lower than that of advocates, implying an exclusive approach being applied toward the experienced and relatively harder to control professionals.

4 A former EULEX judge is now accusing EULEX of mal-practice. Please see more about this case here: <http://www.theguardian.com/world/2014/nov/05/>

eu-facing-questions-dismissal-prosecutor-alleged-corruption

5 During the immediate years of the post-armed conflict period especially, it was unimaginable to arrest strong political figures, such as KLA commanders, although they were involved in corruptive practices.

has been rather reluctant to investigate massive rule of law violations and corruption, mainly because of its interest to maintain loyal partners in power and avoid possible destabilizations in the region; this has become a rather serious issue, after certain allegations among its members were made, undermining the faith in such institutions (Borger, 2014; Shehu, 2014).

- **Concentration of power to a relatively small group of people** – operating in a rather conducive environment as the one depicted here, it became relatively easy for informal clans to extend their influence in many institutions/organization. In an attempt to better explain this process, some of our respondents mentioned the domino effect, which implies that for every additional public institution to be put under control, less resources were required relative to the previous institutions. Two reasons were suggested for this: first, potential opponents were easier to manipulate as more resources were available, and second, most of the opponents did not even try to counteract, as they were aware that informal clans might be related with institutions that might provide legal “shelter” to them.
- **Relatively large portion of population living in (extreme) poverty**<sup>6</sup> – a strong positive relationship between the level of poverty and that of political patronage was found to have prevailed. There are twofold reasons for that: 1) faced with rather limited opportunities for survival, many individuals are conditioned to cooperate with or join clientelist clans, and 2) those at the top levels within informal clans are fans of status quo, as it is relatively cheaper to maintain their networks. The prevalence of such phenomena was reflected in the latest UNDP Report, intended to measure the public pulse on the related issues, where corruption and poverty were declared as two most important issues after unemployment (Hetemi, Duri, O’Dea, & Çunaj, 2015).
- **Prevailing patriarchal mentality** – this phenomenon is depicted to be present especially among the leadership that has been educated and participated in the communist/socialist education and public administration system,

respectively. Also, the leadership style of exclusion and isolation of those who act or even declare in a different way from party leaders or those closely related to them (clans), has resulted in mainly bandwagon fallacy-based<sup>7</sup> type of support from their respective constituencies (Färnsveden, Qosaj-Mustafa, & Fransworth, 2014). Further, it is common for the majority of political parties to be called upon the names of their leaders, all of whom are men, as if they were their private properties.

Along with the preconditions mentioned above, the majority of our respondents also indicated that political patronage manifests itself in diverse forms of clientelist networks, which could be categorized into two broad categories: personal and power networks.

As far as the **personal networks** are concerned, numerous factors were indicated to have led to their establishment. The most often reported one relates to having their members engaged into the (peaceful and armed) resistance against the Regime of Milosevic during 90s, especially, and in social-intensive professions, followed by belonging to relatively famous and large families, and owning a relatively big business (businesses). Indeed, relations established during the above-mentioned resistance have been proven to have tremendous and lasting impact on personal networks and political leadership, too. More specifically, although the LDK was established before the armed conflict, such relations still proved handy for sustaining its party membership, whereas the newly created parties (the PDK and AAK<sup>8</sup>) were heavily dependent on them, at least in their early stages. Alternatively, looking at them from an ideological point of view, it still is very difficult to make a distinction between them.

Likewise, being engaged into social-intensive professions like health-services and academia, especially in the context of Kosovo, constituting a relatively small society, significantly contributed to expanding one’s personal networks. Education and health services were the two main components of the Parallel System of 90s; despite those being rather challenging

6 The poverty rate (is the percentage of the population living on less than \$1.25 a day at 2005 international prices) in 2011 was 29.7% (UNDP, 2015)

7 The belief that an argument is valid because the majority of people accept it.

8 Here it is primarily being referred to the PDK and AAK, as they were two main political parties established by the key political and military KLA leadership.

times, they also contributed to the establishment of long lasting personal networks. Similar sectors represent the backbone of the Serb-dominated parallel structures throughout the post-armed conflict period. Another significant factor which contributes to the establishment of personal networks is being an entrepreneur. As expected, they are the ones who have relatively greater contacts and network with people of different backgrounds. That is particularly the case with the owners of relatively big businesses, who are often described as closely related to influential political leaders. Apart from providing jobs, these people were often considered by masses as formal institutions of lending, and trading of stocks.

On the other hand, **power networks** were described as mainly composed of internal core group<sup>9</sup> and peripheral contacts.<sup>10</sup> Below are combined the main features of each of those two segments, respectively. However, doing so might be misleading, if the following caveats are not considered:

1. Features mentioned below are dominant but not exclusive to members of those particular sub-types of power networks;
2. There is a significant and positive link between dominant respective features in each type of networks and resources (economic ones, followed by personal contacts, political power, security structures, and media support) that the latter are established upon; and
3. Although characterized by different qualities, those two sub-types of power networks are not mutually exclusive.

As far as **the core internal groups** are concerned, one or more of the following were mentioned to be their main characteristics:

- Comprising party leaders and/or very few individuals closely related to them: consequently, it is typical for this type of actors to hold key positions within their respective parties. In this regard, it is relevant to emphasize the fact that, if we are to agree with some of

our respondents who claimed that founders of parties were included in this category, too, we may prove the earlier mentioned quality of clientelist relations regarding their self-enforcement.<sup>11</sup>

- Comprising members who received a relatively high number of votes in the past elections – usually the individuals with higher number of votes are included in top positions within their hierarchical parties, which exposes them to relatively more frequent and lucrative offers to join informal clans. However, one has to take caution when evaluating a political candidate simply based on the number of votes he/she might have received. On the one hand, there is vote trading, whereas on the other hand, there is political dictate. The latter phenomenon was illustrated by cases when party leaders or their close teams (clans) would invite a few individuals from outside, until that moment typically unknown figures<sup>12</sup>, to join their parties. It is typical for them to receive enough votes during the following elections, for becoming an MP or a minister. From one perspective, such practices were perceived as positive, whenever a relatively well-qualified individual joined political and institutional life; however, others claimed that regardless of their professional background and skills, such candidates would most of time act as indebted (servile) to their party leaders.
- Comprising members who control specific sections (economics) within their respective parties and public institutions – usually when their respective parties gain power, those who are responsible for particular sections within their parties (economic issues) take lead of the respective public institution mandate to regulate/develop the same segments at the national level.<sup>13</sup>

9 This group was claimed to comprise influential political figures holding top positions within parties and/or public institutions.

10 Often serving as subordinates, who have usually benefited from political patronage in the sense of becoming integrated at certain hierarchical ranks in various public institution/organizations, and/or other sectors, e.g. business and academia.

11 More than a decade has passed since the main political parties were established.

12 Concrete examples of this phenomenon were reported to be the owners of rather powerful businesses, or strong critics from civil society. That was interpreted as another tactic applied by party leaders to buy out their (potential) political opponents.

13 This was reported to hold especially in the areas related to institutions involved into private sector growth, where owners of some of the biggest companies are proposed and/or appointed as ministers and executive chiefs of relevant ministries and independent agencies, respectively.

- Comprising members who serve as negotiators on behalf of their respective parties – it was described that they are the ones who begin negotiations regarding particular issues or even governing coalitions.
- Comprising members who usually benefit the most from political patronage (clientelist relations) – positioned or linked to the top hierarchical position or individuals, which enables them to have earlier access to information and various (public) assets/resources. That privilege is further advanced when we consider their previous feature, as they may be able to arrange agreements that fit relatively better to their interests, first and foremost. Nevertheless, it was argued that they are the first “to go out” of managerial positions within the public institutions once their respective parties are no longer at power; yet, their influence was described to be further continued within those particular institutions, mainly through their informal relations with the majority of respective staff whom they supported for being hired in the first place.<sup>14</sup>
- Comprising members who used to lead and/or be part of security structures – undeniably, this feature was particularly emphasized as applicable for the PDK, whose second most powerful figure served as the Head of previously Intelligence Service of Kosovo (SHIK). Moreover, currently he holds the position of the Head of Parliament.<sup>15</sup>
- Comprising members who (will) own a rather influential media instrument – the main rea-

son why such individuals were presumed to be part of such informal networks was the skepticism about their relatively fast political progress and regress. It was argued that owners of the existing rather influential and critical media outlets were mainly “bought out” in order to (temporarily) silence them. On the other hand, cases when such individuals dropped out of their parties to later on establish such enterprises were interpreted in two relevant ways: first, they wanted to camouflage their support to a particular political party, or second, they saw it as their best alternative to take revenge. The situation with the public media is no different, if not worse. One of the main problems with public enterprises since 2008 has been the selection of Boards of Directors. After Kosovo Anti-Corruption Agency found evidence of political influence for the selection of the board members within some of the enterprises, those people were forced to resign. For example, when some board members of the PTK were dismissed, the government posted two vacancy announcements for the admission of new directors. Since those were unsuccessful, a new Board of Directors in the PTK was appointed directly by the government with continuing extensions. In addition to that, in a number of cases some criteria such as gender structure, community representation or adequate education were not met. All this makes public enterprises subject to corruption, political maneuver and other types of misusing public resources (Hyseni, Bregasi, & Beqiraj, 2014).

On the other hand, the following qualities were defined as pertaining relatively more to the **peripheral contacts**:

- Great influencing potential – although members of this category typical do not hold the same (top) positions as those of the previous one, their proximity with the latter enhances their potential to influence specific processes/decisions of their interest.<sup>16</sup>
- Acting as informal representatives of certain political figures (parties) – members of this

14 One of our respondents was informally told by an ex-Minister that his Ministry is being run by outside clans, and this is an extreme example on this phenomenon.

In addition to this, there was a lack of mechanisms for evaluating the work of party members based on professional contribution to the party and/or institution where they belonged. Instead, to a great extent, if not fully, such evaluations were described as based on the level of contribution one has made for his/her party and clan members.

15 Most of our respondents belonging to political elite of other parties stated that like him, many other members of that security structure have been integrated into the political and institutional setting. Thus, despite the fact that they had officially declared their mission completed in 2004, a significant part of that structure is presumed to be active and rather influential in the process of policy making in Kosovo. More specifically, often they are associated/identified with the issue of political patronage itself.

16 That was argued to be the case, especially when members of this layer owned relatively big trading companies, whose influence on decision makers has turned Kosovo into one of the most open economies in Europe, at least, much to the expense of domestic manufacturers.

layer were defined more or less as executors of decisions made by the former ones. Subsequently, they are in direct contact with the relevant stakeholders, including potential voters. In fact, that seems to be common to the extent where some even misuse that “privilege”.<sup>17</sup>

- Holding managerial positions at the public sector – as already mentioned, while a particular party is in power, besides its core internal group, individual holders of lower ranks within the institutions benefit as well. In fact, they serve as their “satellites”<sup>18</sup> even when such parties are no longer in power. Thus, they represent a key component for sustaining such networks (political patronage), but at the same time loyal partners in the implementation of particular projects and/or agreements while in power.<sup>19</sup>

Similarly, Jackson (2014) found that clientelism has served for satisfying needs of certain people (without excluding those at the bottom); however, it has downgraded the relationship between the state and society in general. That is contrary to what Holcombe’s (2015) model of political capitalism stands for, where masses and elites are strictly divided from one another, while rent-seeking provides benefits only to the latter group. However, our findings are in line with other relevant studies which point out that “the employment of friends and relatives, decisions and skimming of procurement awards, etc., appear to be systemic and used as an instrument

for economic gain as well as for consolidating political power” (Duli-Sefaj, 2014:26), as one of the most frequent forms of corruption. Indeed, it is estimated that one of 21 citizens of Kosovo works as a public official, whereas 30% of them are considered as excess workforce, mainly hired through clientelist relations (Duli-Sefaj, 2014). In addition to that, “smuggling with impunity, nepotism, and bribes at all levels are believed to occur regularly”. (Perritt, 2006:6)

## CONCLUDING REMARKS

Through this research, we tried to shed more light on our understanding whether the Weber’s definition of political capitalism fits in the Kosovan post-socialist society. We did so by testing a relevant thesis regarding the development and reproduction of political capitalism. Our findings suggest on the one hand, the prevalence of political capitalism as defined in the Weberian concept, where profits are achieved through exercising political power, whereas on the other hand, the rather essential critical role of the economic sphere, as argued by Holcombe (2013). In particular, while in the first case, corruption and monopolies were proclaimed to be the main means for achieving profits, in the latter one, mutually dependent relationships between economic and political arenas were designated as the way not only to accumulate, but also maintain capital. Indeed, “clientelism has turned out to be of great concern for citizens’ access to institutions, services, employment, and even their access to decision-making and democratic influence” (Jackson, 2014, p. 2).

The key players of that political capitalist system were the political elite, who derived their authority in the socialist transition period and peaceful and armed resistance in particular. Those belonging to the latter were rather powerful, enjoying almost exclusive power in the first years in the post-armed conflict period. Further, (unaccountable as well as unverifiable) having access to public goods, such elites soon gave birth to new economic elites as well. Special treatments, favors and protections from (postponement of) legal prosecutions were some of the main ways through which economic elites swiftly accumulated abundant capital.

Despite the transformation into a pluralist society, where rather strong competition between parties has been evolving, the control

17 There was a case mentioned by one of our political respondents, which shows how presumably a member of this category asked on behalf of a particular political figure to use a car during the political campaign for private purposes. After the elections were over, the owner of that particular car called that particular figure asking for payback. However, all he received was a sincere request never to bother him with such a call again.

18 This term was used to describe people who were appointed at (managerial) positions as civil servants within the public administration and/or organizations, through political patronage. Typically, they are rather servile to certain political parties (figures), who supported their candidacy. The leading segments of clientelist relations use them to gain particular information in advance and particular favors with regard to accessing public resources.

19 Staff employed at the Procurement and Human Resource units within public institutions/organizations is the usual target of “reforms” once new political parties gain governing power.

over public resources is rather perceived to have been done through clientelist networks, mostly established on economic interests. Throughout this time, a relatively small group of people, generating too much inefficiency that still continues to hinder the quality of life, controlled the power and resources. They established other networks, through which stability was maintained (Capussela, 2015). As such, political instability represents a constant risk, comprising instable coalitions, frequent governments, and lately social unrest (BBC, 2015). In addition to this, living in poor conditions with limited opportunities represents a scenario far from the one where people can use their potential to the greatest possible extent.

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## VARYING CONTEXTS OF POLITICAL CLIENTELISM – COMPARATIVE ANALYSIS OF SERBIA AND KOSOVO\*

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The research into the informalities and political clientelism in Serbia and in Kosovo\* provides the possibility for a comparative analysis of the development, structure and forms of these occurrences in two societies sharing the same history, but also being differentiated by a number of characteristics. Of course, we do not pretend to ascertain the universality of important features of political clientelism by comparing only two societies, rather than discovering the specific influence of certain factors of the said clientelism, which means finding the differences between the two forms of informality and clientelism that could be explained with the specific nature of the historical development, alongside with the varieties between the contemporary structural and cultural characteristics of said societies. The aim of such a comparative analysis is to provide a more comprehensive explanation regarding the forming and functioning of informal networks of power and clientelistic hierarchy.

Since the development, structure and forms of political clientelism have been thoroughly described in the previous chapters, we will not deal with a detailed outline of these occurrences, but rather set their elements in a different, comparative interpretative frame, in order to see which of them are especially important for explaining clientelism. In the first part we will focus on the institutional development of Serbia and Kosovo\*, and in the second on contemporary differences regarding the relationships between formal and informal institutions.

### HISTORY OF DEVELOPMENT OF INSTITUTIONS IN SERBIA AND KOSOVO\*

A wider description of the historical development of informality and clientelist practices in Serbia and Kosovo\* has been provided in earlier chapters. Here we want to stress the most important factors of informality that characterized the institutions and people living in this area after the withdrawal of Ottoman rule. In this regard, it is important to stress that ethnic conflict between Serbs and Albanians in Kosovo\* has been an important tool for rooting informal institutions and clientelistic practices throughout the modern history, especially in Kosovo\*. The foundation for ethnic cleavage was set during Ottoman rule, but the historians agree (Vickers, 1998; Madrugearu and Gordon, 2008) that ethnic conflict between Serbs and Albanians actually began after 1912, when Turks withdrew from the region. Let us recall that through the second half of the 19<sup>th</sup> century Serbia has slowly modernized its state apparatus and introduced formal normative-institutional structures, professionalization of the state administration and instruments of legal-rational power (limited constitutional constraints of the sovereign's rule). Thus, after the Balkan Wars, with the territorial expansion of the Kingdom of Serbia, the modernization, embodied above all in the transformation of the formal institutional system, was for Albanians in Kosovo\* represented through a shift of rulers and a repressive establishment of new administration from another ethnic group, which at this turn additionally had a different religious affiliation to that of its pertinent majority of population, the fact that additionally stressed the ethnic distinction between the two groups.

From the moment of incorporation into the new Kingdom of Yugoslavia, following the end of World War I, until 1981 Kosovo\* was passing through its 'Yugoslav' phase of history. As Amanda Vickers (1998) states, close to the end of the Yugoslav period, relatively stable relations between the two ethnic groups were achieved, with Kosovo\* gaining autonomy and Kosovo Albanians playing an increasing role in administration and the economy. However, tremendous Serbian-Albanian tension and localized violence remained throughout most of this phase. After the period of harsh oppression of Yugoslav Kingdom against Kosovo Albanians between the two world wars, Kosovo Albanians' participation in Great Albania project and oppression against Kosovo Serbs during the WWII and a revanche of the communist rule after the war, from the late 1960s the Yugoslav federal government saw Kosovo\* as a "bridge" for improved relations with neighboring Albania. This was an introduction to much more favorable position of Kosovo Albanians ensured by the new Federal Constitution of 1974 and their entry into formal institutions. During this entire period the position of Serbs in Kosovo\* was also (although more rarely than those of Albanians) swinging between holding almost all administrative and power positions and being oppressed by Albanian majority, which inevitably led to a general abuse of and mistrust in formal institutions.

The history of the 20th Century was significant for the subject of this chapter because different regional models were being established in Serbia and in Kosovo\*: In Serbia it was expansionistic, while in Kosovo\* a rebellious one. The regional expansion had enabled the Serbian political elite to establish extractive institutions that enabled drainage of the gains, both from indebting of all the subsequent governments with foreign creditors and by the redirection of profits from all the controlled geographical areas to the central cashbox. The development of the clientelistic networks in Serbia, described earlier, which during the 20th century, regardless of the social order, included clientelistic instrumentalization of the public authorities and domination of political parties over the economy subsystem, had received an even more emphasized ethnical dimension in Kosovo\*, which for the majority of Albanians meant exclusion from the Serbia-led clientelistic networks and directed them towards the strengthening of patrimonial informal institutions. In Kosovo\*, Albanians were situated on

the other side of the extraction institutions established by the Serbian political elite: for them almost the entire 20th century represented an instrument of oppression and abuse. Because of this reason the Albanians from Kosovo\* have developed their resistance towards the formal institutions in the early stages, and preferred to rely on the informal (tribal and family) relations as an instrument for survival. During the largest part of the socialist modernization Kosovo\* continued to lag behind when compared to the rest of the regions of Yugoslavia in that period. Only after the Constitution of SFRY from 1974 had been adopted, Kosovo\* received a degree of autonomy that was favorable for the development of inclusive institutions, which further contributed to Albanians taking larger participation in the formal flows of the political and economy life.<sup>1</sup> At the same time, and in the sphere of informal institutions in Kosovo\*, the transformation of the forms of inclusion into political life towards more modern forms of interest loyalty took place. However, this progress did not last for more than 15 years, it was halted shortly after Tito's death and as early as by the end of the 80's, when Milosevic's regime significantly reduced the autonomies of the provinces (Vojvodina and Kosovo\*), by making changes to the Constitution and transferring the control of the police, judiciary system, economy, educational system and use of minority languages, the proficiency of informal organization again gained its significance.<sup>2</sup> A small number of Albanians that entered the structures of social authorities was perceived as clients of the Serbian political network of power.

As a consequence, the prevailing pattern of informality grew to the level of a system. Albanians claimed independence of Kosovo\* and organized a parallel state system and a parallel system of education and healthcare, among other things.<sup>3</sup> Through years the 'Parallel System' was

1 Albanian gained parity with Serbo-Croatian as an official language, and four fifths of available public posts were reserved for Albanians (Vickers: 179–180).

2 Milošević did not remove Kosovo's seat from the Federal Yugoslav Presidency, but he installed his own supporters in that seat, so he could gain power in the Federal government. After Slovenia's secession from Yugoslavia in 1991, Milosevic used the seat to obtain dominance over the Federal government, outvoting his opponents.

3 The 'Parallel System' came into existence at the end of 1980s, representing the non-violent movement lead by Ibrahim Rugova. Its main goal was independ-

gaining in strength and later on Albanians also organized and trained, with substantial foreign support, the army of the self-declared Kosovo Republic called the Kosovo Liberation Army (KLA). Under the circumstances of informality the new political structure was established, as well as new elements of social structure. Namely, in 1989 Democratic League of Kosovo (LDK) was established that gave birth to the new Albanian political elite in Kosovo\*. The strength of the informal structure became apparent at the moment when the Albanian members of just dismissed Assembly of the Autonomous Province, gathered informally on 2<sup>nd</sup> July 1990 and declared status of Federal Republic, equal to other republics of socialist Yugoslavia. From that moment on, the distinction between formal and informal institutions for Kosovo Albanians became Janusian: there were oppressive formal institutions controlled by Milosevic's regime and informal Albanian institutions providing survival for most of Kosovo\* inhabitants. It should be noted, though, that establishment of informal systems of educational or health care services was just an organizational profiling of more profound informal institutions like patriarchal norms and increasing political homogenization, so favorable for the maintenance of patrimonial culture.

During the first half of 1990s in Serbia, informal political structures and power networks established at the end of the nationalistic stage of socialist Yugoslavia (see the chapter on historical context in Serbia) were used to dismantle the socialist institutions and establish a clientelistic system that slowly absorbed most of the political and economic elite, while in Kosovo\* informality was centered around Rugova's peaceful resistance politics. Nonetheless, the failure to introduce significant changes into people's everyday lives seriously shook the unification of all Albanian societal segments under Rugova's leadership. Soon the rivaling political options appeared that demanded more radical actions against Serbian dominance and led to strengthening of militaristic stream in Kosovo Albanians' politics in the

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ence of Kosovo through specifically chosen methods that would earn the support of international community (Maliqi, 2011). Its first concrete action appeared on an incident between Serbian authorities and schools in Kosovo, when Albanian teachers refused to adopt the new curriculum designed by Belgrade, and instead decided to continue using the old one set by already dissolved provincial (Kosovo) authorities (Pula, 2004).

second half of 1990s. This also brought change to informal structures and values (like authoritarian organization with strict subordination, cleavages between clans based in tribal heritage, war merits as legitimization principle, etc.), a phenomenon to significantly influence further development of institutions in Kosovo\* after 2000. In Serbia, at the same time, the informal institutions dominated by Milosevic's clique were challenged by increased political competition and strengthened economic elite, which led to a change in the relation between formality and informality, where formal institutions were slowly getting stronger.

At the beginning of 2000s Serbia and Kosovo\* were both facing the transformation of the relation between formal and informal institutions. On account of international pressure after the termination of the armed conflicts, both entities were directed towards strengthening the capacities of formal institutions, which for Serbia meant the transformation and strengthening of the existing institutions, while virtually a new formal institutional order was established in Kosovo\*. There was a form of "institutional memory" and a heritage from the previous period built into the formal institutions in Serbia, while that "memory" had to be transferred from informal institutions into formal ones when talking about Kosovo\*. On the road of strengthening formal institutions in Serbia the obstacles were their own weak capacities, political instability and widespread mistrust, while the situation in Kosovo\* was even more complicated on account of lack of political and other institutions and the protectorate status by the UN. The transition period was envisaged in such way to enable the representatives of European institutions to supervise, support and assist in the establishment of Kosovo institutions. Nevertheless, the transformation of informal to formal institutions is a difficult task lasting for centuries in some countries. The process of modernization is indeed accelerated in Kosovo\*, but the success of establishing a formal institutional order in Kosovo\* is confronted by the already customary norms and conducts that include "bypassing" of formal institutions, protecting interests of informal local centers of power, but also by political instrumentalization of the transition institutions under the supervision of the EU. This is a historic framework where new relations between formal and informal spheres in Serbia and Kosovo\* are established.

## INFORMAL NETWORKS AND RELATIONS, SCANNING OF CONTEMPORARY DIFFERENCES

The key differences between the contemporary frameworks of political clientelism in Serbia and Kosovo\* are presented in Table No 1. Although the resources and mechanisms of exchange within the political and economic spheres are very similar in those two social contexts, there are certain dissimilarities and they can be explained by historical and cultural political heritage, the attitudes towards institutions and the methods of forming political and economic actors.

The first and the most important difference between the two social contexts can be seen in the structure and composition of the informal networks. Political events of 1999/2000 have set the characters of these networks. The most important consequences in Serbia are the breaking of the power networks of Slobodan

Milosevic and the establishment of a new social order, which included the strengthening of the functions of democratic political institutions and market economy. This turning point was for Kosovo\* marked by gaining autonomy, but also by entering of military leaders into the political and economic playing fields.

The changes from 2000 for Serbia meant that during the first few years of deblocked transformation a significant number of actors from the political scene would disappear, which led to new reconfigurations in politics. Apart from Milosevic, his generals in the military and police departed from positions of power (which considerably reduced the repressive function in the network) while a noteworthy part of the economic actors succeeded in maintaining their wealth. Taking into consideration that political changes even led to confrontations (sometimes with great disturbances, as is the case of the assassination of the Prime Minister Djindjic) with the inherited networks that remained from the times of war conflicts on the Western Balkans during the 1990s

Table 1: Distinctive features of political clientelism in Serbia and Kosovo\*

| Differences                     | Serbia   | Kosovo*  |
|---------------------------------|--|--|
| Actors                          | The key actors are political parties, individuals have less influence  | Very large influence of individuals and family   |
| Heritage of the crises and wars | Heritage of the war and parallel structures and actors exists, but is far less important considering the fact that a significant number of people from that network had disappeared (sooner or later) with the fall of Milosevic | Very large influence of the armed conflict and structures that were firmly established at that period. Especially regarding the connections between politics and economy during that period, which was mostly based on black and gray economy. |
| International factor            | Very significant, included from time to time   | Always present during the negotiations both on formal and informal level   |
| Kinship                         | Kinship ties are far less significant (except as a form of loyalty in some cases)  | Large <i>significant families</i> (traditionalism) are still important political actors, notwithstanding the raising importance of the political parties.  |
| Institutional heritage          | Institutional heritage of socialism and post-socialism   | Parallel institutions during post-socialism  |
| Attitude towards institutions   | The normative of significance of the institutions among the political elite and the population   | The normative of resistance to institutional solutions on all levels   |
| Ethnic clientelism              | By most part an internal matter of Serbia  | A part of ethnical negotiations, international arbitration and local networks  |

(criminal organizations that were connected with the security agencies), a large portion of these actors has sooner or later been removed from the clientelistic networks and from formal institutional positions. Thus, political changes in Serbia after 2000 have led to a greater instability in the relations between the key actors, which in turn resulted in relatively fast fluctuations within this field. The political parties in their fight for power had only the possibility to establish a temporary balance, but without the opportunities to force long term solutions.

*War structures* in Kosovo\* had a significantly larger influence on the functioning of the political life. A considerable part of political figures have started their careers in uniform, and a part of the economic elite had also been created during the war period or immediately after it. Having in mind the character of the war economy that resides on informal economy and illegal activities, with this political stabilization started a process of introducing its bearers into legal flows of the economy. Because of the preserved strength of informal networks and the repressive power of their core the result of these processes is that the economic and political elite in Kosovo\* are by and large more stable than is the case in Serbia.

The second noticed difference between Kosovo\* and Serbia is a somewhat larger influence of individuals in political life in Kosovo\*. The research results unquestionably show that the influence of the leaders and the top leadership of political parties is high in Serbia, but also that the personalization of the political life is more prominent in Kosovo\*. Although political pluralism and the democratization processes provide for a political life led through political parties, in Serbia the parties themselves are as organizations more significant than the leading individuals. A large number of replacements and departures from the political life by party leaders in the last twenty or so years testifies to this fact. The pluralism within the political parties, which is more often than not expressed with the existence of parallel '*ekipa*' within the organization, implies interests that overcome individuals. This pluralism often leads to intra-party turmoil and replacements. On the other hand, this form of informal political party struggle is less emphasized in Kosovo\*, due to the forces that political leaders have as a heritage established in the process of increas-

ing independence. The second reason for the significance of individuals is in the type of networks that support them within the parties themselves. While these networks in Serbia are mostly composed of the party members, in Kosovo\* they are used to spread family and hometown connections, which in turn include the existence of the forms of loyalty. The outcome of such structuring of the power networks for Serbia means that informal groups rely more on the developed party organizations for the protection of their interests, while in Kosovo\* the informal groups are largely gathered around powerful individuals. Considering the fact that in Serbia political parties themselves are fields of conflict between competitive informal groups over organizational resources, this makes the intra-party conflicts in Serbia more stripped down. The intra-party competitions are done in Kosovo\* as well, but they are far less visible there.

The last finding opens up questions with regard to the differences and importance that kinship ties play on all levels of formal and informal functioning of the political and economic subsystems. Families are rarely an important factor in constituting informal networks in Serbia, and if they are it is mostly the case of the closest family members. On the other hand, political parties, '*ekipe*' within them and interests regarding economic actors are a dominant form of informal networks. Kinship is thus established as one of the forms of trust and loyalty, nonetheless a form which is largely sporadic and peripheral. Alternatively, the significance of large families and kinship ties, although declining, is still a very significant source of solidarity and loyalty in Kosovo\* on all levels of functioning of the political life: from organizing a political party, gathering votes during an election campaign, using public resources (employment) to build economic connections between private companies. A long period without integrating the majority of the Albanian population in Kosovo\* within the frameworks of formal institutions and the development of parallel institutions has led to the existence of a rooted traditional system of political representation – through principal figures of kinship groups (families, fraternities and tribes), villages and similar. The process of deconstruction of the traditional forms of inclusion in the political life has started much earlier in Serbia, and these forms almost vanished during the



20th century. Although the informal structures remained very important, they developed new forms and reached the modern forms of interest based loyalty.

One of the most significant differences is the institutional heritage of Kosovo\* and Serbia. Serbian elite has built its institutions firstly through the periods of early independence and through the periods of Kingdom of Yugoslavia and socialist Yugoslavia it considered those institutions as its own. Although the institutionalization of political life had a gradual pace and included a significant part of informal practices, institutional and informal arrangements have collectively represented a legitimate expression of the "rules of conduct" for all participants in the political (and economic) field. Political and economic actors had the possibility to develop forms of control over the institutions and usage of public resources for their own gain, all the way up to the level of extractive formal institutions (both political and economic alike), thus avoiding the radical confrontation of the formal and informal spheres. Conversely, since the annexation of Kosovo\* territory to Serbia and through almost the entire period until the year of 2000, the greater part of the elite in Kosovo\* had viewed the formal institutions as foreign, forced and factors that do not represent the will and interests of the population. This is precisely the reason why traditional forms of organizing the public life and ethnical solidarity were existent as a form of resistance against the formal institutions. Over the course of time new, substitutive structures of informality, parallel ethnical institutions that influenced the additional foundation of political practices outside formal frameworks, were established as well. These informal institutions have, through reproduction of everyday life, combined the standards reached during the modernization (for example in education and health care) with the traditional forms of informal practices (kinship ties). The importance of formal institutions was thus reduced to symbiotic representation, but was also present as a practical expression of (lack of) power. The formal institutions were perceived as oppressive and as a show of power and domination of the Serbian ethnical element, while the informal institutions were seen as representing ethnical solidarity and a symbol of resistance. The situation did not change significantly after the declaration of the independence. The direction and character of the institutions is

given by the international actors (which will be dealt with later in the text), which exerts a slow change on the established informal structures and practices.

The gap between the normative and factual role of institutions in Serbia and Kosovo\* is different. The accounts of all the actors in Serbia emphasize the role and significance of institutions in political and social life. Informal practices are most commonly understood either as a form of deviant behavior, behavior that to a lesser or greater extent deviates from the normative (institutions), or as complementary to institutional solutions (acquaintances, arrangements made in informal settings that guarantee sincerity in agreements). However, the same narratives have a plethora of paradoxes, because of the fact that, although the clientelism and patronage are seen as deviant, they are also considered to be inherent to the political field and are justified by similar or same practices in the region, and even economically and politically "developed societies". Consequently, on a normative level the significance of formal institutions as regulators of political life is not questioned, however, the level of practical solutions places a challenge before those norms and demands ad hoc explanations. In Kosovo\*, on the other hand, even on the normative level we experience a lower level of trust in the existing institutions, which in the accounts of our examinees causes discordance between the normative and the factual.

The significance of the international factor within the post-conflict area of the European periphery is felt directly and indirectly. The direct effect is over the official political channels of communication, and indirectly through controlling or tolerating informal relations. Having in mind that Kosovo\* is still under EU/international supervision, both as a territory and politically speaking, the significance of international institutions and actors is far greater than in Serbia, which has more freedom when it comes to negotiations and arrangements in the international field. The impression from the statements of respondents from Kosovo\* is that due to their efforts to establish institutional arrangements, the international actors have accepted the reality of the political moment in Kosovo\* and made a considerable compromise with the existing informal networks that have established themselves as complementary to formal institutions. In that

way the informal mechanisms that were present before the declaration of independence, have *positioned* themselves in institutional arrangements to a great extent creating functional institutional mechanisms. The second significance of the international actors in further strengthening of informal arrangements can be seen in the perception of the international actors as the key factors that to the greatest extent *keep the hands of* the domestic elite *tied*. In that way an aversion is being created among the politicians toward them and moves a better part of the political activities to the sphere of the informal. The third significance of the international actors can be seen in a much larger role of the foreign (suspicious) capital during the process of privatization, which managed to obtain domestic resources through networks of *war economy*. The significance of international actors in Serbia is present in a different way and with a less direct approach. According to the testimonies of prominent Serbian politicians, several foreign ambassadors have both formal and informal influence on domestic affairs and actors: both regarding the political elite and the big business. Having in mind that to a significant extent this influence goes outside the framework of the defined roles of the ambassadors, but also that, within the political realism, a need for this is implied, there is still a need to investigate further the influence of the international factors.

Among the most noteworthy differences that set the form and structure of clientelistic networks and patronage in the negotiations about public resources is the ethnic conflict and ethnic competition. This manifestation is important for the political life in both Serbia and Kosovo\*, however, in Kosovo\* it has far greater consequences than in Serbia. Ethnic minorities and parties that represent them in Serbia play a significant role in negotiations regarding the distribution of public resources (budget funds and employment opportunities, first of all), but these arrangements are mostly local (for example in Sandzak) and regional (in the autonomous province of Vojvodina), rather than national in their character. Obtaining public competitions or bids, employment and similar, can be part of ethnic solidarity, but also a part of the exchange between ethnic groups (for example, when employment opportunities are delivered according to ethnic quotas in the public sector, after the elections in ethnically mixed municipalities). However, although even in Serbia there is an influence

of foreign countries regarding the treatment of ethnic minorities (influence of Hungary on the position of Hungarians in Vojvodina and influence of Turkey on the position of Bosnjak population in Sandzak), the issues of national minorities are to a large extent matters of Serbia's internal policies, that is to say internal negotiations with the representatives of the ethnic groups, with which informal channels for exchanging services and public goods are most commonly formed. On the other hand, having in mind the still pending resolution for the international status of Kosovo\* that anticipates international arbitration, unregulated political and territorial organization (which includes the ethnical element), as well as the ethnically still very divided population, the question of interethnic relations in Kosovo\* has been raised to the highest international level. When this fact is placed in the context of strong informal institutions, presented earlier, it is not surprising to find that clientelistic ties in Kosovo\* are more strongly based on ethnical solidarity. With a high level of separation, in Kosovo\*, the informal ties are more an internal ethnical issue than a form of negotiation and communication among ethnic groups, which is additionally demonstrated with the research on informalities of the Serbs ethnic minority in Kosovo\*. These relations are further complicated by the presence of international factors that apart from arbitrating in the relations, at the same time tolerate ethnic clientelistic connections, which is additionally viewed by both sides as unfair (in the case of the other ethnic group).

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What have we learned from the comparative analysis of the political clientelism in Serbia and Kosovo\*? The common factors of the comparative framework are a long history of peasant, patriarchal societies, geographical locality of the Western Balkans, centuries-old domination of the Ottoman Empire, delays in modernization when compared to Europe and susceptibility to the influences of foreign governments and companies. The differences are numerous and each one of them has a specific consequence to constituting relations of formal and informal institutions.

Cultural (language and prevailing religion) and social differences (Albanian nobility as op-

posed to Serbian and Albanian peasantry) in Kosovo\* during the rule of the Ottoman Empire have led to deep segregations and conflicts between Serbs and Albanians. Delayed independence of Albanian state from the Ottoman Empire and slower rise of a modern, more rational administration has led to the dominance of Serbian military and administration in Kosovo\*, but from the very start it appeared as repressive towards local Albanians. Formal institutions in Kosovo\* were not multiethnic and inclusive for local population. They were a part of the system of clientelism established in various states dominated by Serbs during the 20th century, and in a segregated multiethnic community they gave way to local Serbs to include themselves in the clientelistic networks, while the Albanians very rarely had that opportunity. In other words, while this clientelistic system represented an obstacle to a faster development of Serbia during the 20th century, for Serbs in Kosovo\* (and in one short period during socialism for Albanians from Kosovo\*) it represented a comparative advantage compared with the other ethnic group. Up to this day the ethnic clientelism has remained the most important instrument of political and economic domination of a single ethnic group in Kosovo\*.

Informal institutions are more competitive towards the formal ones in Kosovo\* than in Serbia. The establishment of multiethnic formal institutions influences the transformation of informal institutions. The more these institutions are authentic and representative of the local population and the prevailing political culture, the lesser is the influence of the informal institutions. The lack of authentic formal institutions, as the ones that already existed in Serbia in the 19th century, and which would be accepted as a result of the compromise of interests of all ethnic groups in Kosovo\*, led to the situation where the informal institutions of Albanians from Kosovo\* were unchallenged and thus slow to change. In that way the Albanians in Kosovo\* had an even slower transition from the traditional patrimonial model to a more contemporary, instrumental one, which is more tolerant of pluralism and competition of various interest groups. That process has been initiated in the late socialism, and we are witnessing it even today.

The influence of foreign countries and international organizations is far greater and more direct in Kosovo\* than in Serbia. The presence of

outside factors can be suitable for the stabilization of inclusive institutions, as is largely the case of Kosovo\* today, if the function of international political actors is entirely transparent and monitored in such a way to ensure that the local political system and community are not instrumentalized for the purposes and interests of those who are managing the formal institutions. Apart from that, it is important that the gap between formal and informal institutions be planned and reduced under managerial control so that the local political structures gradually, but relatively swiftly, take over control of the formal institutions, and the local population is strengthened to monitor and critique the work of these institutions. The latter includes the transformation of the political culture from patrimonial to civic. It is required to transfer the key actors from informal institutions to formal institutions, but with differentiation, so that the promoted ones are those who develop supportive informal mechanisms (education, health care, political democratization, economic cooperation and similar).

After the armed conflicts during the 1990s Serbia was faster to deal with war-profiteering clientelistic networks from Milosevic Era, than Kosovo\* was with freeing itself from the influences of war commandants on establishing the new institutional order and economic subsystem. Democratization is potentially suitable for weakening the political clientelism because it leads to pluralization of the centers of power and a more rational usage of the resources. However, in order for that to happen, political security and a change of the political culture need to be established. That culture would include the increase of trust in the political parties and especially the trust in state institutions. If this condition is not fulfilled, increased political competition exerts augmented pressure and control within the clientelistic networks, in order for the mechanisms of clientelistic exchange to be embedded more firmly and interests for the extraction of public resources protected. This pressure and control are stronger and more direct if the clientelistic networks include groups of war veterans and comrades or organized criminal groups. Apart from that, if the ethnic segregation overlaps with the political, the empowerment of inclusive formal institutions becomes even harder, because, as a rule, ethnicization of political divisions forces the informal institutions into a patrimonial model. For these reasons, the democratization has

to encompass the political parties themselves, so that competition is developed within them, alongside with political competition and meritocratic selection.

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## SUMMARY

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

The general aim of the research was to identify main forms, determinants and social effects of informal norms, relations and practices through which political elite captured economic resources in Serbia and Kosovo\*. The research was realized within the project '*Informal Practices of Capturing Economic Resources by Political Elite: Exploring Party Patronage in Kosovo and Serbia.*' The project was made possible through the support of the Regional Research and Promotion Program (RRPP) which is operated by the Interfaculty Institute for Central and Eastern Europe (IICEE) at the University of Fribourg (Switzerland) and has been fully funded by the Swiss Agency for Development and Cooperation (SDC), the Federal Department of Foreign Affairs. The research was implemented by SeConS – Development Initiative Group from Belgrade and Center for Research, Documentation and Publication (CRDP) from Prishtine.

In order to identify, describe and explore the informal practices of capturing economic resources by political elite, we have chosen qualitative research design. The research goal was thus accomplished in two steps:

1. **Analytical reviewing** of relevant literature and data sources with the aim of recognizing:

- a) trends in relations between economic and political elite over the last 20 years;
- b) current state-of-art research and analysis;

The research relied heavily on social science journals and books in order to grasp a better understanding on the historical legacies and changes in the social context of the two societies.

2. Semi-structured face-to-face **interviews** with three groups of respondents:

- a) In politics –people occupying high positions in public administration, influential people in political parties (on the national and local level);
- b) In economy –executives/managers in private companies (small, middle and big enterprises).
- c) In the area of expertise –specialists and experts;

In order to ensure historical relevance of the collected data the interviews were conducted with both current and former power holders. Also, we took consideration of representation of women and ethnic minorities.

### ■ MAJOR FINDINGS – SERBIA

Due to development path of Serbian society the relation between formal and informal institutions today is most often competing, although historically it also used to be substitutive and sometimes complementary.

Based on the respondents' statements, it is possible to distinguish following actors which are relevant for the situation inside the political and economic field:

1. formal organizations / political parties
2. Networks of trust consisting of individuals who form more or less stable power networks and they are divided on those consisting of: a) politicians b) interlockers and c) private business people,
3. International factor (embassies and foreign multinational companies).

There are three areas of exercising political power: intra-party, governance positions and brokerage between political and economic system. Within political parties the power is used to arrange, structure, build and reconstruct power networks in line with configurations based on certain interests. Within governance political action, power generated in the political parties is transferred to institutions, governance structures. Finally, third power area/function is related to the establishment of linkages between political and economic system. Very rarely one political actor can perform all three functions, and usually there is certain functional division between political actors.

On the other side, primary field of private entrepreneurs is the economy. They are relying on the public resources to a great extent.

International actors are recognized as important on two levels. At one level they influence, guide and control the institutional and policy reforms. At other level, they are donors and investors and their economic role is perceived as important.

Majority of respondents perceive money and financial benefits as key resource that is being exchanged between actors. However there are other resources of importance as well, such as jobs, contracts, information, acquaintances on the right positions as well as various in kind benefits.

Different mechanisms are used for the exchange within a political party, between party and institutions and between political actors and economic actors in public and private sector of the economy. The key motive underlying these mechanisms is to provide long-term positioning of political parties in the power for what they need:

1. enough people to vote for them and
2. sufficient financial resources to secure political influence.

The respondents pointed out three criteria for taking key positions and climbing the leadership ladder of their political party:

- 1) the ability to raise funds/money for the party,
- 2) organizational/communication skills and
- 3) personal loyalty.

Several mechanisms were detected between political and economic systems, too. The most frequent are: party 'conquest' of management structures of public enterprises, financing political parties by public enterprises, party directed employment, lobbying for legislative and administrative 'favours', public tenders, the use of *control mechanisms*.

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 ongoing 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.

## ■ MAJOR FINDINGS – KOSOVO\*

The development path of Kosovan society also led to most often competing relation between formal and informal institutions today. However, during the modern history this relation used to be much more often complementary and substitutive than in Serbia.

Perception on relevant political actors in Kosovo\* goes beyond political representation in governing institutions. The respondents listed six different actors. Under the category of political actors fall political parties as the “most obvious” ones, along with international actors, whose power and role has decreased in time. The third important group of political actors are “parallel” institutions run by the Republic of Serbia, which continue to exist in Kosovo\* upon the end of the armed conflict. Economic actors are marked as important ones, especially those “abusing” public resources and creating informal clan-based networks with political parties/individuals. For the establishment and maintenance of those networks, intermediaries are needed, here described as interlocking actors. Finally, the last on the list of relevant political actors mentioned were also nongovernmental organizations and clubs, holding leverage for policy making and for obtaining funds.

Concerning the resources exchanged among the interested parties they were mentioned as one of the most common aspects of political patronage. Such exchange can occur between different actors, such as citizens (who have voting power; hence they “hold” the votes) and politicians/political parties (who have political power; hence they “hold” job positions in public institutions). In addition, there are other various stakeholders with certain resources (such as funds and donations), which give them the leverage for participating in informal exchange of resources. Some of the resources most often referred to are votes, jobs and means of financing political parties.

The above actors use different mechanisms for the exchange or resources listed, but

for other informal practices as well. Such practices can occur within the political party, between the party and institutions, and between the economic and political systems. The last option can take place in three different scenarios: through abusing contracts, abusing privatization process, and with illegal construction supported by central level politicians. Two more recognized mechanisms of clientelistic exchange of resources are regulation of prices of certain products and changing of laws in favor of interests of certain lobbies (interest groups).

All these mechanisms are put in place for two main reasons: obtaining resources (from finances to allies), and maintaining political power (primarily absorbing votes).

Our analysis showed that relationships between economic and political arenas were mutually dependent and were designated as the way not only to accumulate, but also maintain capital. Indeed, “clientelism has turned out to be of great concern for citizens’ access to institutions, services, employment, and even their access to decision-making and democratic influence” (Jackson, 2014, p. 2). The key players of that political capitalist system were the political elite, who derived their authority in the socialist transition period and peaceful and armed resistance in particular. Those belonging to the latter were rather powerful, enjoying almost exclusive power in the first years in the post-armed conflict period. Further, (unaccountable as well as unverifiable) having access to public goods, such elites soon gave birth to new economic elites as well. Special treatments, favors and protections from (postponement of) legal prosecutions were some of the main ways through which economic elites swiftly accumulated abundant capital.

Despite the transformation into a pluralist society, where rather strong competition between parties has been evolving, the control over public resources is rather perceived to have been done through clientelist networks, mostly established on economic interests. Throughout this time, a relatively small group of people, generating too much inefficiency that still continues to hinder the quality of life, controlled the power and resources. On the other hand, living in poor conditions with limited opportunities, which is the case with majority of citizens of Kosovo\*, represents a scenario far from the one where people can use their potential to the greatest possible extent.

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## REZIME

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**N**eformalnost predstavlja važnu funkciju post-socijalističkih društava. Neformalne i lične mreže koje datiraju iz socijalističkog perioda su važno nasleđe za razvoj demokratskih sistema i tržišne ekonomije u bivšim socijalističkim zemljama. Posebno u kontekstu slabog i nejasnog institucionalnog i normativnog okvira pojedinci imaju tendenciju da se više oslanjaju na neformalne institucije i prakse. Zbog toga, obrasci klijentelizma i pitanje o “kulturi neformalnog” su važni za razumevanje savremenih putanja razvoja političkih i ekonomskih podsistema bivših socijalističkih društava.

Opšti cilj istraživanja bio je da se identifikuju glavni oblici, determinante i socijalni efekti neformalnih normi, odnosa i praksi kroz koje politička elita zarobljava ekonomske resurse u Srbiji i na Kosovu\*. Istraživanje je organizovano u okviru projekta: “Neformalne prakse zarobljavanja ekonomskih resursa od strane političke elite: istraživanje partijske patronaže na Kosovu i u Srbiji”. Projekat je sproveden kroz Regionalni program promocije istraživanja (RRPP) kojim upravlja Međufakultetski institut za Centralnu i Istočnu Evropu (IICEE) na Univerzitetu u Friburgu (Švajcarska) i u potpunosti finansiran od strane Švajcarske agencije za razvoj i saradnju (SDC), Saveznog ministarstva inostranih poslova. Istraživanje su sprovedeli SeConS – grupa za razvojnu inicijativu iz Beograda i Centar za istraživanje, dokumentovanje i objavljivanje (CRDP) iz Prištine.

U cilju identifikovanja, opisa i analize neformalnih praksi zarobljavanja ekonomskih resursa od strane političke elite, izabrali smo kvalitativni istraživački pristup. Istraživački cilj je postignut kroz sledeća dva koraka:

1. Analizom relevantne literature i izvora podataka sa ciljem prepoznavanja:
  - a) trendova u relacijama između ekonomske i političke elite u poslednjih 20 godina;

- b) trenutnog stanja na polju istraživanja i analize ovog problema;

U cilju boljeg razumevanja istorijskog nasleđa i promena u društvenim kontekstima posmatranih društava (kosovskog i srpskog), istraživanje se u velikoj meri oslanjalo na knjige i časopise iz oblasti društvenih nauka.

2. Polu-strukturisanim intervjuima, licem u lice, sa tri grupe ispitanika:
  - a) U političkom polju – osobe koje zauzimaju visoke pozicije u državnoj upravi, kao i uticajni pojedinci u političkim partijama (na nacionalnom i lokalnom nivou)
  - b) U ekonomskom polju – rukovodioci/direktori u privatnim preduzećima (mala, srednja i velika preduzeća)
  - c) U ekspertskom polju – stručnjaci.

U cilju postizanja istorijske relevantnosti prikupljenih podataka, intervjui su sprovedeni i sa trenutnim i sa doskorašnjim nosiocima moći.

### ■ GLAVNI NALAZI – SRBIJA

S obzirom na razvojni put srpskog društva danas je odnos između formalnih i neformalnih institucija u najvećoj meri takmičarski (*competitive*), iako je kroz istoriju neretko bio zamenjujući (*substitutive*), a ponekad i dopunjujući (*complementary*).

Na osnovu izjava ispitanika moguće je razlikovati sledeće aktere koji su relevantni za situaciju unutar oblasti politike i ekonomije:

1. formalne organizacije/političke partije
2. mreže poverenja koje se sastoje od pojedinaca koji čine više ili manje stabilne mreže moći, koje su podeljene na one koje se sastoje od:
  - a) političara b) interlokera (onih koji istovre-



- meno imaju pozicije i u politici i u privredi) i c) poslovnih ljudi iz privatnog sektora,
3. međunarodni faktor (ambasade i strane multinacionalne kompanije).

Postoje tri oblasti ostvarivanja političke moći: unutarpartijska, upravljačke pozicije i posredovanje između političkog i ekonomskog sistema. U okviru političkih stranaka snaga se koristi da se organizuje, strukturira, izgradi i rekonstruiše mreža moći u skladu sa određenim interesima. U okviru upravljanja političkom akcijom moć generisana u političkim partijama se prebacuje u institucije i upravljačke strukture. Konačno, treća oblast/funkcija moći se odnosi na uspostavljanje veza između političkog i ekonomskog sistema. Vrlo retko jedan politički akter može da obavlja sve tri funkcije, a obično postoji izvesna funkcionalna podela između političkih aktera.

S druge strane, osnovna oblast delovanja privatnih preduzetnika je ekonomija. Oni se u zarobljavanju resursa u velikoj meri oslanjaju na javna sredstva.

Međunarodni akteri su prepoznati kao važni na dva nivoa. Na jednom nivou utiču, vode i kontrolišu institucionalne i političke reforme. Na drugom nivou, oni su donatori i investitori i njihova ekonomska uloga se smatra važnom.

Većina ispitanika smatra da su novac i finansijska korist ključni resurs koji se razmenjuje između aktera. Međutim, postoje i drugi značajni resursi, kao što su: radna mesta, ugovori, informacije, poznanici na važnim pozicijama, kao i razne koristi u naturi.

Različiti mehanizmi se koriste za razmenu u okviru jedne političke stranke, između partije i institucija i između političkih aktera i ekonomskih aktera u javnom i privatnom sektoru ekonomije. Ključni motiv koji se nalazi u osnovi ovih mehanizama je da se obezbedi dugoročno pozicioniranje političkih stranaka u vlasti kako bi pribavile ono što im je potrebno:

1. dovoljno ljudi da glasaju za njih i
2. dovoljna finansijska sredstva da se obezbedi politički uticaj.

Ispitanici su istakli tri kriterijuma za zauzimanje ključnih pozicija prilikom uspona na leaderskoj lestvici njihove političke partije:

- 1) sposobnost za prikupljanje sredstava/novca za stranku,
- 2) organizacione i komunikacijske sposobnosti i
- 3) lična lojalnost.

Osim toga, prepoznato je i nekoliko mehanizama koji funkcionišu između političkog i ekonomskog podsistema. Najčešći su: partijsko 'osvajanje' upravljačkih struktura javnih preduzeća, finansiranje političkih partija od strane javnih preduzeća, partijsko zapošljavanje, lobiranje za zakonodavne i administrativne 'usluge', javni tenderi, korišćenje kontrolnih mehanizama (inspekcija i sl.).

Iako je došlo do institucionalnih i personalnih promena u političkom i ekonomskom sistemu nakon 2000. godine, naša analiza neformalnih odnosa, partijske patronaže i političkog klijentelizma u Srbiji je pokazala da je struktura moći ostala nepromenjena. Iako je proces "blokiranje" post-socijalističke transformacije, praćen konverzijom političkih resursa u ekonomske, doveo do postepene rekonstrukcije, podele, pa čak i konflikta između različitih elita, uz pomeranje moći iz političke u ekonomsku sferu, istraživanje je pokazalo da je politička dominacija nad ekonomskim sistemom sveprisutna, tj. da su moć i privilegije koncentrisani u okviru male grupe ljudi.

Složen neformalni sistem moći i distribucije resursa je postavljen i održava se na bazi neformalnih, ali krajnje strogih pravila, kao i na bazi skrivenih, ali izrazito funkcionalnih uloga. Ove uloge se reprodukuju putem nekoliko mehanizama, dok se procedure kažnjavanja i nagrađivanja primenjuju u cilju favorizovanja ekstraktivnog modela funkcionisanja formalnih institucija. Tekuća ekonomska kriza pojačava politički klijentelizam: sve oskudniji resursi i pojačano takmičenje između i unutar neformalnih mreža i političkih partija će rezultovati ili dodatnim pritiskom u cilju disciplinovanja neformalnog sistema ili fragmentacijom i slabljenjem političke moći. Ovaj drugi ishod bi mogao voditi ili ka jačanju inkluzivnih formalnih političkih institucija ili ka još jednoj fazi dominacije ekonomske elite u okviru političkog kapitalizma u Srbiji. Ne bi trebalo smetnuti sa uma da potencijalni ishod bar delimično zavisi od preovlađujućih vrednosti u društvu i stepena građanskog aktivizma.

## GLAVNI NALAZI – KOSOVO\*

Razvojni put kosovskog društva takođe je doveo do toga da je danas odnos između formalnih i neformalnih institucija najčešće takmičarski. Ipak, tokom moderne istorije ovaj odnos je mnogo više bio dopunjujući ili zamenjujući nego u Srbiji.

Percepcija relevantnih političkih aktera na Kosovu\* prevazilazi političke predstavnike u institucijama vlasti. Ispitanici su prepoznali šest različitih grupa aktera. Kategoriji političkih aktera pripadaju političke partije kao najočiglednije, zajedno sa međunarodnim akterima čija se moć i uloga vremenom smanjila. Treća važna grupa političkih aktera su “paralelne” institucije kojim upravlja Republika Srbija i koje su nastavile da funkcionišu na Kosovu\* i nakon završetka oružanog sukoba.

Ekonomski akteri su označeni kao važni, i to pre svega oni koji zloupotrebljavaju javne resurse i stvaraju neformalne mreže (klanove) sa političkim partijama/pojedincima. Za postojanje i održavanje ovih mreža neophodni su posrednici, koji su prepoznati kao interlokeri. Konačno, poslednji na listi spomenutih relevantnih političkih aktera su nevladine organizacije koje imaju moć u kreiranju politika i dobijanju novčanih sredstava.

Što se tiče resursa koji se razmenjuju između zainteresovanih strana, oni su spomenuti kao jedan od najčešćih aspekata političke patronaže. Takva razmena se može pojaviti između različitih aktera, kao što su: građani (koji poseduju “glasačku” moć i mogu da uskrate svoj glas na izborima) i političari/ političke partije (koji poseduju političku moć, s obzirom da drže pozicije u javnoj upravi). Dodatno, postoje i razni drugi zainteresovani akteri sa određenim resursima (kao što su fondovi i donacije), koji im daju moć da učestvuju u neformalnoj razmeni resursa. Neki od najčešće istaknutih resursa su glasovi, poslovi kao i novac za finansiranje političkih partija.

Pomenuti akteri koriste različite mehanizme za razmenu resursa, kao i za druge neformalne prakse. Takve prakse se mogu pojaviti u okviru političke stranke, između političke stranke i institucija, kao i između ekonomskog i političkog

sistema. Poslednja opcija može se odigrati putem tri različita scenarija: putem zloupotrebe ugovora, putem zloupotrebe procesa privatizacije i putem nelegalne izgradnje podržane od strane političara na centralnom nivou. Još dva prepoznata mehanizma klijentelističke razmene resursa su kontrola cena određenih proizvoda i promena zakona u korist određenih interesnih grupa.

Svi ovi mehanizmi su uspostavljeni usled dva ključna razloga: pribavljanja resursa (od finansijskih sredstava do uspostavljanja savezništava) i održavanja političke moći (primarno kroz dobijanje glasova).

Naša analiza je pokazala da su odnosi između ekonomske i političke arene međuzavisni i postavljeni na način koji omogućava da se kapital ne samo akumulira već i održava. Zaista, “klijentelizam je postao velika prepreka građanskom pristupu institucijama, uslugama, zapošljavanju, pa čak i samom procesu donošenja odluka i demokratskom uticanju” (Jackson, 2014, p. 2). Ključni akteri političkog kapitalizma su političke elite, čija je moć izvedena iz perioda socijalističke tranzicije, a posebno iz perioda miroljubivog i kasnijeg oružanog otpora. Ključni akteri iz perioda oružanog otpora su uživali skoro apsolutnu moć u prvim godinama nakon završetka oružanog sukoba. Imajući neograničeni pristup javnim resursima oni su “odgovorni” i za nastajanje novih ekonomskih elita. Privilegovani tretman, činjenje raznih usluga, kao i zaštita (ili odlaganje) od krivičnog gonjenja samo su neki od načina putem kojih su ekonomske elite brzo akumulirale obilje kapitala.

Uprkos transformaciji u pluralističko društvo u kome je razvijeno takmičenje između političkih stranaka, kontrola nad javnim resursima se odvija putem uspostavljanja klijentelističkih mreža, pre svega zasnovanim na ekonomskim interesima. Tokom ovog perioda, relativno mala grupa ljudi, generišući neefikasnost koja neprestano umanjuje kvalitet života, kontroliše moć i resurse. Sa druge strane, velika većina stanovnika Kosova\* živi u lošim životnim uslovima sa ograničenim prilikama i mogućnostima, što predstavlja scenario daleko od onog u kome oni mogu u najvećoj meri da ostvare svoj potencijal.

## PËRMBLEDHJE

Informaliteti paraqet një tipar të rëndësishëm të shoqërive post-socialiste. Rrjetet joformale dhe personale që datojnë nga periudha socialiste janë trashëgimi e rëndësishme për zhvillimin e sistemeve demokratike dhe të ekonomisë së tregut në vendet ish-socialiste. Veçmas në kontekstin e kornizës së dobët dhe të paqartë institucionale e normative, individët priren të mbështeten më fort në institucionet dhe praktikatat joformale. Për shkak të kësaj, janë me rëndësi modelet e klientelizmit dhe çështja e “kulturës së informalitetit” në mënyrë që të kuptohen trajektorët bashkëkohore në nënsistemet politike dhe ekonomike të shoqërive ish-socialiste.

Qëllimi i përgjithshëm i hulumtimit ishte që t'i identifikonte format kryesore, përcaktuesit dhe efektet sociale të normave joformale, marrëdhëniet dhe praktikatat me anë të të cilave elita politike i ka kapur resurset ekonomike në Serbi dhe në Kosovë\*. Hulumtimi është kryer në kuadër të projektit “Praktikat joformale të kapjes së burimeve ekonomike nga elita politike: shqyrtimi i patronazhit partiak në Kosovë dhe Serbi”. Ky projekt u mundësua nga mbështetja e Programin Rajonal për Hulumtim dhe Promovim (PRHP), që operohet nga Interfaculty Institute for Central and Eastern Europe (IICEE) në Universitetin e Friburgut (Zvicër) dhe është i financuar plotësisht nga Agjencia Zvicerane për Zhvillim dhe Bashkëpunim (SDC), Departamenti Federal i Punëve të Jashtme. Hulumtimi është kryer nga SeConS – Grup Iniciativash për Zhvillimin nga Beogradi dhe Qendra për Hulumtim, Dokumentim dhe Publikim (QHDP) nga Prishtina.

Me qëllim të identifikimit, përshkrimit dhe eksplorimit të praktikave joformale të kapjes së burimeve ekonomike nga elita politike, kemi zgjedhur dizajnin e hulumtimit cilësor. Kështu, qëllimi i hulumtimit u realizua në dy hapa:

1. **Shqyrtimi analitik** i literaturës përkatëse dhe i burimeve të të dhënave me qëllim të njohjes së:

- a) tendencave në marrëdhëniet mes elitës ekonomike dhe politike gjatë 20 viteve të fundit;
- b) hulumtimeve dhe analizave aktuale më të avancuara;

Hulumtimi u mbështet kryesisht në revista dhe libra të shkencave sociale në mënyrë që të kuptohen më mirë trashëgimitë historike dhe ndryshimet në kontekstin social të të dy shoqërive.

2. **Intervista** të gjysmëstrukturuara sy më sy me tri grupe të respondentëve:

- a) Në politikë – njerëz që zënë poste të larta në administratën publike, njerëz me ndikim në partitë politike (në nivel shtetëror dhe lokal);
- b) Në ekonomi – drejtuesit/menaxherët në kompanitë private (ndërmarrjet e vogla, të mesme dhe të mëdha);
- c) Në fushën e ekspertizës – specialistë dhe ekspertë;

Për të siguruar rëndësinë historike të të dhënave të mbledhura, intervistat u kryen me mbajtësit aktualë dhe të mëparshëm të pushetit. Po ashtu, kemi marrë në konsideratë përfaqësimin e grave dhe të pakicave etnike.

### ■ GJETJET KRYESORE – SERBI

Për shkak të rrugës së zhvillimit të shoqërisë serbe, marrëdhënia ndërmjet institucioneve formale dhe joformale sot është më së shpeshti konkurruese, edhe pse historikisht ka qenë edhe zëvendësuese dhe ndonjëherë plotësuese.

Bazuar në pohimet e të respondentëve, është e mundshme të bëhet dallimi i aktorëve të mëposhtëm që janë relevantë për situatën brenda fushës politike dhe ekonomike:

1. Organizatat formale/partitë politike
2. Rrjetet e besimit të përbëra nga individë që formojnë rrjete pak a shumë të qëndrueshme të pushtetit dhe ndahen në ata që përbëhen nga: a) politikanët b) ndërmjetësit dhe c) njerëzit e biznesit privat,
3. Faktori ndërkombëtar (ambasadat dhe kompanitë e huaja shumëkombëshe).

Ka tri fusha të ushtrimit të pushtetit politik: brenda partisë, në pozicionet e qeverisjes dhe në ndërmjetësimin mes sistemit politik dhe atij ekonomik. Brenda partive politike pushteti përdoret për të rregulluar, strukturuar, ndërtuar dhe rindërtuar rrjetet e pushtetit në përputhje me konfigurimin e bazuar në interesa të caktuara. Brenda qeverisjes, veprimi politik, pushteti i gjeneruar në parti të politike u transferohet institucioneve, strukturave qeverisëse. Në fund, fusha/funksioni i tretë i pushtetit ka të bëjë me krijimin e lidhjeve ndërmjet sistemit politik dhe atij ekonomik. Shumë rrallë një aktor politik mund t'i kryejë të tria funksionet dhe zakonisht ka njëfarë ndarjeje funksionale mes aktorëve politikë.

Nga ana tjetër, fusha kryesore e sipërmarrësve privatë është ekonomia. Ata në masë të madhe bazohen në burimet publike.

Aktorët ndërkombëtarë njihen si të rëndësishëm në dy nivele. Në një nivel ata ndikojnë, udhëzojnë dhe kontrollojnë reformat institucionale dhe të politikave. Në nivel tjetër, janë donatorë e investitorë dhe roli i tyre ekonomik perceptohet si i rëndësishëm.

Shumica e respondentëve i perceptojnë paratë dhe përfitimet financiare si burime kryesore që shkëmbehen ndërmjet aktorëve. Megjithatë, ka burime të tjera po aq me rëndësi, si vendet e punës, kontratat, informatat, të njohurit në pozitat e duhura, si dhe përfitime të ndryshme të brendshme.

Mekanizma të ndryshëm përdoren për shkëmbim brenda një partie politike, ndërmjet partisë dhe institucioneve, si dhe ndërmjet aktorëve politikë dhe atyre ekonomikë në sektorin publik dhe privat të ekonomisë. Motivi kryesor në thelbin e këtyre mekanizmave është që të sigurohet pozicionim afatgjatë i partive politike në pushtet, për çka u nevojiten:

1. njerëz të mjaftueshëm që të votojnë për ta, dhe

2. burime të mjaftueshme financiare për të siguruar ndikim politik.

Respondentët kanë vu në pah tri kritere për marrjen e pozitave kyçe dhe ngjitjen e shkallëve të lidhshimit prej partisë së tyre politike:

- 1) mundësinë për të mbledhë fonde /para për partinë,
- 2) aftësitë organizative/komunikuese dhe
- 3) besnikërinë personale.

Janë zbuluar edhe një varg mekanizmash ndërmjet sistemeve politike dhe ekonomike. Më të shpeshtat janë: "pushtimi" partiak i strukturave drejtuese të ndërmarrjeve publike, financimi i partive politike nga ndërmarrjet publike, punësimi i drejtuar nga partia, lobimi për 'favore' legislative dhe administrative, tenderët publikë, përdorimi i *mekanizmave të kontrollit*.

Analiza jonë e marrëdhënieve joformale, patronazhit partiak dhe klientelizmit politik në Serbinë post-socialiste tregoi se ndonëse elementet institucionale dhe personale në sistemin politik dhe ekonomik kishin ndryshuar pas vitit 2000, struktura e pushtetit nuk ka ndryshuar. Edhe pse proceset komplementare të bllokimit të transformimit dhe shndërrimit të burimeve politike në aso ekonomike kanë çuar në rindërtimin gradual, ndarje dhe madje edhe konflikt ndërmjet fraksioneve elitare, çka ka nënkuptuar një zhvendosje të pushtetit nga arena politike në atë ekonomike, në fund të fundit ishte sistemi ekonomik ai që mbeti nën dominimin politik dhe i gjithë pushteti e privilegjet, për më tej, u përqendruan në duart e një grupi të vogël njerëzish.

Një sistem kompleks joformal i përqendrimit të pushtetit dhe i shpërndarjes së burimeve është vendosur dhe ruajtur në bazë të rregullave joformale, por mjaft të rrepta, si dhe të roleve të fshehta, por shumë funksionale. Nëpërmjet një vargu mekanizmash, këto role janë riprodhuar dhe janë aplikuar rregulla ndëshkuese por edhe shpërblyese, si mënyrë për të favorizuar mënyrën ekstraktuese të funksionimit formal të institucioneve. Kriza e vazhdueshme ekonomike e ka mprehur tashmë klientelizmit politik: burimet e pakta dhe konkurrenca e ngushtë ndërmjet dhe brenda rrjeteve joformale dhe partive politike ose do të ushtrojë presion shtesë mbi disiplinimin e sistemit joformal dhe parandalimin e shmangieve, ose do të çojë në fragmentarizimin

dhe dobësimin e pushtetit politik. Skenari i fundit mund të rezultojë me forcimin e institucioneve përfshirëse politike formale ose me kalimin në një tjetër fazë të dominimit të elitës ekonomike brenda kapitalizmit politik serb. Vlen të theksohet se rezultati, të paktën pjesërisht, do të varet nga vlerat mbizotëruese dhe aktivizmi i qytetarëve.

## GJETJET KRYESORE – KOSOVË

Rruga e zhvillimit të shoqërisë kosovare po ashtu ka çuar në marrëdhënie më së shpeshti konkurruese mes institucioneve formale dhe joformale sot. Megjithatë, gjatë historisë moderne kjo marrëdhënie ka ditur të jetë shumë më shpesh komplementare dhe zëvendësuese sesa në Serbi.

Perceptimi mbi aktorët relevantë politikë në Kosovë\* shkon përtej përfaqësimit politik në institucionet qeverisëse. Responentët kanë radhatur gjashtë aktorë të ndryshëm. Nën kategorinë e aktorëve politikë bien partitë politike si ato të “më të dukshmet”, së bashku me aktorët ndërkombëtarë, pushteti dhe roli i të cilëve ka rënë me kohë. Grupi i tretë i rëndësishëm i aktorëve politikë janë institucionet “paralele” të drejtuara nga Republika e Serbisë, të cilat vazhdojnë të ekzistojnë në Kosovë\* pas përfundimit të konfliktit të armatosur. Aktorët ekonomikë janë shënuar si të rëndësishëm, sidomos ata që “abuzojnë” me burimet publike dhe krijojnë rrjete joformale mbi baza klanore me partitë dhe individët e jetës politike. Për vendosjen dhe mirëmbajtjen e këtyre rrjeteve, kërkohen ndërmjetësit, të përshkruar këtu si aktorë bashkues. Së fundi, të fundit në listën e aktorëve relevantë politikë të përmendur ishin edhe organizatat dhe klubet joqeveritare, që mbajnë mundësitë për bërjen e politikave dhe për marrjen e fondeve.

Lidhur me burimet e shkëmbyera ndërmjet palëve të interesuara, këto janë përmendur si një nga aspektet më të zakonshme të patronazhit politik. Shkëmbimi i tillë mund të ndodhë mes aktorëve të ndryshëm, siç janë qytetarët (që kanë pushtetin e votës, prandaj “mbajnë” votat) dhe politikanët/partitë politike (që kanë pushtet politik, prandaj “mbajnë” vende të punës në institucionet publike). Përveç kësaj, ka edhe shumë aktorë të tjerë me burime të caktuara (të tilla si fondet dhe donacionet), që u japin atyre shansin për të marrë pjesë në shkëmbim joformal të

burimeve. Disa nga burimet e përmendura më së shpeshti janë vota, vendet e punës dhe mjetet e financimit të partive politike.

Aktorët e mësipërm përdorin mekanizma të ndryshëm për t'i shkëmbyer burimet e përmendura, por edhe praktika të tjera joformale. Praktikrat e tilla mund të shfaqen brenda partisë politike, ndërmjet partisë dhe institucioneve, si dhe ndërmjet sistemeve ekonomike dhe politike. Mundësia e fundit mund të ndodhë në tre skenarë të ndryshëm: duke abuzuar kontratat, duke abuzuar procesin e privatizimit, si dhe me ndërtim të paligjshëm të mbështetur nga politikanët e nivelit qendror. Dy mekanizmat më të njohur të shkëmbimit klientelist të burimeve janë rregullimi i çmimeve të produkteve të caktuara dhe ndryshimi i ligjeve në të mirë të interesave të lobeve të caktuara (grupeve të interesit).

Të gjithë këto mekanizma janë vënë në vend për dy arsye kryesore: marrjen e burimeve (nga financat e deri te aleatët), dhe ruajtjen e pushtetit politik (kryesisht thithjen e votave).

Analiza jonë ka treguar se marrëdhëniet ndërmjet arenave politike dhe ekonomike ishin reciprokisht të ndërvarura dhe të përcaktuara si rrugë jo vetëm për ta akumuluar, por edhe për ta ruajtur kapitalin. Vërtet, “klientelizmi doli të jetë një shqetësim i madh për qasjen e qytetarëve në institucione, shërbime, punësim, e madje edhe qasjen në vendimmarrje dhe ndikim demokratik” (Jackson, 2014, f. 2). Lojtarët kryesorë të këtij sistemi politik kapitalist ishin elita politike, autoriteti i të cilave rridhte nga periudha socialiste e tranzicionit, si dhe rezistenca paqësore dhe ajo e armatosura në veçanti. Këta që i përkasin kësaj të fundit ishin goxha të fuqishëm, duke gëzuar pushtet pothuajse ekskluziv në vitet e para të periudhës pas konfliktit të armatosur. Më tej, elitat e tilla (të pashpjegueshme dhe të paverifikueshme) duke pasur qasje në të mirat publike, shpejt i pollën edhe elitat e reja ekonomike. Trajtimet e veçanta, favorizimet dhe mbrojtjet nga ndjekjet ligjore (si dhe shtyrjet e tyre) ishin disa nga mënyrat kryesore me të cilat elitat ekonomike shpejt akumuluan kapital të bollshëm.

Përkundër transformimit në shoqëri pluraliste, ku konkurrenca tejet e fortë ndërmjet partive po evoluon, kontrolli mbi burimet publike perceptohet sikur është bërë më fort nëpërmjet rrjeteve klienteliste, kryesisht të themeluara mbi interesa ekonomikë. Gjatë gjithë kësaj kohe, një

grup relativisht i vogël i njerëzve, duke gjeneruar shumë paftësi që ende vazhdon ta pengojë cilësinë e jetës, kontrollon pushtetin dhe burimet. Nga ana tjetër, jetesa në kushte të vështira me mundësi të kufizuara, që është rasti me

shumicën e qytetarëve të Kosovës\*, paraqet një skenar larg atij ku njerëzit mund të përdorin potencialin e tyre sa më shumë që të jetë e mundshme.



