



## LET'S START ALL OVER

The adoption of the Law on Financing Local Governments announced a great comeback of Mladjan Dinkic, the leader of United Regions of Serbia (URS), to the Serbian political scene. This law known as "Dinkic's law on decentralization", which will be enforced from October 1, 2011, has enabled local governments to receive 80 instead of previously 40 per cent of income tax, except the city of Belgrade, which will receive 70 percent. As it usually happens in Dinkic's political projects, there is no funding in the state budget for implementation of this law, but that has never been his field of interest. For him, this law is pure politics, because it would complete his multi-year systematic political work and become the program for the upcoming elections.

Dinkic's law has caused considerable debate in the Serbian society, and its adoption hasn't been supported by all parties in the ruling coalition. However, the URS leader has achieved the law enactment by utilizing his favorite political tool - blackmail. Specifically, he has posed the choice before the ruling Democratic Party - either the law or early elections. The opposition was able to quash the Dinkic's law if they wanted, for 108 MPs out of 127 present voted for the law.

It just shows that dexterous Dinkic hasn't negotiated the law only within the ruling coalition, but also with the opposition.

Serbian Parliament numbers 250 MPs, while the ruling coalition, which includes Dinkic's party, has a tight majority. Voting on a law requires 126 delegates present. The opposition did not attend the vote and thus indirectly "reduced" the number of votes necessary to pass the law. Since the vote was attended by 127 delegates, the adoption of the law required 64 delegates. The boycott by some opposition parties allowed the governing coalition, as well as some MPs of the ruling Democratic Party (DS), to be restrained. However, their presence on the ballot even indirectly enabled the adoption of the law. It can be assumed that the presence of the ruling coalition MPs who opposed the adoption was a kind of loyalty to the parliamentary majority, and that these members found a formula to express their position without jeopardizing the stability of the government. The question remains what is the motive of the opposition to indirectly help the passage of the law? Have they calculated that it would be better to pass a law that is unfeasible to be implemented and that would cause problems and turmoil in the government or they made a special deal with Dinkic? The time will tell what's in question, but it is certain that the conduct of the opposition during the vote of this law wasn't accidental.

Dinkic's law has encountered opposition by the mission of the International Monetary Fund (IMF) in Serbia.



The law is "politically popular" because it "doesn't clearly and transparently specify who will pay the bill of 50 billion dinars", said Albert Jaeger, IMF mission chief in Belgrade. "We estimate that local governments will receive additional revenue amounting to 50 billion dinars in 2012, and about 10 billion for the current year which the Serbian budget cannot afford", Jaeger said, adding that the Serbian budget even without new costs provided in this law "has a large fiscal gap for 2012 that must be closed".

Fiscal Council of the National Bank of Serbia was against this law. President of the Council, a prominent economist PhD Pavle Petrovic, said that "there is a gap in the planned deficit in the fiscal strategy of Serbia for 2012, as about 75 billion dinars will be lacking, or 750 million euros to achieve planned reduction in the deficit from 4.2 percent this year to 3.2 percent of gross domestic product (GDP)". Petrovic said the analysis of the Fiscal Council showed that Dinkic's law would "cause an additional deficit of 40 billion dinars in the budget for 2012".

Many economists also objected to this law. They agree that the effects of this law would be damaging for Serbia and that the budget deficit would increase. An economist Milojko Arsic said that it is almost certain that Dinkic's law would "increase the budget deficit in relation to the level planned for the next year". He stated that "it is possible to subsequently, by some measures, reduce the deficit", but that it is "unlikely to completely eliminate the impact of the law on the fiscal deficit". "The least we needed is to make such a move, which will further increase the

budget deficit", said Ljubomir Madzar, an economist. "We already have a large planned deficit of 4.1 percent of GDP, and probably it will be even higher", he noted, adding that such a move will further increase the deficit by 20 percent more than planned. Ljubodrag Savic, an economist, said that the adoption of this law "broke" the law on fiscal responsibility. "It is amazing that someone can conclude that it is possible to provide 40 billion dinars to fund local community, without finding a way to reduce total costs in the Serbian budget", Savic added.

The adoption of this law was strongly opposed by the opposition Democratic Party of Serbia (DSS) and the Liberal Democratic Party (LDP), but also the ruling coalition parties like the League of Social Democrats of Vojvodina (LSV) and the Party of Vojvodina Hungarians. Interestingly, the strongest opposition party, the Serbian Progressive Party (SNS) very slightly criticized the law.

Shortly before the law adoption, President Boris Tadic, who is also the leader of the DS, the strongest parties in the ruling coalition, warned that "decentralization and regionalization are the most important political tasks of our country, but at the same time, this should not imply the abolition of the Serbian financial system". Speaking of Dinkic's law, Tadic said that "there are arguments for and against the law" and that "it's necessary to make an economic calculation of whether decentralization is possible according to that model". Tadic said he was aware of the motives for filing the law.

"To achieve more percentage in the next elections, and thereby bring down the financial system in the country - I do not know why we white washed then", metaphorically said the Serbian President, adding that "politicians in Serbia have to be responsible and not to go out in public only with the best wishes".

Thus, regardless of objections by the IMF, Fiscal Council, economic experts, opposition parties, some ruling parties and even the President Tadic - Dinkic has won. What kind of trouble made them all to vote for a law for the implementation of which there is no money and which only serves for political marketing of the party that proposed it? Is it election fear? Obviously that was the card on which Mladjan Dinkic played and he succeeded.

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The law adopted, Mladjan Dinkic has successfully completed his multi-year political work which included the transformation of unpopular G17 in a new political party, United Regions of Serbia. This means that Dinkic found a place on the political scene for his new party, monopolized it and created all conditions for a new beginning.

Dinkic is one of the few Serbian politicians who think years ahead and that is why he was in all Serbian governments since the democratic changes in 2000.

He was changing coalition partners - the Democratic Party and the Serbian Democratic Party, he fought with both of them, but he survived. At the same time, playing on the

constant conflict between Djindjic, and then Tadic's Democrats on one side and Kostunica's party on the other side, he acquired greater leverage in the government than it belonged to him by the number of MPs. So in the past eleven years he has managed to maintain control over the financial sector, National Bank, health care and thereby controlling the entire range of independent agencies, banks and other regulatory bodies. When the Democratic Party together with its coalition partners, among whom was Dinkic's party won 2008 May elections over **Vojislav Kostunica** and began to form a government, Mladjan Dinkic was the only one who knew which places in the public administration to request for himself and his party - regional development.

Besides the enormous energy and diligence, the biggest advantage of Mladjan Dinkic is that he has a mind of a politician. Teaming up with the tabloids he crashed the Government of Zoran Zivkovic in autumn 2003. These tabloids would later cause him much harm, because he would become their target, but he used them for his political goals. A few years later, he didn't hesitate to propose controversial amendments to the Law on Information to stop the tabloids' writing. Abolishing of DS government (**Zoran Zivkovic's** government that ruled for less than a year after the assassination of Zoran Djindjic) Dinkic blazed the trail to power for Vojislav Kostunica, and then in his government took almost all economic sectors. Just one year earlier, along with the Democratic Party he conducted presidential campaign for **Miroljub Labus** in which he clashed fiercely with the rival



Kostunica. When in the fall of 2007 he proposed Kostunica's government to adopt the Law on Free Distribution of Shares, his coalition partners thought it was yet another of Dinkic's fads. This proved to be a powerful political weapon in winter 2008 during the presidential election. The election was announced by President Tadic, and the DSS, then a coalition partner of the DS, has refused to support it. Unlike Kostunica, Tadic was supported by Dinkic who brought "free shares" as a dowry. In the campaign Minister Dinkic in a letter informed over three million citizens that they became owners of free shares and thereby reminded them of the commitment to reform and EU accession. This letter was one of the key contributions to the victory of Boris Tadic's presidential 2008 elections. It later turned out that the shares really didn't worth much, so Dinkic defended several times in public that he was wrong, even once he said that he lied **"so that Tadic could become President"**, which caused a fierce reaction from the Serbian president, but the goal has been achieved. When in spring 2008 Mladjan Dinkic started negotiations with Italian Fiat on acquisition of Crvena Zastava Kragujevac, Dinkic's political partners haven't the faintest idea he again got a powerful political weapon in his hands. Signing of the investment agreement with company Fiat and signing the Stabilization and Association Agreement in Brussels, there were two key events for the triumph of the coalition around the Democratic Party in the May 2008 elections. Prior to that, Dinkic ensured that his party, the G17, would be on a joint list with the Democratic Party and to win over 20 percent of all mandates and functions in the future. During the formation of the government, Dinkic made a significant

contribution by bringing **Sulejman Ugljanin** from the coalition with DSS to the coalition around the Democratic Party. So, Dinkic could ask whatever he wanted, because he was very deserving for the victory. He chose, among other things, regional development. Few of his coalition partners surmised that the regional development would become new Dinkic's policy.

Better than other Serbian politicians Dinkic understood that "great and national" political issues are slowly becoming a matter of history and that Serbian citizens are primarily interested in their standard of living, or their wallet. Dinkic understood that after the collapse of the Serbian Radical Party (SRS) and the creation of the Serbian Progressive Party (SNS), Serbia is no longer so sharply divided into supporters and opponents of the European Union. In Serbia today there is almost no relevant political party that does not support the country's accession to the European Union, and Progressives leader Tomislav Nikolic is a welcome guest in Brussels. Dinkic also understood that eleven years after the democratic changes, the citizens are fed up with empty promises and want to see concrete results. That is why he left others deal with Kosovo, the European Union, NATO, privatization and judicial reform. He even gradually abandoned health department, traditionally held by his party on the eve of scandals. He chose to deal with people's life, regional development and living standard of ordinary citizens.

When making the decision to set regional development as his policy he had in mind that the Serbia is a country with the largest regional disparities in Europe.



The average income of the citizens of Belgrade is 19 times greater than income of the citizens of Bor, while people in Novi Sad earn 15 times more than the citizens of Leskovac. The society is divided between Belgrade and the rest of Serbia. Dinkic, though born in Belgrade, took the side of Serbia and first publicly told the truth.

When he chose the policy he started providing resources and state funding for its implementation. First, in the summer of 2009, pressured by Dinkic and his party, the Serbian Parliament adopted the Law on Regional Development. The Law did not immediately bring benefits to underdeveloped areas. However, it created the legal preconditions for decentralization of Serbia. As the budget for 2009 didn't include funds for implementation of decentralization, Dinkic provided the funds in the budget for 2010 and then the Serbian government adopted a program to encourage balanced regional development in 2010 worth 100 million euros. This program Dinkic promoted himself as Minister of Economy and Regional Development. Shortly before, he formed the United Regions of Serbia, a new political coalition, the national backbone of which is G17, but enhanced with local leaders and movements.

By forming of United Regions of Serbia, Dinkic made a unique political organization in Serbia - the only one which addresses the issue of balanced regional development, unlike the other dealing with the EU accession or Kosovo.

Doing all this Dinkic made one mistake that nearly jeopardized his whole project. In the autumn of 2010 he began to insist on the government reshuffle. He reproached the Government in which he was the Vice President for not being efficient enough, for not solving people's problems and sought dismissal of the Prime Minister. The reason for Dinkic's nervousness was unpopularity of the Government whose destiny he did not want to share. The Democratic Party had to do something. Prime Minister Cvetkovic asked the National Assembly to dismiss Dinkic. It seemed that the final showdown between the DS and Dinkic's party started. However, in the last moment a compromise was made by which Dinkic resigned himself, but his ministers remained in the reconstructed Government. It was a kind of semi-solution that never gives good results. Dinkic left the unpopular government, but his ministers remained, which proved to be useful. Today, almost no one in Serbia remembers that Dinkic was Deputy Prime Minister, which means that he is not seen as responsible for what the government did. Dinkic burked the slap he received from the ruling Democratic Party, aware that he can not win the battle with the party that controls the media.

Then he played the choice card. Simply put, the DS did not want early elections because it would mean meeting the opposition demand. That is why the Government removed Dinkic but left his ministers. Dinkic only needed that. He survived the attack, consolidated his position and now it is time to take an action.

With new party Dinkic managed to change the image of both himself and G17 on the political scene, because they were associated to numerous scandals in the privatization and financial sector. Simply, he needed a new story and he found it. Certainly, there are no guarantees regionalization will bring Dinkic back in the parliament in the sixth government since the democratic changes.

However, the fact is that Dinkic managed to become a synonym for regionalization and protector of small municipalities and people from inside Serbia form "evil" central government in which his party participates.

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The public does not any more ask Dinkic questions about the scandals that have burdened his political party. He provided for himself and his party another chance. This is a great base for hard working and diligent politician like him. The next step has already been announced. In late September, less than six months before the date for elections, he will start the campaign exactly at the time of his law coming into force, that is, when municipalities start getting more money.

It is not difficult to imagine how the campaign will look like. Dinkic will be visiting municipalities, telling people how much money is secured and he will present new projects. The citizens will have reason to believe him, because his work stands behind his words.

For all that is not good, Dinkic will blame "central authority" that is equal with the Democratic Party in the eyes of public.

Other parties will have difficulty to respond to this campaign. The ruling Democratic Party will not have much choice. If Dinkic's law is enforced, they will allocate money to municipalities for the campaign of their competition, and probably there will be less money for other budget users. The anger those who will have less money will be directed towards the Democratic Party. If, however, be decided not to implement the law, the DS can expect a harsh attack by Dinkic who will accuse the Democratic Party for not giving the money to municipalities and ordinary people. Such a decision could be the reason for Dinkic to leave the government and get another theme for the campaign. Leaving the government because the central power does not implement the law is an argument that Dinkic's voters will accept. If Dinkic does it in the fall, before the elections Serbia could be lead by a technical government, which means that nobody will be able to object that he jeopardized the process of European integration by toppling the government.

Therefore Mladjan Dinkic is eager for new elections. He's the only one ready for them.

He approaches the elections with a strong initiative, the theme only he has, finance and government support. In addition, his coalition capacity is currently the largest, because after the election he can collaborate with almost everyone - with the ruling Democratic Party and the opposition SNS.



For that reason, no one on the Serbian political scene likes him, but no one can move in any confrontation with him, because perhaps they would need him. Dinkic could not have imagined better situation for himself and his party before the election campaign.