

STATE-MEDIA FINANCIAL RELATIONS IN SERBIA

A TRANSITIONAL YEAR – WHO WILL BENEFIT FROM THE MEDIA REFORMS?

by BOJANA BARLOVAC

INTRODUCTION

'A transitional year' seems to have become a buzzword in the world of Serbian media in 2015. Dramatic changes reshaping media landscape are currently underway. The changes comprise different processes with an ultimate goal to regulate a chaotic media scene and ensure media integrity in a semi-democratic society. On one hand the state is withdrawing from media ownership that should put an end to media financing through budget subsidies, but on the other, it puts all media on the market fighting for advertisers' money on an equal footing. The state is meant to take over the role of the guardian of public interest by co-financing media programmes that promote it. All these changes are not only of a technical nature, but also require a change in the mindset of all stakeholders. The changes have been prompted by a new set of media laws adopted under the auspices of the European Union (EU) on 2 August 2014,¹ but also by the overall corporatisation and poor economic situation in the country that requires fewer players in the media market.

According to the Serbian 2006 Constitution, all types of ownership are equal, and the state would thus be allowed to own a media. However, in the past decades, the media owned by local municipalities, and by the state in general, were widely seen as propaganda machines in the hands of the authorities. Therefore, EU has been pushing for years the idea of the state's withdrawal from media ownership in Serbia in a bid to ensure independent and pluralistic system of information.² Even though the state may look as a loser at first sight, the process seems to go in its favour. Owning a media has become expensive. Why would the state keep the ownership of media when there are more sophisticated forms of exerting influence over media that cost less? Therefore, the

1 On 2 August 2014, the Serbian government adopted a long-awaited set of media laws: Law on Public Information and Media, Law on Electronic Media, and Law on Public Service Broadcasters.

2 Strategy of the Development of the Public Information System in the Republic of Serbia until 2016, September 2011. Available at: http://www.paragraf.rs/propisi/strategija_razvoja_sistema_javnog_informisanja_u_republici_srbiji_do_2016.html. Accessed 30 September 2015.

state has been declaring own withdrawal from media ownership for the second time,³ paving the way for more “innovative” means for political parties to remain the key players in the field.

The privatisation process⁴ includes 72 media, mostly local media with only few influential at a national level: *Tanjug* news agency, *Studio B* TV channel and Novi Sad-based daily *Dnevnik*. A total of 22 media acquired new owners in the first round by 11 September 2015, while 28 of the total went on to the next round. As to the remaining 22 media, their liquidation or capital transfer of employees will be conducted free of charge. Three companies will switch off their signals – *Radio Television Čuprija*, *Radio Leskovac* and *Radio Yugoslavia*. Five opted to transfer capital to employees in the form of free shares, including *Radio Television Vranje*, *Radio Television Bor*, *Radio Television Preševo*, *Tutin* TV and *Smederevo* TV.

The process has so far⁵ been marred by the odd value assessment of certain media, lack of transparency and unlawful changes of some procedures on the way, as well as unclear origin of money on the side of some new media owners.

According to Zoran B. Nikolić, editor-in-chief of the Serbian web site *Cenzolovka* focused on media policy, the first round of privatisation showed that only few media were valued at high sums. “According to some estimates, they [the media on sale] are totally worthless. Most of their revenues used to come from government subsidies, which will no longer be the case, and many have a lot of employees.”⁶

The sale of Belgrade’s iconic *Studio B*, a symbol of media freedom in the era of Slobodan Milošević, has drawn the heaviest attention throughout the process. However, a group of enthusiasts who stand behind the initiative Plan B for Studio B and established a collective initiative with the goal of raising money to buy out the station have stumbled upon several irregularities in the case.⁷ They witnessed a doubling of the *Studio B*’s value in the course of a year.⁸ They also witnessed the bidder who eventually purchased the station be allowed to fulfil

3 First attempt of privatisation in 2007 failed.

4 According to the 2014 Law on Public Information and Media, the remaining state-owned media in Serbia were to be privatised by 1 July 2015. However, as the privatisation deadline approached, the government adopted changes to the law and set 31 October 2015 as new deadline due to the slow and inefficient preparation process for the privatisation.

5 This research has been completed in September 2015.

6 Interview with Zoran B. Nikolić, editor-in-chief, *Cenzolovka* web site, 2 September 2015.

7 See <http://www.planb.org.rs/>. Accessed 30 September 2015.

8 Aleksandar Aćimović from Plan B for Studio B said in the interview for SEE Media Observatory for this report that the value of *Studio B* was estimated at 138,000 euro, ending with fiscal 2013, and then in 2014 it jumped to over 300,000 euro, as if the company performed well (which was not the case), and then reached 500,000 euro.

WHY WOULD THE STATE KEEP THE OWNERSHIP OF MEDIA WHEN THERE ARE MORE SOPHISTICATED FORMS OF EXERTING INFLUENCE OVER MEDIA THAT COST LESS? THEREFORE, THE STATE HAS BEEN DECLARING OWN WITHDRAWAL FROM MEDIA OWNERSHIP FOR THE SECOND TIME, PAVING THE WAY FOR MORE “INNOVATIVE” MEANS FOR POLITICAL PARTIES TO REMAIN THE KEY PLAYERS IN THE FIELD.

its incomplete tender documentation on the spot, contrary to the rules.⁹ “We never found out what document was missing [for the tender to be completed successfully] and how the offer was valid when it needed additional documentation”, says Aleksandar Aćimović of Plan B for Studio B.¹⁰

Radoica Milosavljević, a local businessman from the Serbian town of Kruševac, also attracted heavy attention in the first privatisation round by having put, to date, winning bids for eight media companies (*Radio Television Pančevo*, *Radio Television Kruševac*, *Radio Television Kragujevac*, *Radio Television Caribrod*, *Radio Television Brus*, *Požega TV*, *Pirot TV* and the *Novi Kneževac Information Centre*) at the cost of 281,280 euro.

Such a privatisation process could additionally leave some national minorities without any source of information in their language,¹¹ a right guaranteed in the Serbian 2006 Constitution. The Law on Public Information and Media has not developed a systemic solution to providing professional, good quality and relevant information to citizens of minority ethnic origin. “To-be-privatised minority language media need additional affirmative measures that would secure their survival and protected position in addition to those envisaged by the Law on Public Information and Media.”¹² A report by the SEE Media Observatory says that the country’s media policy “has succumbed to the pressure of the leaders of national minority communities to allow indirect state ownership and direct funding from the budget for part of minority language media controlled by the national minorities’ councils.”¹³

It is expected that the entire privatisation process will lead to the decrease of the number of media. However, too many of them will still remain on a small and impoverished market.¹⁴ This may lead to the shifting to more commercial programmes in order to draw more advertising money, meaning that the public interest is unlikely to remain high on their priority list. This is where the state is due to step in and support media programmes of public interest, instead of supporting media production, as it was the case in the past. Previously, the concept of project co-financing of media programmes was used as direct support to government friendly media producing programme that serves the

9 *Studio B*, a symbol of media freedom in the era of Slobodan Milošević, was sold on 19 August 2015 to the marketing agency Maxim media for 530,000 euro. The agency, which was the only bidder, already owns four radio stations in Serbia: *TDI*, *Karolina*, *Jat* and *Hit Radio*.

10 Interview with Aleksandar Aćimović, founder, Plan B for Studio B, 30 August 2015.

11 According to the latest census conducted in 2011, 13 percent of Serbian citizens (about a million) are members of national minorities.

12 Matic and Nedeljković, *Privatisation of minority language media in Serbia: Liberation or disappearance?*, 2015. Available at: <http://mediaobservatory.net/radar/privatisation-minority-language-media-serbia-liberation-or-disappearance>. Accessed 14 October 2015.

13 Ibid.

14 There are 1,447 media in the media register kept by the Serbian Business Registers Agency (SBRA) at the moment of drafting the report.

authorities instead of citizens.¹⁵ Therefore, for years, this concept was a synonym for social aid in the eyes of Serbian media.

The 2014 Law on Public Information and Media has introduced the concept of project co-financing as the only channel for state to allocate funds to the media. Year 2015 was again a transitional year with both old and new concepts of state financial support to the media colliding. Many problems have emerged here as well, including the issue of defining the public interest, impunity for entities failing to announce a call for proposals for project co-financing, competence of the members of commissions deciding on grants and non-defined mechanisms for evaluation and monitoring of the realised projects.

In addition to this, the state has turned to more subtle forms of keeping the media under its control. The latest report on the media issued by the Anti-Corruption Council (ACC) of the Government of the Republic of Serbia suggests that some media are expected to pay taxes on time, while others are tolerated for their delays.¹⁶

Our report examines three financial mechanisms in Serbia through which the political parties in power may influence the media. We look into challenges for both the state and the media in implementation of these mechanisms. They include: project co-financing of media programmes that serve a public interest; state advertising in the media, and tax relief. All of this apparently leads to the jeopardizing of media freedoms and the undermining of media integrity in the country.

1 PROJECT CO-FINANCING OR STATE AID?

The concept of project co-financing has long been seen as a form of state aid to already impoverished media struggling on the media market.¹⁷ Until 2015, the state was distributing funds to state-owned media or allied private media through project co-financing.¹⁸ The project-based financing “has so far neither increased media pluralism nor visibly improved the quality of media production.”¹⁹

15 BIRN Serbia, *Izveštaj o finansiranju medija iz budžeta lokalnih samouprava 2013*. Available at: <http://birnsrbija.rs/wp-content/uploads/2015/05/BIRN-Izveštaj-o-finansiranju-medija-iz-budžeta-lokalnih-samouprava-smanjn.pdf>. Accessed 30 September 2015.

16 ACC, *Izveštaj o vlasničkoj strukturi i kontroli medija u Srbiji*, 2015. Available at: <http://www.antikorupcija-savet.gov.rs/izvestaji/cid1028-2751/izvestaj-o-vlasnickoj-strukturi-i-kontroli-medija-u-srbiji>. Accessed 14 October 2015.

17 BIRN Serbia, *Konkursno finansiranje medija*, September 2014. Available at: <http://birnsrbija.rs/wp-content/uploads/2015/04/KONKURSNO-FINANSIRANJE-MEDIJA1.pdf>. Accessed 25 September 2015.

18 Ibid.

19 Matic, *Soft Censorship: Strangling Serbia's Media*, 2013, p. 25.

Under the 2014 media legislation, the situation has somewhat changed preventing the state from interfering in the process of project co-financing. The country's journalists' associations are tasked with the monitoring of the process, deploying experts in commissions deciding on the distribution of funds, while heads of municipalities/ministers have no discretion to change their decision, as it was the case before. The Coalition of Media and Journalists Associations has yet to make a corpus of trained and knowledgeable members of these commissions.²⁰ Due to lack of time to prepare, as they claim,²¹ the Coalition was monitoring the process and deploying different experts deemed to be able to complete the task successfully.

1.1

NEW MECHANISM, NEW PROBLEMS

In 2015, a transitional year, calls for project proposals²² have been made for the first time under the new law unravelling a whole new set of problems. The 2014 regulation stipulates that local municipalities are obliged to issue a call for proposals under this grant scheme, but the consequences of a potential circumvention of the law and failure to issue it are not provided. Few municipalities have already used this opportunity and failed to allocate any money for public information in the local community and make a call for proposals.²³

Another problem that emerged on the way is related to the concept of public interest since all the media programmes selected for project co-financing are due to be pursuing public interest. The law has few general paragraphs on the issue, which were taken from the 2011 Media Strategy. The perception of public interest certainly differs from one municipality to another. Taking into consideration local specifics is of utmost importance in this process, given that regional and provincial public service broadcasters and nation-wide press are not able to serve and cover stories of interest to citizens in different parts of the country. The foregoing raises concerns as to how members of the selection commissions for project co-financing will be able to recognise the public interest in local municipalities as they often do not come from these municipalities

20 The coalition comprises Independent Journalists Association of Serbia (NUNS), Journalist Association of Serbia (UNS), Association of the Local Independent Media - Local Press, Association of Independent Electronic Media (ANEM) and Independent Association of Vojvodina Journalists (NDNV).

21 Interview with Vukašin Obradović, president, NUNS, 14 September 2015.

22 According to an UNS statement, total sum allocated from the Vojvodina provincial secretariats and the Ministry of Culture and Information, as well as from the local (municipality) budgets for financing media, amounted to 2.46 billion dinars (about 20.5 million euro) in 2015. See <http://www.uns.org.rs/sr/desk/akcija/29623/drzava-finansira-medije-sa-246-milijarde-dinara.html>. Accessed 14 October 2015.

23 These municipalities are Požega, Tutin, Sjenica, Novi Pazar and Bajina Bašta. See <http://nuns.rs/reforma-javnog-informisanja/projektno-finansiranje-medija.html?position=1>. Accessed 13 October 2015.

THE 2014 REGULATION STIPULATES THAT LOCAL MUNICIPALITIES ARE OBLIGED TO ISSUE A CALL FOR PROPOSALS UNDER THIS GRANT SCHEME, BUT THE CONSEQUENCES OF A POTENTIAL CIRCUMVENTION OF THE LAW AND FAILURE TO ISSUE IT ARE NOT PROVIDED. FEW MUNICIPALITIES HAVE ALREADY USED THIS OPPORTUNITY AND FAILED TO ALLOCATE ANY MONEY FOR PUBLIC INFORMATION IN THE LOCAL COMMUNITY AND MAKE A CALL FOR PROPOSALS.

and do not know what the public interest would be. This consequently raises doubts as to their own judgment on the project(s) to be co-financed by the state. Vukašin Obradović, president of the Independent Journalists Association of Serbia (NUNS), who was also member of one of the commissions, adds that the media themselves neither understand the concept of public interest, judging by the project proposals they submit. “I believe that the media also need some kind of education on project co-financing, namely as to how to determine public interest and how to draft project proposals”, Obradović said.²⁴

The selection commission members have also demonstrated lack of knowledge related to the overall concept of project co-financing. As a result, in a call made by the Ministry of Culture and Information in spring 2015, many media got very small amounts of money, much less than what they had requested. Given the financial difficulties they are facing, the media could not, however, decline even such little sums. Project co-financing does cover up to 80 percent of their projects, and many of them even got less than that.

At the 2015 call for project proposals of the Ministry of Culture and Information (held on 11 May 2015), a total of 161 projects received 121 million dinars (about 1 million euro) for co-funding media programmes under the category of production of electronic and print media. The minimum amount of only 72,000 dinars (about 600 euro) was granted to the web portal *Glas Opova*, while the production group *Mreža* got the biggest amount of co-financing by the Ministry – 4,278,000 dinars (about 35,633 euro).²⁵

Table 1 MEDIA SELECTED FOR PROJECT CO-FINANCING IN 2015

	MEDIA	AMOUNT (EUR)	AMOUNT (RSD)
1	MREŽA	35,650	4,278,000
2	FONDACIJA FOND B92	32,333	3,880,000
3	BRENDON CONSULTANCY AGENCY	22,941	2,753,000
4	BETA NEWS AGENCY	21,150	2,538,000
5	DAN GRAF	20,833	2,500,000
6	MEDIJA CENTAR	20,447	2,453,660
7	ADVANCE MEDIA D.O.O.	18,075	2,169,000
8	FONET NEWS AGENCY	18,041	2,165,000
9	P CHANNEL 2	16,666	2,000,000
10	STUDI MAG	16,666	2,000,000
...			
161	GLAS OPOVA	600	72,000

Source: Ministry of Culture and Information.²⁶

AT THE 2015 CALL FOR PROJECT PROPOSALS OF THE MINISTRY OF CULTURE AND INFORMATION (HELD ON 11 MAY 2015), A TOTAL OF 161 PROJECTS RECEIVED 121 MILLION DINARS (ABOUT 1 MILLION EURO) FOR CO-FUNDING MEDIA PROGRAMMES UNDER THE CATEGORY OF PRODUCTION OF ELECTRONIC AND PRINT MEDIA. THE MINIMUM AMOUNT OF ONLY 72,000 DINARS (ABOUT 600 EURO) WAS GRANTED TO THE WEB PORTAL GLAS OPOVA, WHILE THE PRODUCTION GROUP MREŽA GOT THE BIGGEST AMOUNT OF CO-FINANCING BY THE MINISTRY – 4,278,000 DINARS (ABOUT 35,633 EURO).

24 Interview with Vukašin Obradović, president, NUNS, 14 September 2015.

25 The results are available at <http://www.kultura.gov.rs/lat/konkursi/rezultati--konkurs-a-za-sufinansiranje-projekata-proizvodnje-medijskih-sadrzaja-iz-oblasti-javnog-informisanja-u-2015--godini>. Accessed 14 October 2015.

26 Available at: <http://www.kultura.gov.rs/docs/konkursi/19919583532220160079/RESENJE%20OPSTI%20KONKURS.pdf>. Accessed 20 October 2015.

Such allocation of the Ministry's funds confirms that relics of the past are still alive. Slobodan Georgijev of *Balkan Investigative Reporting Network (BIRN)*, who has been following the project co-financing of media programmes in the past few years, says that the project co-financing has remained a social category since both sides see it as a state aid instead of support to producing programmes pursuing public interest, as stipulated by the law. "Now they do not have any obligation to produce any content", Georgijev added referring to the fact that the selected media are not obliged to produce any programme of public interest since they obtained less money for it from the Ministry than they had requested.²⁷ In September 2015, the Serbian Ministry of Culture and Information tried to resolve the problem by setting a minimum amount (lowest threshold) for project co-financing, thus encouraging local municipalities to do the same.²⁸

Little has been known and made public about the entire process of co-financing media programmes. The Coalition of Media and Journalist Associations was the only body in charge of monitoring the entire process and they managed to miss some calls for proposals in local municipalities due to poor communication between the two entities. Moreover, most of the local municipalities did not post the results of their calls on their web sites.

The monitoring and evaluation issue of the project co-financing of the media remains open, threatening to undermine the entire process. The Ministry itself has not designed a system of evaluation of these projects citing lack of capacities.²⁹ Some media experts insist that the Ministry should find an external organisation/consultancy to do the job. This would require additional money from the state budget but also contribute to greater transparency and better regulation in the field. Those who failed to meet the criteria from the first call for proposals will learn from their mistakes. Obradović from NUNS believes that the evaluation reports should be an integral part of project documentation for the following call. "The selection commissions in the following years will have a much easier job if they have reports from previous years on whether relevant media have produced a project and how, i.e. whether they have met their obligations", Obradović said.³⁰

27 Interview with Slobodan Georgijev, editor, *BIRN*, 27 August 2015.

28 Maximum amount stands at 4,500,000.00 dinars (about 37,500 euro) while lower stands at 450,000 dinars (about 3,750 euro).

29 Only three persons in the Ministry of Culture and Information are tasked with the project co-financing of media programmes.

30 Interview with Vukašin Obradović, president, NUNS, 14 September 2015.

THE MONITORING AND
EVALUATION ISSUE
OF THE PROJECT CO-
FINANCING OF THE
MEDIA REMAINS
OPEN, THREATENING
TO UNDERMINE THE
ENTIRE PROCESS.
THE MINISTRY ITSELF
HAS NOT DESIGNED A
SYSTEM OF EVALUATION
OF THESE PROJECTS
CITING LACK OF
CAPACITIES.

In a country with a poor economy, some 1,447 media have long been highly dependent on advertising income to the point of survival. The media vulnerability is even higher as they do not have “efficient mechanisms to defend their integrity against powerful players in the advertising industry.”³¹

The state institutions and companies have long been one of the biggest advertisers in the Serbian media market. The public enterprises proved to be so powerful that they sometimes even blackmailed the media to change editorial policy menacing to withdraw advertising.³² On the other hand, certain media have a privileged position in the eye of public enterprises when it comes to advertising. One of the latest examples is the case of the state-owned Lottery, which paid the commercial *Pink* TV an advance in 2013 for advertising in 2014, according to their financial report.³³ Despite all this, the Serbian media market remains largely non-transparent in terms of both financial value and media consumption. Rough estimates, based on the research conducted by AGB Nielsen and Ipsos,³⁴ suggest it has varied in the past few years from 120-175 million euro per year.

Most of the money spent on advertising (between two thirds and three quarters) goes through professional media space buying agencies that are closely linked to the ruling political parties. “This link between political and economic interests is an efficient channel for exerting influence on media content.”³⁵ The *BIRN* 2014 research results show that one of the biggest media buying agencies (Right) was established by Goran Veselinović, member of the Central Committee of the Serbian Progressive Party and former employer of Aleksandar Vučić, now Prime Minister of Serbia.³⁶ Slobodan Georgijev of *BIRN* says: “The one who controls the advertising market provides its party with huge

31 Matic and Jovović, *Flash Report 5: Serbia*, 7 October 2014. Available at: <http://mediaobservatory.net/radar/flash-report-5-serbia>. Accessed 24 September 2015.

32 Barlovac, “Medijske reforme na dugom štapu,” *Balkan Insight*, 18 June 2013. Available at: <http://www.balkaninsight.com/en/article/medijske-reforme-na-dugom-štapu>. Accessed 24 September 2015.

33 See regular annual financial report submitted by the Lottery to the Serbian Business Register. Available at: http://fi.apr.gov.rs/prijemfi/cir/Podaci_Komplet_1.asp?strSearch=-17590987&kod=12da8cfo59c549a03f711cf95b112e5096d452do&godina=2013&pk_zag=-608228. Accessed 24 September 2015.

34 Matic and Jovović, *Flash Report 5: Serbia*, 7 October 2014. Available at: <http://mediaobservatory.net/radar/flash-report-5-serbia>. Accessed 24 September 2015.

35 Ibid.

36 Georgijev and Đorđević, “Oglašavanje kao privatni posao vlasti,” *Javno*, 27 March 2014. Available at: <http://www.javno.rs/istrazivanja/oglasavanje-ka0-privatni-posao-vlasti>. Accessed 24 September 2015.

amounts of money. This is possible since they control the media buying agencies and thus control the cash that goes from companies to the media.”³⁷

Media advertising from public funds has been cited as problematic in several reports on media freedom and media integrity in Serbia, including the EU Progress Report published in October 2014. These remarks are in line with the 2011 Media Strategy until 2016, stipulating that all advertising state bodies should distribute their ads (public calls, vacancies, classifieds, etc.) in a public and non-discriminatory manner, in accordance with the public interest. “Advertising of the state or its agencies will be effectively governed by the rules of participation in public tenders, which are to prevent concentration of advertising budgets or their monopolization by certain media or advertising agency, and thus prevent potential state influence on the professional and financial integrity of the media”, the strategy reads, adding that the state should also establish specific incentive measures, such as those relating to the obligation on public authorities to advertise in media within a procedure to buy directly from the public media, without the recourse to intermediaries.³⁸

2.1

WILL SERBIA SEE THE STATE ADVERTISING REGULATED?

There were high hopes that the new Law on Advertising will regulate the field, as it was envisioned in the Media Strategy. However, at the time of writing this report, the draft law was still sitting in a drawer even after a public debate had been held on it in January 2015.³⁹ Moreover, the existing draft law does not resolve the issue of state advertising in the media because the Ministry of Trade, Tourism and Telecommunications in charge of drafting the law decided that the law does not apply to “public information carried out by national authorities or other public authorities, within the carrying out of their official duties (e.g. public calls, information, public awareness campaigns and the like)”, the draft law reads. It also fails to define political advertising as advertising.

If adopted, the draft law would put media reform in jeopardy because local governments will be able to divert funds aimed at financing public interest to TV/radio advertising. Obradović is not optimistic as he does not believe in good faith of the state to just give up the influence it used to enjoy for two decades. “I am also not one of those who think that we have a mature democratic government that has finally realised that the media should be free and made integral part of a democratic process. I would rather say that the state is trying to

37 Interview with Slobodan Georgijev, editor, *BIRN*, 27 August 2015.

38 Strategy of the Development of the Public Information System in the Republic of Serbia until 2016, September 2011. Available at: http://www.paragraf.rs/propisi/strategija_razvoja_sistema_javnog_informisanja_u_republici_srbiji_do_2016.html. Accessed 30 September 2015.

39 After compiling this report, the draft law was approved by the government and submitted to the parliament. It is available at <http://www.parlament.rs>.

THERE WERE HIGH HOPES THAT THE NEW LAW ON ADVERTISING WILL REGULATE THE FIELD, AS IT WAS ENVISIONED IN THE MEDIA STRATEGY. HOWEVER, THE DRAFT LAW DOES NOT RESOLVE THE PROBLEM OF STATE ADVERTISING.

find ways to compensate for the loss incurred by prohibiting the funding from the budget and the state's withdrawal from media ownership", Obradović said.⁴⁰

The lack of transparency of advertising that comes from public funds along with unjustified preferential treatment of the so-called "suitable media" threatens to jeopardise media integrity. However, according to the 2014 Law on Public Information and Media, all media are obliged to be registered in the Media Register run by the country's Business Registers Agency (SBRA). In addition to this, all state bodies, institutions and companies are due to submit reports on public funds that were allocated to media. Although the process was still underway while this report was being compiled, it can be said that it raises hope of introducing more transparency in this grey zone.

Meanwhile, the Anti-Corruption Council is working on a report on state advertising in the media in an attempt to determine the size of this market in the country, which no one else has done before. The report covers a sample of 140 ministries, government agencies, and public enterprises at all levels: local, regional, and national. This also raises hope of shedding some light in this area.

3 INDEBTED PETS OF THE STATE

The latest report on media issued on 20 February 2015 by the Serbian Anti-Corruption Council has shown that the state or political parties' control over media has remained in force through other means.⁴¹ In addition to the state's control of media through ownership structures, advertising and budget subsidies, it has now found more sophisticated forms of influencing media. These include various sorts of allowances, write-offs or special treatment of the media regarding the payment of fees and tax to the state and regulatory bodies, Regulatory Agency for Electronic Communications and Postal Services (RATEL) and Regulatory Authority for Electronic Media (REM). The report consequently comes to a conclusion that all the efforts invested so far to ensure media integrity will unlikely contribute to better media in Serbia.

The Council found the yardstick doesn't equally apply to all taxpayers from the media sector. This means that one tax debtor can have its account blocked for a very small amount, while another owing millions could be tolerated. For example, the weekly paper *Kikindske* had their account blocked in December 2014 due to 'unpaid' income tax that had been mistakenly calculated to over 600,000 dinars (about 5,000 euro). On the other hand, *Pink* TV was untouched albeit owing millions of euro. This raises questions as to who, why and under

40 Interview with Vukašin Obradović, president, NUNS, 14 September 2015.

41 ACC, *Izveštaj o vlasničkoj strukturi i kontroli medija u Srbiji*, 2015. Available at: <http://www.antikorupcija-savet.gov.rs/izvestaji/cid1028-2751/izvestaj-o-vlasnickoj-strukturi-i-kontroli-medija-u-srbiji>. Accessed 14 October 2015.

IN ADDITION TO THE STATE'S CONTROL OF MEDIA THROUGH OWNERSHIP STRUCTURES, ADVERTISING AND BUDGET SUBSIDIES, IT HAS NOW FOUND MORE SOPHISTICATED FORMS OF INFLUENCING MEDIA. THESE INCLUDE VARIOUS SORTS OF ALLOWANCES, WRITE-OFFS OR SPECIAL TREATMENT OF THE MEDIA REGARDING THE PAYMENT OF FEES AND TAX TO THE STATE AND REGULATORY BODIES.

what conditions is allowing such collection and delayed collection of tax revenue. According to the Anti-Corruption Council, “this phenomenon is often interconnected with ownership structure and editorial policy of specific media, and the closer media owners are to politicians, the broader the spectrum of possible benefits is and the more liabilities to the state are being avoided and postponed.”⁴²

Based on the data obtained from the Tax Administration within the Ministry of Finance, the public enterprise “Emisiona tehnika i veze”, REM and RATEL, the Council found that the total debt amounts in approximately 26 million euro.⁴³ *Pink TV*’s debt was the first one analysed by the Council in terms of the amount of its publicly stated debt against its real debt, its debt structure and the way in which the re-programming of the debt was approved. The Council established that the tax debtor *Pink TV* does not respect the signed re-programming schedules; it is late with the payment of the set instalments and interest disbursements, and that the state has tolerated such lack of discipline.⁴⁴ Later on, in February 2015, the Pink International Company issued a media statement informing the public that it had settled its state debt by paying off 500 million dinars (about 4.1 million euro) in taxes. Therefore, it does not come as a surprise that *Pink TV*’s editorial policy is in line with the current ruling elites. One of the examples was seen during the 2014 floods when this private station was the only one to get an exclusive right to have a live broadcast from the flood hit areas.

In addition to Pink, the Council also found that Borba Company, Borba Printing House, RTS and the daily newspaper *Večernje novosti* enjoyed similar privileged treatment. According to the Anti-Corruption Agency, the letter sent by the director and editor of *Večernje novosti* to the Tax Administration within the Ministry of Finance probably sums up this phenomenon best. The letter stated that *Večernje novosti* is not paying out the instalments determined within the reprogramming scheme because such was the instruction received from the Serbian Prime Minister. Interestingly enough, in June 2015, the Tax Administration issued a report on the largest debtors and a few media were listed: *Borba* (1,857,196,687 dinars – 15.4 million euro), *Večernje novosti* (313,165,897 dinars – 2.6 million euro), RTS public service broadcaster (231,442,687 dinars – 1.9 million euro), *Pink* (80,173,012 dinars – 668,246 euro).⁴⁵

42 Ibid, p. 56.

43 Ibid, p. 195.

44 Ibid, p. 150.

45 See Tax Administration Office, Lists of largest debtors dated 31 March 2015. Available at: <http://www.poreskauprava.gov.rs/biro-za-informisanje/novosti/2472/spiskovi-najvecih-duznika-na-dan-31032015-godine.html>. Accessed 23 September 2015.

Table 2 THE LARGEST TAX DEBTORS AMONG THE MEDIA (ON 31 MARCH 2015)

	MEDIA	AMOUNT (EUR)	AMOUNT (RSD)
1	BORBA	15,400,000	1,857,196,687
2	VEČERNJE NOVOSTI	2,600,000	313,165,897
3	RTS (PUBLIC SERVICE BROADCASTER)	1,900,000	231,442,687
4	PINK	668,246	80,173,012

Source: Tax Administration Office, Lists of largest debtors dated 31 March 2015.⁴⁶

When it comes to regulatory bodies, RATEL and REM, some media are allowed to be late paying fees to them, while others can be easily blocked and shut down, as it was the case with *Avala* TV in 2012. Transparency Serbia was trying to answer the question on whether the money the regulatory bodies are getting from the media for licences goes back to the media through tenders to finance non-commercial activities pursuing public interest. The 2015 Transparency Serbia report found that there was no correlation between the two. In addition to this, it found that “supervising the work of the regulator is not efficient enough to guarantee that funds will be used in the best possible way; imprecisely defined purpose of financing media programmes from the budget results in a lack of guarantees that sufficient resources will be allocated to fulfil the purpose, thus creating dissatisfaction amongst the media and the public.”⁴⁷

4 CONCLUSIONS

The outflow of money from state/public funds to the media has for years been unreasonable and non-transparent. Therefore, the ultimate goal of the ongoing media reforms is to introduce certain control and transparency through privatisation of state-owned media and introduce co-financing of media projects pursuing public interest.

The mere fact that the majority of stakeholders are talking about project co-financing of “media” instead of “media programmes” shows that it would take some time for them to change their mindset regarding this concept of funding content pursuing the public interest.

The state has had plenty of time to revise its policy measures and predict many of the problems having emerged on the way, but it failed to do so. This raises questions as to whether the entire media reform is conducted only for

46 Available at: <http://www.poreskauprava.gov.rs/biro-za-informisanje/novosti/2472/spisko-vi-najvecih-duznika-na-dan-31032015-godine.html>. Accessed 20 October 2015.

47 Transparency Serbia, *Tok medijskog novca preko budžeta i položaj Regulatora elektronskih medija*, July 2015. Available at: <http://www.transparentnost.org.rs/images/stories/inicijative/analize/Tok%20medijskog%20novca%20i%20polozaj%20Regulatora%20elektronskih%20medija,%20jul%202015.pdf>. Accessed 25 September 2015.

THE MERE FACT THAT THE MAJORITY OF STAKEHOLDERS ARE TALKING ABOUT PROJECT CO-FINANCING OF “MEDIA” INSTEAD OF “MEDIA PROGRAMMES” SHOWS THAT IT WOULD TAKE SOME TIME FOR THEM TO CHANGE THEIR MINDSET REGARDING THIS CONCEPT OF FUNDING CONTENT PURSUING THE PUBLIC INTEREST.

the sake of ticking certain boxes imposed by Brussels on Serbia's EU path. It also raises the question of who the victim of this process is. Media integrity seems to be the No. 1 candidate. Even after the second round of media privatisation, Serbia will have too many media which will be forced to fight for limited advertising money leaving the public interest behind. Poorly done so far, with no proper checks of new media owners and designed mechanisms for overseeing their future activities, the media privatisation has also put media integrity in danger. Furthermore, the public interest is also at stake. Instead of having it secured and guaranteed through the co-financing of media programmes in public interest, the general public turned out to be the final victim. People living in smaller towns outside the Belgrade area are irreversibly harmed by this because information about local problems has been fading away. Minority communities are also facing deprivation of their rights enshrined in the Constitution.

The shocking revelation of the Anti-Corruption Council's report from February 2015 that nothing has changed since their 2011 report and that the state has only shifted to more sophisticated forms of influencing the media, is not encouraging. The new draft Law on Advertising is only contributing to this. So, who could be the winner? Maybe only big private media with good political ties will take advantage of the fewer players on the media market.

All of this raises fear that these problems are not only due to the so-called transitional year, but also lack willingness on the part of the state to carry out media reforms thoroughly.

5 RECOMMENDATIONS

1. The Ministry of Culture and Information should assess the situation on the media market, the citizens' needs and what kind of media programming (content) is missing. Based on that, it should conduct an analysis of the effects of the project co-financing every year and then establish the criteria for a new call.
2. Journalists' associations should compile a list of knowledgeable experts and train them to be members of the commissions tasked with deciding on the distribution of public funds for project co-financing of media programmes of public interest.
3. Local self-governments should make the process of co-financing transparent by publishing all information related to the call for proposals and its results on their web site, and introducing lower thresholds to prevent the practice of granting too little funds to too many projects.
4. All media should make public the information about all public funding they receive. Equally, all state institutions and public companies should make public the information about each and all funding allocated to the media.

THE SHOCKING
REVELATION OF THE
ANTI-CORRUPTION
COUNCIL'S REPORT
FROM FEBRUARY 2015
THAT NOTHING HAS
CHANGED SINCE THEIR
2011 REPORT AND THAT
THE STATE HAS ONLY
SHIFTED TO MORE
SOPHISTICATED FORMS
OF INFLUENCING
THE MEDIA, IS NOT
ENCOURAGING.

5. Media-tax debtors and those not paying fees to regulatory bodies should not be allowed to apply for project co-financing from the state budget or gain advertising from the state/public bodies and companies.

BIBLIOGRAPHY

- Anti-Corruption Council of the Government of the Republic of Serbia (ACC), *Izveštaj o vlasničkoj strukturi i kontroli medija u Srbiji*, Belgrade, 2015. Available at: <http://www.antikorupcija-savet.gov.rs/izvestaji/cid1028-2751/izvestaj-o-vlasnickoj-strukturi-i-kontroli-medija-u-srbiji>. Accessed 14 October 2015.
- Anti-Corruption Council of the Government of the Republic of Serbia (ACC), *Izveštaj o pritiscima i kontroli medija u Srbiji*, Belgrade, 2011. Available at: <http://www.antikorupcija-savet.gov.rs/Storage/Global/Documents/mediji/IZVESTAJ%20O%20MEDIJIMA,%20PRECISCENA%20VERZIJA.pdf>. Accessed 14 October 2015.
- Association of Independent Electronic Media (ANEM), *Prilog ANEM-a za javnu raspravu o nacrtu Zakona o oglašavanju*, February 2015. Available at: <http://anem.rs/sr/aktivnostiAnema/AktivnostiAnema/story/17164/PRILOG+ANEMA+ZA+JAVNU+RASPRAVU+O+NACRTU+ZAKONA+O+OGLAŠAVANJU+.html>. Accessed 14 October 2015.
- Barlovac, B., "Medijske reforme na dugom štapu," *Balkan Insight*, 18 June 2013. Available at: <http://www.balkaninsight.com/en/article/medijske-reforme-na-dugom-stapu>. Accessed 24 September 2015.
- BIRN Serbia, *Konkursno finansiranje medija*, September 2014. Available at: <http://birnsrbija.rs/wp-content/uploads/2015/04/KONKURSNO-FINANSIRANJE-MEDIJA1.pdf>. Accessed 25 September 2015.
- BIRN Serbia, *Izveštaj o finansiranju medija iz budžeta lokalnih samouprava 2013*. Available at: <http://birnsrbija.rs/wp-content/uploads/2015/05/BIRN-Izveštaj-o-finansiranju-medija-iz-budžeta-lokalnih-samouprava-smanjen.pdf>. Accessed 30 September 2015.
- Georgijev, S. and Đorđević, A., "Oglašavanje kao privatni posao vlasti," *Javno*, 27 March 2014. Available at: <http://www.javno.rs/istrazivanja/oglasavanje-kao-privatni-posao-vlasti>. Accessed 24 September 2015.
- Government of the Republic of Serbia, *Strategija razvoja sistema javnog informisanja u Republici Srbiji do 2016. godine*, *Službeni glasnik RS*, No. 75/2011, Belgrade, 2011.
- Matić, J., *Soft Censorship: Strangling Serbia's Media*, WAN-IFRA, Paris, 2013, p. 25. Available at: https://www.google.rs/search?client=safari&rls=en&q=Soft+Censorship:+Strangling+Serbia's+Media&ie=UTF-8&oe=UTF-8&gws_rd=cr&ei=wtoevritLowvua6eu4AC. Accessed 14 October 2015.
- Matić, J. and Jovović J., *Flash Report 5: Serbia*, 7 October 2014. Available at: <http://mediaobservatory.net/radar/flash-report-5-serbia>. Accessed 14 October 2015.
- Matić, J. and Valić Nedeljković, D., *Privatisation of minority language media in Serbia: Liberation or disappearance?*, Ljubljana, Peace Institute, 2015. Available at: <http://mediaobservatory.net/radar/privatisation-minority-language-media-serbia-liberation-or-disappearance>. Accessed 14 October 2015.
- Transparency Serbia, *Tok medijskog novca preko budžeta i položaj Regulatora elektronskih medija*, Belgrade, July 2015. Available at: <http://www.transparentnost.org.rs/images/stories/>

inicijativeianalize/Tok%20medijskog%20
novca%20i%20polozaj%20Regulatora%20

elektronskih%20medija,%20jul%202015.
pdf. Accessed 25 September 2015.

LIST OF INTERVIEWS

Aleksandar Aćimović, founder, Plan B for
Studio B, 30 August 2015.

Slobodan Georgijev, editor, *BIRN*,
27 August 2015.

Vladan Joksimović, deputy head, Anti-
corruption Agency, 17 September 2015.

Dragan Kremer, program coordinator, Open
Society Foundation Serbia,
16 September 2015.

Zoran B. Nikolić, editor-in-chief, *Cenzolovka*
web site, 2 September 2015.

Vukašin Obradović, president, Independent
Journalists' Association of Serbia
(NUNS), 14 September 2015.

Two anonymous experts, 8 and 10
September 2015.

Anonymous member of the working
group tasked with drafting the Law on
Advertising, 11 September 2015.

AUTHOR

BOJANA BARLOVAC is a PhD candidate at the Belgrade University's Faculty of Political Science (Culture and Media Department). She is involved in a few media projects as a researcher, investigative journalist or consultant. She has been working as associate editor for BIRN's flagship website Balkan Insight since 2009 and previously for FOX TV and B92 TV. Barlovac contributed this report as a researcher engaged by the Novi Sad School of Journalism, a partner organisation in the SEE Media Observatory.



This report has been produced with the financial assistance of the European Union. The contents of the report are the sole responsibility of the Peace Institute and the author, and can under no circumstances be regarded as reflecting the position of the European Union.

The report has been produced within the project South East European Media Observatory, <http://www.mediaobservatory.net>.

STATE-MEDIA FINANCIAL RELATIONS
IN SERBIA

A TRANSITIONAL YEAR -
WHO WILL BENEFIT
FROM THE MEDIA REFORMS?

AUTHOR Bojana Barlovac EDITOR Brankica Petković
ASSISTANT EDITOR Saša Panić REVIEWER Sandra
B. Hrvatin PUBLISHER Peace Institute, Institute for
Contemporary Social and Political Studies, Metelkova 6,
SI-1000 Ljubljana, Slovenia, <<http://www.mirovni-institut.si>>. DESIGN DAK, Ljubljana, November 2015