World Association of Newspapers and News Publishers

Center for International Media Assistance

Soft Censorship: Strangling Serbia's Media

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Decade-long efforts to promote media reforms in Serbia have foundered. This report describes the mechanisms of a growing "soft censorship" that denies Serbia's citizens their right to a free and independent media and offers recommendations that can help dismantle these insidious practices.

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Note on Report Research and Methodology

"Soft censorship" is a term that covers a variety of actions intended to influence media output, short of legal or extra-legal bans, direct censorship of specific content, or physical attacks on media outlets or media practitioners. The concept of soft censorship as indirect government censorship was elaborated in a 2005 paper by the Open Society Justice Initiative, which described three main forms: abuse of public funds and monopolies; abuse of regulatory and inspection powers, and; extra-legal pressures.[1] A 2009 report by the Center for International Media Assistance detailed soft censorship in several countries. [2]

This report focuses primarily on financial aspects of official soft censorship: pressures to influence news coverage and shape the broad media landscape or the output of specific media outlets or individual journalists through biased, and/or nontransparent allocation or withholding of state/government media subsidies, advertising, and similar financial instruments.

Soft censorship can cause pervasive self-censorship that restricts reporting while maintaining the appearance of media freedom. Beyond the scope of this report are myriad forms of unofficial indirect censorship that can also be posited, including those rising from cultural, religious or other social norms and traditions, or simple adherence to the societal narratives that influence institutional and individual reporting, and which might be promoted or imposed by a variety of non-state actors.

Jovanka Matic prepared this report, and Thomas R. Lansner edited it. It draws on a combination of empirical evidence and anecdotal information gathered through extensive desk research and individual interviews. Documentary research included the study of government documents; data from media registers and business registers; reports of the state budget auditing institution; regulatory bodies; marketing agencies; NGOs and international organizations; media news reports; and research studies by institutes, universities, media experts, and journalists' associations. Semistructured interviews were conducted with 15 representatives of media outlets, journalists' and media organizations, and marketing agencies.

The research refers to government/state entities that include (a) all public authorities (legislative, judicial, and executive or statutory agencies and bodies) and (b) companies owned or controlled by the state ("public companies"). Publicly available data regarding state funding to media and state advertising budgets are regrettably often sparse and incomplete. The lack of transparency and of record keeping remains a severe challenge to any attempt to assess the full extent and impact of soft censorship in Serbia.

1 The Growing Threat of Soft Censorship Worldwide. Open Society Justice Initiative, December 2005. http://www.opensocietyfoundations.org/reports/growing-threat-soft-censorship

2 A 2009 report by the Center for International Media Assistance, on which this report builds, defined soft censorship very similarly: "Soft, or indirect, censorship can be defined as the practice of influencing news coverage by applying financial pressure on media companies that are deemed critical of a government or its policies and rewarding media outlets and individual journalists who are seen as friendly to the government." Soft Censorship: How Governments Around the Globe Use Money to Manipulate the Media. Center for International Media Assistance, January 2009.

Eroding Media Freedom Softly but Surely

Serbia's media system has not significantly improved in the past 13 years since the country's democratic transition due to entrenched commercial interests in a symbiotic embrace with political elites of all major parties. The most recent delay in media reforms demonstrates the government's profound reluctance to implement substantial changes to the media system. Failure to implement reforms outlined in the Media Strategy threatens further erosion of the independence and corrosion of the capacities of Serbian media.

Soft censorship—facilitated by political and partisan allocation of ill-regulated and nontransparent state media assistance and state advertising documented in this paper—is having profoundly insidious effects on media freedom and on the development of sustainable media markets in Serbia. The state's influence is increasingly enforced by financial incentives to media outlets that are seeking greater profits or simply struggling to survive.

This report's key findings summarize this challenge, and its recommendations, centered on implementation of the 2011 Media Strategy, offer a way forward that will help ensure that a free, independent, and pluralistic media can play its proper role and contribute to consolidating Serbia's still young democracy.

Country profile

Serbia Country Data	2012
Population	7.24 million
Adult literacy rate	98%
Gross national income (GNI) per capita	US$ 5280
Urban/rural population	56 / 44%
Mobile phone penetration (SIM cards)	128%
Internet access (households)	47.5%
Corruption perceptions score	39/100

Source: UN, World Bank, Transparency International, Statistical Office of Serbia

Key Findings

- The mechanisms of state media funding in Serbia are used as indirect, and usually not easily visible, "soft censorship." Soft censorship is used to promote positive coverage of - and to punish media outlets that criticize - officials or their actions.

- State funding of media is unregulated, unmonitored, and not transparent. State funding is estimated to comprise 23 to 40 percent of the real value of Serbia's overall advertising market.

- Direct state subsidies made to state-owned media that receive great amounts of state media assistance are drastically undermining free competition in Serbia's media industry and hindering development of a free, independent, and pluralistic media.

- State advertising placements are made on nontransparent and arbitrary bases that are easily abused to exert political pressure on media outlets to publish and broadcast only positive perspectives on state bodies and officials.

- Funding of reporting by local governments on their own activities as provided by the Local Self-Government Act effectively stifles credible and critical reporting and investigative journalism. Journalists working under financial contracts with local governments risk becoming propagandists for the powerful.

- The Government of Serbia is delaying and apparently obstructing essential media reforms outlined in the 2011 Public Information System Development Strategy that would change the models of state funding of media outlets.

Key Recommendations

- All state funding for media development and support should be paid into a common media assistance fund supervised by an independent and nonpartisan commission.

- All state funding for media development and support should be allocated in public competitions on principles of transparent and nondiscriminatory state aid under equal conditions for all media.

- State assistance to media outlets should focus on project finance and particularly on cofinancing news programs. Crucially, all contracts signed with media outlets should include provisions explicitly barring authorities from interfering with editorial content.

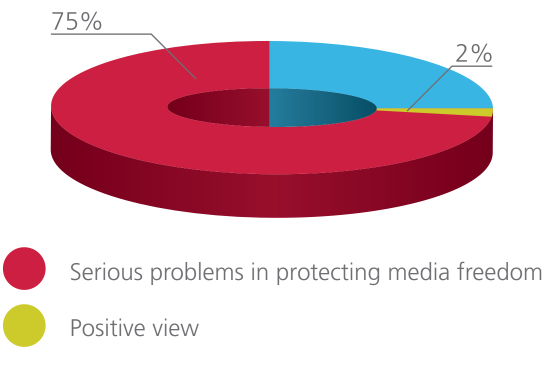
- Revision of the Advertising Act should provide significant penalties for state bodies and officials who violate prohibitions on using public funds to promote individual or partisan political interests.

- The 2011 Public Information System Development Strategy (the "Media Strategy") recommendations, including creation of "nondiscriminatory conditions for healthy competition in the media industry," should be enacted as very soon as feasible.

Introduction: Media Freedom & Soft Censorship

Decade-long efforts to promote media reforms in Serbia have foundered. This report describes the mechanisms of "soft censorship" that has taken root in the country and offers recommendations that will help end this insidious system—one that denies Serbia's citizens their right to a free and independent media that can report fairly and accurately on the activities of government, political parties, other institutions, and on other civic matters.

Today, an impressive panoply of legal and institutional guarantees for freedom of expression and media rights exists in Serbia. Despite these formal safeguards, however, Serbia's media and individual journalists are subject in their everyday work to serious restrictions of freedoms and rights. Several surveys show that the state of media freedom has been deteriorating steadily in recent years. Most Serbian journalists rate the status of media freedom in their country negatively.



A survey of 240 news media editors in late 2011 (Matic, 2012a, 14)

Intimidation of journalists in Serbia, including physical assaults, threats of abuse, and targeted dismissals of media workers, is carefully monitored by several domestic and international organizations.

For over a decade, the country's media system has been undergoing legal and economic restructuring. However, inconsistent implementation of reforms has exacerbated the crisis in the entire media sector. In 2011, a wave of potentially invaluable changes was initiated. The reforms' initiators highlighted the economic relationship between the state and media as a key problem; those reformers suggested laws that would introduce fairness and transparency in any public funding for media outlets, ranging from subsidies and service contracts to advertising. These were expected to be in place by 2015, but, as discussed below, they have now been delayed and may be diluted or discarded.

An analysis of the current impact of soft censorship on media freedom through targeted and partisan use of state funds comprises the largest part of this report. Also reviewed is the legal regulation of state aid to media industry, which Serbia, as a candidate for European Union membership, must revise to conform to EU acquis communautaire (the overall body of EU laws, regulations, and court findings).

All the publicly known mechanisms to allocate public money to media are described in the text. An analysis of decision-making procedures pertaining to the distribution of public funds to media is presented. Also discussed is how state financiers can influence media outlets' editorial policies, highlighting particular examples of abuse of state funds to shape media reporting for political and partisan purposes. The report begins with an overview of Serbia's media environment.

Serbia's Media Environment: Financial Pitfalls, Political Peril

Conditions for media freedom in Serbia are today increasingly unfavorable. Both the general political and social context and the business environment for media operations limit media freedoms and journalists' rights. The country is still undergoing a post-Communist /post-authoritarian transition that began following the overthrow of the Slobodan Miloševic's regime in 2000, a decade later than in nearly all other Central and Eastern European countries. Democratization of the media system, similar to experiences in other emerging democracies, was more a function of the new elites' political will than an intrinsic evolution as part of overall democratization.

Structural and financial crises have affected Serbia's underdeveloped economy for several years. Free-market competition is absent in many economic sectors due to the state's interference and systemic corruption. Most Serbian political scientists assess the Serbian political system as more than an electoral democracy but less than a consolidated democracy (Matic 2012b). Its main shortcomings are the lack of the rule of law, a politicized judiciary and public administration, and the supremacy of politics over rational economic planning. Political connections are a key factor for business success, and the economic elite is deeply involved in party politics.

A 2011 study of the Serbia's media landscape shows that the media market is very poorly regulated and that the structure of the media system is not conducive to realizing the roles an active open media should serve in a democratic society (Matic 2012a). Current media legislation is incomplete, often contradictory, and outdated. Safeguards against monopolies and a framework for free competition are very weak. Media ownership is not transparent. The true owners of numerous media outlets, including some with national coverage and significant influence on public opinion, are not known.

Regulatory bodies are weak. Members are often appointed through political deals and bargaining. Serbia's media is today pluralistic, given the sheer number and nature of media outlets, but many have neither economic nor political independence from the state. Using state funds, parties in power seek to advance their partisan interests through a wide range of media outlets. Political diversity in Serbian media is limited mostly to support for or opposition to a few main parties, and few media outlets or activities aim to serve the public interest in a nonpartisan manner.

The business environment for media is also unfavorable. Poor economic growth contributes to a chronic lack of capital. For print media outlets in particular, small media audiences of low purchasing power translate to limited advertising revenues. Lately, Serbia has become the European leader in hours spent watching television per capita and is last among European countries in newspaper readership. According to research by the Association of Journalists in Serbia (UNS), newspapers prices in Serbia have been the lowest in the region for many years, and publishers dare not raise them for fear of losing even more readers.

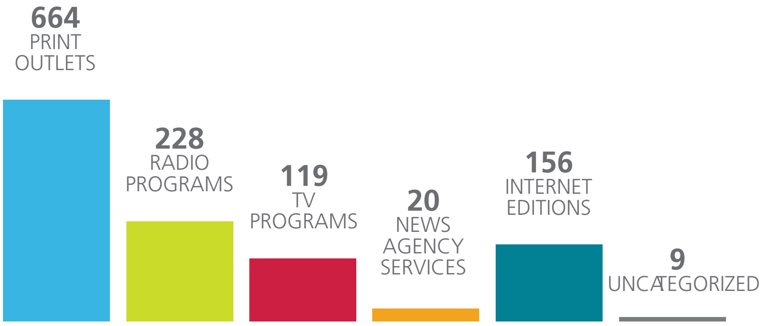
Serbia has over 1,000 media outlets serving its population of roughly 7 million. The media market is small, absent much purchasing power, and thoroughly oversaturated—there are about 350 radio and TV broadcasters as well as almost 700 print publications. The average annual advertising market value in the past three years has been around €170 million (RSD [Serbian dinars] 19 billion), which cannot sustain the economic survival of all currently active media outlets.

The advertising market is limited, static, and concentrated. About a dozen companies from industry sectors such as cosmetics and cleaning products, telecommunications, beverages, commercial banks, retail chains, and car dealerships have recently dominated the market. Media outlets depend largely on the advertising budgets of a few big companies as well as advertising agencies that charge hefty commissions. This compels media outlets to search for other revenue sources. Most commercial advertising is placed with national media outlets. Outside the main cities, local economies are underdeveloped, and advertising markets are very poor or nearly nonexistent. It is estimated that advertising revenues have never constituted more than about 30 percent of total local media revenues. In 2012, this share dropped further to 25 percent, and in 2013, it will likely contribute less than 20 percent.

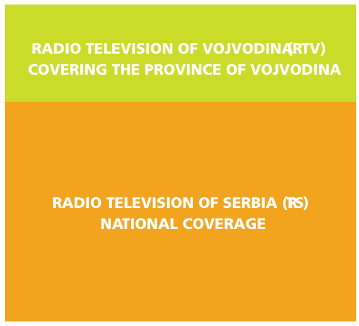
Among national broadcasters, there are no success stories. In 2012, TV Avala was shut down due to excessive debt; national public service broadcaster Radio Television Serbia (RTS) owed €3.9 million (RSD 441 million) in taxes; and the company running the most commercial television broadcaster, TV Pink, was the top debtor among active private companies, owing about €6.5 million (RSD 733 million).

The global economic crisis has further aggravated most Serbian media outlets' already difficult finances. Media outlets compete fiercely for all types of revenue since most are fighting tooth and nail for mere survival. Individual journalists are also seriously affected. A journalist's average salary of about €300 (RSD 34,000) is below the monthly national average wage (Matic 2012a, 36) and is only half the monthly cost of an average consumer basket.

Despite unfavorable conditions for economic viability, many media outlets that have been in the red for years continue to operate. Analysts explain that most media outlets survive due to inexpensive (and often poor quality) in-house production, low employee salaries, state or private financial support, and an absence of penalties when media outlets fail to meet financial and tax-related obligations or professional and ethical norms. As will be discussed below, this strongly indicates that market forces are not the key factor determining the fate of Serbian media outlets and that profit is often not the principal benefit expected by some media owners and financiers.



AS OF APRIL 2013 THERE ARE 1196 MEDIA OUTLETS
REGISTERED IN SERBIAN BUSINESS REGISTRY AGENCY

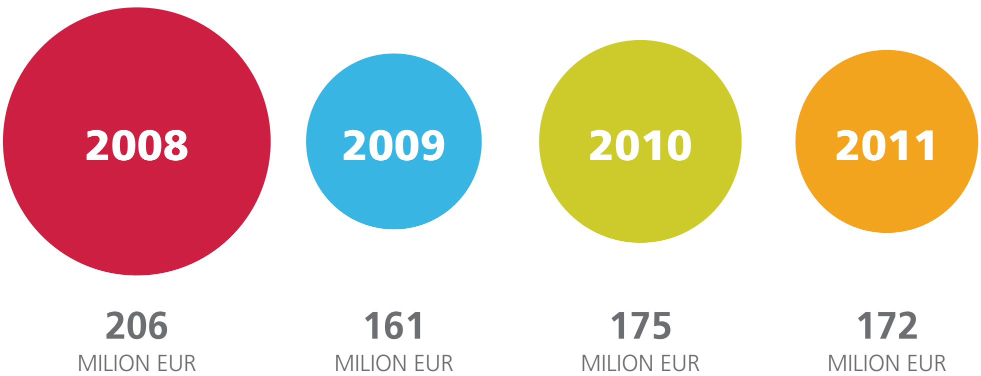


SERBIA HAS TWO
PUBLIC BROADCASTERS

PRIVATISATION OF LOCAL MEDIA OUTLETS WAS STOPPED
ACCORDING TO THE DATA PROVIDED BY PRIVATISATION AGENCY OUT OF 109 OUTLETS

THERE ARE NO CONSOLIDATED DATA ABOUT STATE FUNDS PARTICIPATING IN THE MEDIA MARKET
UNOFFICIAL ESTIMATIONS OF MEDIA ORGANIZATIONS VARY FROM **15%** TO EVEN **40%**

SINCE 2008 ADVERTISING MARKET IN SERBIA IS SHRINKING



ACCORDING TO THE DATA PROVIDED BY THE AGB NIELSEN AGENCY

Public Spending in the Media Sector: Unregulated, Uncontrolled, and Nontransparent

Most public funds that reach Serbia's media are distributed arbitrarily and in a nontransparent manner, without clear and measurable criteria, public procedures, or controls. These funding methods are drastically undermining free competition in the media industry. The most prominent forms of state intervention in the media sector are instrumental in translating financial power of state bodies and organizations into political influence on media content. They effectively function as indirect, soft censorship.

Due to a poorly regulated media system, full knowledge of the manner and extent of state funding to various media outlets is unknown to the public. No institution compiles comprehensive records of funds allocated to the media by the state directly or through state-owned companies at national, provincial, and local levels. There are no reliable data on either the total amount of public money spent in the media industry, the sources and forms of funding, the purpose of such public spending, or its impact.

Despite this opacity, four principal forms of state financial intervention in the media sector public can be identified:

- subsidies;
- advertising by state institutions, public enterprises, and other state-owned companies;
- financing of media services; and
- financing of media projects.

None of the state financial support to media listed above is clearly regulated because no media law deals with the state funding of media. The sole applicable regulation in this area appears to be the State Aid Control Act, introduced in 2010 pursuant to the Interim Trade Agreement with the EU, whereby Serbia assumed an obligation to regulate state interventions in the market to meet European competition standards. European law requires that all state financial support to business entities must be treated as state aid. This is permitted only under certain conditions that include clearly defined criteria, equality of all applicants, and effective independent control.

The State Aid Control Act, however, has failed to produce significant change to Serbia's decades-long model of the state funding of media. In 2011, the government issued a special decree that stipulates that there should be no subsidies to public enterprises with annual turnovers exceeding €100 million (RSD 10.2 billion). No Serbian media outlet has such a large turnover. Additionally, the decree exempts from control all subventions up to €30 million (RSD 3.1 billion). According to professional associations, these high thresholds effectively thwart implementation of the State Aid Control Act in the media sector. The act is currently applied only to state funding of media projects, which is minimal in terms of overall state aid to media. In 2012, a total of €660,000 (RSD 75 million) was spent on media project funding from the national budget, only about 20 percent of the amount of subsidies (€3.2 million, RSD 368 million) earmarked for four state media companies alone.

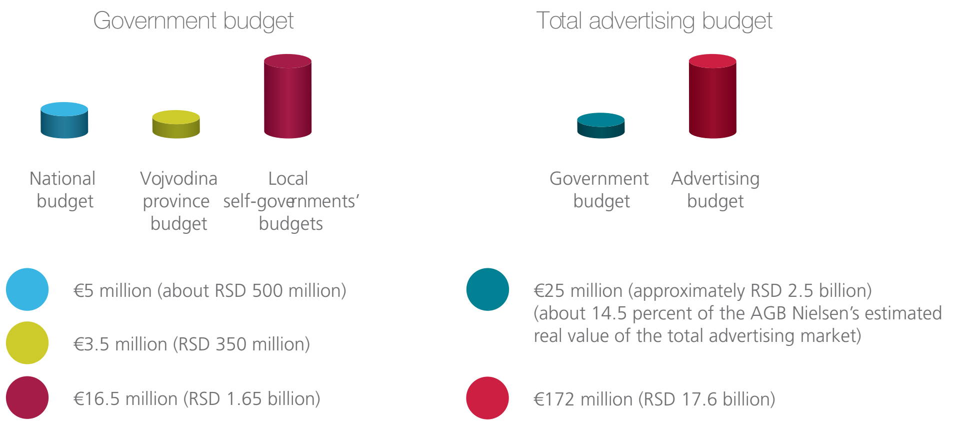
In addition to direct subsidies, two other important types of state support that are not officially reported as forms of state aid to media must be considered: state advertising, and funds that state institutions pay to media outlets for "specialized services."

Government data on public spending in the media sector thus underplay its scope and importance. Some relevant official data were first released in 2011.

Sizeable sources of state support to media are absent from the state calculation, including advertising by state bodies and public enterprises and state-sponsored "contracted services" and "specialized services." Media associations reckon this spending to be at least an additional €20 million, raising the share of public money in the media market considerably. Estimates of state spending as a share of the overall media advertising market range from between 23 percent and 40 percent or even higher, if revenues from radio and TV subscription fees and other types of state funding are included.

No specific rules control distribution of budget funds to media. In Serbia, budget spending is traditionally opaque; systemic controls are absent, and no official analysis of the impact of budgetary policies and spending is reported. Only statistical records of revenues and expenditure are made public. According to the 2012 report of the International Budget Partnership, Serbia ranked 60th among 100 countries by the Open Budget Index (which measures budget transparency and public accountability in budget-related processes) and fell into the group of countries that offered their citizens only "a minimum of information required for understanding and analyzing the budget."

State funding to media outlets is nominally intended to improve public information provided to the citizens. In democratic countries, the state should—and by EU practice, must—treat media in a fair and politically neutral fashion when distributing direct or indirect financial support to achieve this goal. This standard, however, is not being applied in Serbia. According to Serbian media organizations' estimates, in 2011, equal conditions for all media outlets applied to only 15 to 20 percent of state funds earmarked for the media sector. A lion's share of the budget designated for information-related activities (80–85 percent) is allocated to state-owned media enterprises that make up just 10 percent of all media outlets.



Government data on public spending in the media sector
(released in 2011)

State Subsidies: Fortunes to the Favored

The most visible form of state funding of media comes in the form of direct subsidies provided to public media enterprises and institutions as money transfers from the state budget. The founders of public enterprises are public authorities at the national or local level that exercise ownership and management rights. They are also obliged to finance them and to allocate public budget funds to do so.

The legal standing of state media ownership is today ambiguous. State ownership is a remnant of the previous media system and an anomaly of the present one. New media laws in 2002 (for broadcasters) and 2003 (for print media) made privatization mandatory by late 2007. The only media outlet then exempted from privatization was the national news agency Tanjug. Just prior to the deadline, however, laws on local self-governments and the capital city were enacted that allowed continued state ownership in local and Belgrade media. Privatization of local media was thus legally frozen, but it was also never completed in national print media, where the state retains ownership stakes despite this now being unlawful.

State media persists in a legal limbo, and the exact number of state-owned media outlets is unclear; counting those fully owned and partially owned by the state, there are about 100. This is only about one-tenth of the approximately 1,000 media outlets in existence, but state-owned media remain especially important in national newspapers, radio and TV broadcasting.

While the total amount of subsidies received by public media enterprises is unknown, available data show that subsidies constitute the most important part of state aid to media outlets. Of the three principal sources of subsidies—the national budget, the Vojvodina Province budget, and local self-governments' budgets—data are available for the first only. The Republic of Serbia paid €3.2 million (RSD 368 million) in subsidies in 2012 and €3.7 million (RSD 382 million) in 2011 to four identified public media enterprises and institutions. These are the news agency Tanjug; International Radio Serbia, which broadcasts to foreign audiences; the publishing house Panorama, which disseminates information to Serbs in Kosovo; and Jugoslovenski pregled (Yugoslav Review), which undertakes publishing activities for state bodies and organizations. The Province of Vojvodina paid subsidies to media publishing in 11 national minority languages and provided financial assistance to the partially state-owned daily newspaper Dnevnik. There are no accurate data for 2012, except that about €2.6 million (RSD 300 million) was spent on minority-languages media. In the 2011 budget, €3 million (RSD 316 million) in subsidies to public media enterprises was earmarked, along with additional €588,000 (RSD 60 million) of "financial assistance" to the newspaper Dnevnik.

Local self-governments also subsidize regional and local public media. Under the

Law on Local Self-Government, they are required to fund efforts to better inform citizens in local communities. The amount of local self-governments' budgets for media is unknown, and how large a role subsidies play is unclear. Official sources report the value of the budget for provision of public information to citizens in "approximately 90 percent of local self-governments" in 2011 totaled about €16.5 million (RSD 1.65 billion) (Media Strategy, 2011, 6).

According to the 2011 Balkan Investigative Reporting Network (BIRN) survey on financing of local media, subsidies made up 60 percent of funding for media outlets in local budgets. In BIRN's survey, 21 of 33 local communities analyzed paid subsidies. A total of 26 public media enterprises received €6.4 million (RSD 653 million). Subsidies ranged from about €30,000 to nearly €750,000 (RSD 3 million to 75 million).

Executive organs of local authorities choose recipients and the size of their subsidies, and legislative bodies typically confirm them when adopting budget plans. No set criteria guide decision making, which relies on past practices and available budgets. As with other types of public enterprises, spending of media subsidies is subject solely to an accounting audit and not qualitative evaluation.

The basic purpose of subsidies is to cover core operating costs of public media enterprises such as employees' salaries, taxes and contributions, overhead (electricity, rent, phone, etc.), expenses related to broadcasting, equipment, and services paid to other companies. According to the BIRN survey on local media financing, only a small number of subsidized media outlets has submitted reports to local self-governments on how subsidies were spent. These few reports indicate that the largest portion of subsidies is used to pay for employees' salaries. Subsidies are very rarely used for content production.

Distribution of Subsidies by Public Media Enterprises

By providing direct subsidies to public media enterprises, the state blatantly undermines free-market competition instead of promoting a nondiscriminatory environment for media industry development. Beta and Fonet, private news agencies that have operated for almost 20 years, are particularly threatened by subsidies to the state news agency, Tanjug, which imperil their competitiveness. In 2012, Tanjug and Beta were comparable in terms of output and overall business revenues without subsidies (€1.05 million, RSD 120 million, in the case of Tanjug, and €980,000, RSD 112 million, in the case of Beta). However, Tanjug received €1.8 million (RSD 209.5 million) in state subsidies. Tanjug is far less productive; its staff of 212 is over twice as large as the 90 people Beta employs, yet the state news agency's net profit was 19 times higher (€11,500, RSD 1.3 million) than Beta's net profit (€607, RSD 69,000). Private news agencies filed a complaint with the State Aid Control Commission in 2012, seeking consistent application of the State Aid Control Law, which the commission twice rejected as groundless. Legal action before the Administrative Court of Serbia has been pending since December 2012.

State financing facilitates indirect censorship of state media production output. An example of this is comes from an analysis of the content of main news shows of public TV station Studio B, founded by the Belgrade City Council. The biggest regional media outlet, with 242 employees, it has been receiving annual subsidies from the city of about €2.5 million (RSD 215 million in 2013). Studio B presents itself as the public service broadcaster for Belgraders with a mission to report on everyday life in the capital city of 2 million.

The study of TV Studio B's 10 news bulletins in December 2010 (Matić 2011) showed that this public broadcaster promoted public officials more than public information. Municipal leaders were treated as Belgrade's most newsworthy individuals; they were the source of information in 47 percent of 142 news items shown, and they were the news sources who appeared live on the program the longest, receiving 19 percent of live video coverage. The next largest group given air time—citizens of Belgrade—received 16 percent. The strongest opposition party was not mentioned in any of the 10 bulletins. Officials' views were presented as pertinent to nearly all issues reported on the programs, which was not the case with any other news sources.

On behalf of the city government, Belgrade's mayor spoke on the program the most, making 7 appearances in 10 main news shows analyzed. The deputy mayor appeared twice, the speaker of the city's parliament four times, and four members of the city council a total of six times; this is in addition to various appearances by five Belgrade city secretaries and their assistants. Thematically, news related to public utilities was reported most, being 31 percent of all themes covered. The decisions and intentions of the principal actors involved in public utility matters—the city government, municipal authorities, and the utility companies themselves—were mentioned in positive terms 47 times, and only 8 times in negative contexts. Only once in 37 news items on public utility issues did Studio B reporters raise the issue of responsibility of the authorities for the problem being reported, but even then, the institution in question was left unnamed. Overall, officials were nearly never confronted with opposing viewpoints.

State-owned media often receive further indirect or hidden subsidies and enjoy other financial privileges they receive from central and provincial governments that undermine a functional media market with equal business conditions for all. These include tax breaks, state payment of accumulated debts (for items such as electricity and heating and social contributions or severance packages for employees) and loans that were interest free or at less than commercial interest rates.

In 2011, an initiative launched in the media community urged the end to subsidies and reforms of distribution of public money to local media in accordance with the principles of transparent and nondiscriminatory state aid. Several professional associations—Association of Independent Electronic Media (ANEM), Independent Association of Journalists of Serbia (NUNS), Independent Society of Journalists of Vojvodina (NDNV), and the Association of Local Print Media (Lokal pres) formulated recommendations for local self-governments on mechanisms to support local media. They proposed that the funds used for subsidies to state companies be paid into a common media assistance fund, that all available financial means should be allocated in public competitions under equal conditions for all the media, and that independent commissions should make all funding decisions.

After reviewing these suggestions, two central government ministries sent their own recommendations on financing of local media to municipalities. However, these guidelines did not cover total spending for public information in local budgets; the guidelines pertained only to the funds remaining after the allocation of subsidies to public media enterprises. They were in any case nonbinding and promised no significant change to the currently inequitable system of granting subsidies.

State Advertising: Fortunes to the Favored II

The majority of state advertising, even that for arguably quite proper purposes, is based on nontransparent and arbitrary decision making. Arbitrariness pertains to the scope of advertising contracts, their economic justification, distribution of state advertising budgets, and advertising content.

Even amid the general opacity of state funding to the media sector, the overall share and value of state advertising is especially murky. Not a single institution in Serbia releases records of the expenditure of public money on advertising, nor does any institution control the manner in which public funds are allocated and spent for advertising.

Specific albeit incomplete data on the scope of state advertising in the media outlets were first made public by the official Anti-Corruption Council (Savet za borbu protiv korupcije) in its 2011 "Report on Pressures and Control over Media in Serbia." The ACC concluded that public-sector advertising constituted a considerable part of many media outlets' revenues—and warned that this represented a powerful tool to influence media editorial policies. Under the Access to Information of Public Importance Act, the council collected information on business dealings of 50 of the most important state bodies and large public enterprises with media, marketing, and public relations agencies in 2009. It found that their annual spending on promotion and advertising totaled at least €15 million (RSD 1.4 billion). Professional media organizations estimate that the state advertising in 2011 amounted to about €20 million (RSD 2 billion), which corresponded to around 12 percent of the total advertising market.

According to the ACC report, the biggest advertiser is the state-owned telecommunications company, Telekom Srbija, which spends at least €10 million (about RSD 1 billion) on advertising annually. It has for years ranked high among the 20 top advertisers in the Serbian market, which includes only four other domestic companies.

The Ministry of Environmental Protection and Spatial Planning has the second-largest advertising budget. In 2009, it spent €1.5 million (RSD 140 million) on promotional activities, including the Public Service Announcement (PSA) campaign "Let's Clean Up Serbia," aimed at evoking support for environmental protection.

Other large advertisers were the Privatization Agency, with an annual expenditure of €660,000 (RSD 62 million); the Ministry of Economy, with over €640,000 (RSD 60 million); the Ministry of Health, which spent around €370,000 (RSD 35 million) mostly in relation to the X1H1 virus vaccination campaign; the Institute of Public Health Batut, €360,000 (RSD 34 million), mostly for a PSA campaign against smoking and other addictions; the Ministry of Agriculture, €319,000 (RSD 30 million); the Tax Revenue Administration, €250,000 (RSD 23.5 million); and the Ministry of Labour and Social Policy and the National Employment Service, each €181,000 (RSD 17 million).

The Anti-Corruption Council's report argues that state bodies expend large sums of money for advertising primarily to buy positive publicity and to boost the image of their activities and their leading officials. While official advertising campaigns might often be ethical and necessary, how contracts are assigned and their provisions can prove problematical. Advertising contracts offered by Serbian state bodies often require media outlets to broadcast or publish interviews with state officials or print as news PR articles on the work of state organs or public enterprises. These are not marked as paid content, and they may mislead the public into believing they are independent, journalistic reporting. Both the Advertising Act and the Code of Conduct of Serbian Journalists prohibit this practice, but neither state advertisers nor journalists seem to refrain from it.

According to an editor at a local newspaper, all advertisers have in the past years stepped up the pressure on the media to publish promotional content disguised as news. Previously, she explained in an interview, they would ask for one promotional article to be published with four or five ads, but recently they have been demanding one promotional article to be published with each ad placed.

Abuse of public money for political and personal promotion of state officials is made possible by nearly nonexistent regulation of state advertising. Serbia's current media laws fail to identify the potential connection between the state's advertising and its interference with media freedom and economic viability, nor do they address the fact that state advertising decisions can be discriminatory on political and partisan bases.

Scant and incomplete legal regulation and the absence of penalties allow state bodies to decide what activities and measures may be advertised using taxpayer money. The Advertising Act does not address financial aspects of state advertising, and state advertising is nowhere explicitly treated as a form of state aid. No regulations specify decision making pertaining to the scope, criteria, or manner of allocation of state bodies' advertising budgets, require release of data on state advertising, or impose audits or other reporting that could deter or discover abuse.

The Public Procurement Act (PPA), Serbia's centerpiece legislation regulating public expenditures, is similarly ambiguous toward state advertising. The law fails to clearly stipulate if advertising falls under the public procurement regime. The PPA states that the rules on public procurements are not applicable to services related to "purchase, development, production or coproduction of radio and TV programs or time slots for program broadcasting." The PPA's imprecise formulation—"purchase of time slots for program broadcasting"—allows state bodies and public enterprises to forego public procurement procedures for advertising services if they wish.

According to the BIRN survey, only 3 of 15 local self-governments that signed advertising services contracts with media outlets in 2011 carried out public procurement procedures; they awarded a total of 5 contracts. A dozen other local self-governments directly negotiated a total of 32 contracts with media outlets they had selected absent any formal procurement procedure.

The Public Procurement Act also provides that services worth up to €3,000 (RSD 400,000) are not subject to a public procurement procedure, and those valued to €30,000 (RSD 3 million) are categorized as low-value public procurements for which only a rudimentary tender procedure is required.

Every state body may award advertising contracts, which are funded separately from budget items such as "contracted services" and "specialized services." The State Audit Institution, which started operating in 2009, is reviewing the legality of contracts in relation to budget items but not in relation to their economic utility or how are awarded.

Arbitrariness by state bodies in their use of advertising budgets has a significant impact on the media sector; it undermines free competition on the media market. Given the large number of media outlets and the poor commercial advertising market, many media outlets are today financially unviable to the degree that they are structurally dependent on state advertising. A lucrative advertising contract may be the difference between a media outlet's survival or demise. According to the Anti-Corruption Council, advertising by state-owned Telekom, for example, accounted for as much as 17.7 percent of overall revenues for some media outlets. Media outlets in local communities in particular, which suffer a chronic paucity of private advertising, find contracts with local self-governments or public enterprises of extraordinary financial importance.

Specific examples of abuse of media dependence on state advertisers are difficult to document; no state advertiser reveals its advertising expenditure, nor do media outlets publish details of their revenue structure in business documents. Available data indicate that state advertising is often easily used to advance the business operations of favored media outlets irrespective of their circulation and influence.

The most favored media outlets are those fully or partially owned by the state. According to a journalistic survey on Serbian ministries' expenditure in 2010, 10 ministries spent about €440,000 (RSD 45 million) on various media services, of which at least €72,000 (RSD 7.4 million) was for advertising in nine newspapers and magazines. The Politika daily, which is 50 percent state-owned and ranks fifth by circulation among dailies, received €44,700 (RSD 4.6 million), 62 percent of the total paid to all nine publications. Publishers of higher-circulation newspapers were awarded only very small contracts: Blic, €3,890 (RSD 400,000), and Novosti and Press, €1,945 (RSD 200,000).

Financing Reporting on the Work of Public Authorities: Propagandists for the Powerful?

In recent years, a troubling practice has evolved in Serbia: public funding for "reporting on the work of local self-governments and public enterprises." This term describes media coverage of "events of local importance" paid for by local authorities.

The work of public authorities is clearly an important topic for citizens, and reporting on it should be a standard media activity. Honest and accurate reporting on activities of public bodies is a key function of all media. For Serbia's news broadcast media, it is also an obligation of their broadcasting permits. For media outlets to report responsibly on the work of authorities and to assist citizens in making informed decisions, such reporting cannot be ordered or paid for directly by those who are its subject. In many communities, local authorities follow the opposite logic. They regularly allocate funds to media outlets, primarily privately owned, and they pay journalists to inform citizens of local government plans and accomplishments.

This practice rose from a specific interpretation of provisions in the Law on Local Self-Government of 2007, and the perception among many officials is that private media outlets are exclusively profit-driven organizations that lack commercial incentive to inform citizens on the work of public authorities or to pursue the public interest in any way whatsoever.

Article 71 of the Local Self-Government Act obliges local self-governments "to inform the public about their work through means of public communication and in other adequate manner." In article 20, paragraph 34, it also makes municipalities responsible for "informing the public on issues of local interest and ensuring conditions for informing the public in the Serbian language and in the languages of ethnic minorities used in the territory of the municipality." An apparently unstated objective of this clause, and certainly its effect, was to halt privatization of state-owned media. Municipalities soon began appropriating funds for "public information of local interest" along with subsidies to state-owned media enterprises.

Many local authorities have used their legal obligation to provide information of local interest as a vehicle to promote their own agendas. Local governments have awarded many contracts to media outlets to provide "services of informing the public on the work of local government and public enterprises." Such information services are contracted primarily with local media outlets and some with national media that have local correspondents. This kind of "special purpose" reporting is presented to the audiences as regular, professional work of independent journalists monitoring events and topics of public interest; it is not identified as paid content over which the local authorities that commissioned it might exert considerable influence.

Officials funding reporting on the work of local authorities and public enterprises has proven unlikely to tolerate critical journalistic coverage. Contracts very often clearly define the areas and specific activities on which they public may be "informed." The authorities commissioning and paying for services themselves define what constitutes "local interest." For example, in 2012, the Municipal Assembly of Smederevo called a public tender to select a provider of services for "informing the public on the work of the city administration and its bodies, mayor, deputy mayor, and assistant mayor, on the work of the city assembly of Smederevo and its working bodies, the president of the Assembly, co-president of the Assembly, deputy president of the Assembly, secretary and councilors; on the work of the city council and members of the city council, on the work of the city funds and agencies, on the program of city events, and on activity of urban and rural sub-municipal units."

Tenders by other local self-governments have been formulated along similar and sometimes remarkably restrictive lines. In June 2013, the city of Nis called a tender for financing "information reviews of daily activities of the city mayor and other city officials, as well as activities of state institutions and organizations in the fields of sport, culture, health-care and others that are of importance for functioning of the city of Nis" in a daily newspaper. The required information would have to be published on the "front page, second page, third page, 14th 15th, and 16th page" of the unnamed daily.

The Media Coalition strongly criticized the tender and demanded its withdrawal. The tender was plainly intended for the daily Niske novine, which publishes reports on the work of city administration precisely on the designated pages. The Media Coalition also argued that the tender improperly conflated public interest information with coverage of local administration bodies and would have "denied citizens of adequate and impartial information on all important issues in their local community."

Under such contracts, media outlets are often expected to disseminate information produced or selected by the authorities. The municipality of Arandjelovac signed a contract with Radio Television Fleš in 2011 that included the government's right to compile the "list of persons authorized to provide information" and to provide "information for broadcasting." The 11 obligations for Radio Television Fleš include: "to broadcast the information in the provided [original] form"; to broadcast, apart from regular TV and radio news "additional news programs, if needed, at the request of the ordering customer"; to "report on events and happenings in the territory of the municipality of Arandjelovac, in order to provide a positive promotion of the municipality"; and "to perform other information activities of local interest, according to the requests of the municipality."

Although media are paid to "inform," journalists are aware that they cannot report critically and must promote positive perspectives on specified activities of local authorities and connected public enterprises. Contracts with media outlets are renewed annually; to secure renewal and potentially significant funding, media outlets must not displease their clients. Absent public tenders and other accountability mechanisms (discussed elsewhere in this report), provision of information services may be abused to promote with public money the interests of ruling political parties.

Through this simple and currently legal mechanism, media outlets contracting to provide specified services may become servants of the local government instead of all citizens. Public funds are thus often used not to promote fair and balanced journalism, diversity of media content, and pluralism of ideas but instead to promote partisan platforms. Nominally independent media outlets risk becoming, in effect, little more than propagandists for the powerful.

According to BIRN research on the use of local information budgets in 2011, 26 of 33 units of local self-government studied awarded contracts to media outlets to provide "information services." Funds were allocated to 105 media outlets, 100 private and 5 public, amounting to €1.3 million (RSD 136 million). On average, each municipality engaged four media outlets to report on the work of local authorities. The average sum paid to each media outlet for this service was only €12,700 (RSD 1.3 million).

Local self-government units have broad authority to award contracts for information services. Most municipalities opt to purchase services directly from media outlets they select. BIRN research shows that 20 units of local self-government signed a total of 84 contracts valued at €288,000 (RSD 29.5 million) through direct negotiation with media outlets. Tendering was used by only 6 of 33 municipalities surveyed to award contracts totaling €156,000 (RSD 16 million) with nine media outlets, all but one privately owned.

Project Funding through Public Competitions: Better in Theory

Among various forms of state spending on media information, the least amount is spent on project funding through public competitions. In the 2012 national and provincial budgets, €1.1 million (RSD 124 million) was earmarked for this purpose, about half of the annual subsidy to the state-owned news agency Tanjug alone. There are no data on aggregate spending from local budgets, but individual insights indicate that project funding in local communities is quite rare.

Five public competitions awarding €663,000 (RSD 75 million) were funded from the 2012 national budget, and three public competitions awarding €433,000 (RSD 49 million) were funded from the Vojvodina provincial budget. According to the 2011 BIRN survey on local budgets, project funding was disbursed by 5 of 33 local self-governments studied for dissemination of public information in national minority languages and for persons with disabilities as well as for improvement of news coverage. Only about €567,000 (RSD 58 million), about 6 percent of the total local budgets designated for information of local importance, was spent on project funding.

Central and provincial state bodies introduced project cofinancing for some media aid in 2009. Public notices of state aid allocation competitions are published for several very broadly described project areas. The Serbian Ministry of Culture and Information has regular public competitions for the ill-defined "advancement of media information" as well as promoting national minority languages media, dissemination of public information for persons with disabilities, information for ethnic Serbs in other countries in the region, and electronic media based in Kosovo.

Public competitions organized by the Vojvodina Provincial Secretariat of Culture and Public Information vary from year to year. They have included: updating media technologies, new programming content in the media, incentives for innovative news programming, advancement of professional standards of reporting, assistance to communities with less-developed media, promotion of multiculturalism and multilingualism, and training of journalists and other media professionals.

In 2013, new areas were introduced, including incentives for TV programming covering art and culture, providing public information about the province of Vojvodina, and incentives for dissemination of public information in neighboring countries.

Project cofinancing has been praised as a model for nondiscriminatory financial treatment of media, but the process remains flawed in practice. First, areas for which public competitions are announced are defined very broadly—for example, "advancement of media information" or "advancement of public information for persons with disabilities"—and their objectives are unclear. Almost all media outlets are entitled to apply for funds, including those already receiving preferential treatment by way of subsidies, some that lack technological or personnel capacities to carry out the proposed projects, and others whose proposals do not match their format, content, or capacities.

An additional problem is that imprecise criteria for decision making, itself opaque, are subject to varying interpretations. A commission formed arbitrarily by the state body announcing a public competition for project financing takes part in the decision making. Judging by the practice of the Ministry of Culture and Information, a commission "reviews" the projects and submits "a proposal, along with an explanation, on supported and unsupported projects" to the minister. The commission does not participate in deciding amounts awarded to approved projects; the minister makes the final decision based on the commission's proposal and his or her "own insight into the project applications."

Decision making is protracted—it goes on from autumn until late spring—and, according to several applicants, elicits intense lobbying for specific projects. Media representatives lobby through acquaintances in senior positions, and local authorities' representatives lobby for the benefit of media outlets from their local communities, particularly if the central government minister in question is from their region or from their or an allied political party.

The rationality of state aid allocation in implementation of specific projects on national, provincial, or local levels is not assessed. There are no mechanisms for monitoring projects even though successful applicants are obliged to report on implementation. The state admits it keeps no common database of funds spent, nor does it have the mechanisms to evaluate projects' impact (Media Strategy 2011, 6).

Project-based financing for media is a recent development in Serbia, and its potential advantages have not been realized. It is theoretically far preferable to state subsidies or contracts for media services. In practice, however, project financing has to date failed to prove effective in assuring either equality for applicants or the cost-effective use of public funds. Flawed criteria for programmatic and financial project monitoring and evaluation and the lack of clear rules and procedures regarding roles and responsibilities allow many possibilities for discriminatory treatment of applicants and the consequent undermining of media freedom to persist. Many media professionals see project assistance as merely a financial injection rather than a means to better inform their fellow citizens, a recognition of quality journalism, or an incentive to media creativity and innovation.

Project-based financing has so far neither increased media pluralism nor visibly improved the quality of media production. Funds allocated were too small to achieve significant impact on the improvement in media performance. In 2012, national budget funds of RSD 65 million were awarded as part of four public competitions to 183 of 424 applicants. On average, each awardee received RSD 355,000, slightly over €3,000. The amounts awarded in different public competitions ranged between a low of about €530 (RSD 60,000) and a maximum of €8,840 (RSD 1 million). In 2013, €500,000 (RSD 56.5 million) was allocated from the Vojvodina provincial fund to 118 successful applicants in six public competitions. Average financial assistance per project totaled around €4,000 (RSD 479,000). From the media viewpoint, this is very slender support at a time of severe financial challenges.

Many journalists are wary that project-based financing will be deployed as yet another conduit for political influence on media. This view is reinforced by results of the first public competition for the advancement of public information about the Province of Vojvodina called in 2013 by the Provincial Secretariat of Culture and Public Information. The main winners were the daily tabloids Informer and Kurir. They were awarded contracts of about €19,500 (RSD 2.2 million) each, four times the average. These tabloids are often criticized by journalists' associations for drastic violations of professional and ethical standards. Both newspapers are aligned closely with the new central government that took office in 2012, and they championed demands by the biggest ruling party to change the government in Vojvodina. Many journalists suspect that the decision to award financial assistance to the two tabloids is an effort by the provincial government to "buy" an improved image on the pages of Informer and Kurir.

Other Forms of Media Financing: Press as PR

The legal void in regulation of public procurement provides another avenue to exert financial influence on media content. The Public Procurement Act exempts the services of research and development, and no provision specifies that journalists cannot provide research-related services to governmental bodies.

The Ministry of Environmental Protection and the Agency for Small and Medium Enterprises have allocated significant funds from a budget line called "specialized services"—absent any public tender process—to media outlets of their own choosing. In 2010, they concluded a contract with the Ringier publishing company (publisher of the daily newspapers Alo and Blic) for research on specific topics whose results would be published in the two newspapers. The Ministry of Environmental Protection commissioned research and publication of thematic supplements on environmental issues under a contract worth €455,000 (RSD 47 million). The Agency for Small and Medium Enterprises awarded a contract worth around €44,000 (RSD 4.5 million) for "research into the needs of small and medium enterprises related to advancement of their business operations." The stated objective was "to provide for the use of the study results by the public at large."

The Serbian public learned about these contracts only when the Anti-Corruption Council (ACC) revealed them in 2011. The council pointed out that the Agency for Small and Medium Enterprises was itself established to conduct research into the needs of small and medium enterprises and had professional staff for this purpose. Payment for "research services" was described as an attempt to buy favorable publicity and influence editorial policy. The ACC assessment of almost half a million (€455,000) worth of services of "journalistic research" into the environmental issues, which included political promotion of the environment minister, a senior official of the Democratic Party, was similar. It is worth noting that Ringier company newspapers were leading backers of the Democratic Party during the 2012 election campaign.

At the Brink of Change: The “Media Strategy” Undone?

Hopes for substantial reforms of Serbia’s media system appeared in late 2011, when the central government adopted the Strategy for the Development of the Public Information System in the Republic of Serbia until 2016 (the “Media Strategy”). Regrettably, the authorities’ attitude toward the Media Strategy’s reforms suggests that its implementation is being actively obstructed.

Although media reforms have been taking place incrementally for more than a decade, the Media Strategy was the first strategic document outlining the overall reconstruction of Serbia’s media system. It was initiated by the media industry and journalist associations, which insisted in particular that all financing of media from public sources become transparent and be properly regulated.

The Media Strategy offered many positive changes. It defined a clear public interest in the media sphere. Effective regulation including neutrality, fairness, and transparency in state aid to media were keystones. It planned an overhaul of the entire legal framework for media operations and pledged the abolition of state ownership of media and subsidies. It promised the development of media markets on the bases of free and fair competition, transparency of ownership, and limits to media ownership concentration. It also reaffirmed the importance of public service broadcasting as well as its financial and editorial independence. Public funding for advertising by state bodies would be conducted through nondiscriminatory public competitions. The Media Strategy especially emphasized incentives to promote pluralism, support to media content production, advancement of its quality and diversity, protection of editorial independence, and support for investigative journalism.

Despite concern over very long deadlines prescribed for the Media Strategy implementation, some as late as March 2015, the majority of the media community backed the suggested reforms. Professional and media associations gathered in the Media Coalition (NUNS, UNS, NDNV, ANEM, and Lokal pres) strongly supported the state’s plan to relinquish its media holdings. The state news agency, Tanjug, exempted from the 2003 media reforms, was included as a target for privatization. The Media Coalition fully endorsed the Media Strategy’s main objective: media market development accompanied by the creation of “non-discriminatory conditions for healthy competition in the media industry and its sustainable development.” (Media Strategy 2011, 12).

The Media Coalition in particular insisted that the legal regulation of state aid should apply in all procedures in which public funds are allocated to media and that all state financing of media should be conducted on the basis of project financing.

In the experts’ view, the Media Strategy offered an opportunity for Serbia “to cross the line after which media financing from public sources would never be the same” (Kremenjak 2013, 10).

Some journalists and some municipalities resisted the Media Strategy's suggestions, especially abolition of state ownership of media and direct state subsidies to media outlets. They argued that direct budgetary funding of media is the only sustainable media business model in Serbia and that privatization would decrease public information and diminish public awareness. Some media could not survive market competition and others would commercialize, they predicted, and new owners with ulterior motives, political ambitions, and/or money of dubious origin would acquire media outlets. They cited negative experiences from previous media privatizations, which sometimes failed to promote better business operations, editorial independence, or higher quality and more-diverse media content. National minority councils, formal founders of national minorities' media, were also firmly against abolition of direct state subsidies.

By mid-2013, none of the Media Strategy's many objectives had been realized. The December 2012 and March 2013 deadlines stipulated in the Media Strategy for amendments designed to revise the status of the national public media enterprises, International Radio Serbia, Jugoslovenski pregled, and Tanjug, have passed without action. The March 2013 deadline for finalizing the new media draft laws—to reform the public information sector, electronic media, public service broadcasters, and media concentration—was unmet.

Most progress had been made in preparation of a new Public Information and Media Bill. It confirms the abolition of state ownership over the media by late 2014. A new system for financing media will move from direct budget funding of individual media outlets to a project-based system. At least 90 percent of funds should be designated for media content production, with the remainder earmarked for advancement of professional and ethical standards and promotion of special rights of national minorities and persons with disabilities. An expert commission consisting of independent media experts will assess applications. This commission is to be appointed by an executive public office holder from the state body that has announced the public competition in question. Recipients will be obliged to submit evidence of their projects' implementation and financial reports.

During the drafting process, disagreements over specific solutions arose among representatives of the Ministry for Culture and Information and media associations in the working group. The draft Public Information and Media Bill was released for public discussion in February and March 2013. Many objections to the abolition of the state ownership were raised, as were objections to some other proposals. There were concerns that insufficient elaboration of project financing guidelines would leave possibilities for the allocation of public funds on political bases. The working group had not yet agreed on responses to objections or on a final draft when the ministry abruptly dissolved it in early July 2013. A final draft of the Public Information and Media Bill had not yet been presented to the public. The status of the reform legislation and the entire Media Strategy is now unclear.

Another severe blow to badly needed reforms has been delivered by the authorities' determination to change the system of public service broadcaster financing. During drafting of the electronic media bill, high-ranking government officials proposed that subscription fees be abolished and that a transition be made to direct state funding of public service broadcasters despite the fact that subscription fees are stipulated in the Media Strategy as the principal source of public broadcasters' revenues. The state already supports the two main public service broadcasters—national Radio Television Serbia (RTS) and provincial Radio Television Vojvodina (RTV)—via indirect subsidies from the budget (Matic 2012a, 63). Both have suffered financial troubles for several years, as revenue streams from subscription fees (the collection rate has dropped to about 30 percent) and advertising (limited to half the advertising time allowed commercial broadcasters) have weakened.

Financial operations of the national public service broadcaster are opaque and apparently unmonitored. In the Media Strategy, the state has assumed an obligation to ensure stable sources of financing for the public service broadcasters. Cofinancing of public service broadcasters from the state budget is mentioned in the Media Strategy as an additional source of revenue. This would have to be in compliance with proposed stringent criteria on state aid allocation, including supervision of fulfillment of functions and obligations of a public service broadcaster, public insight into financial audits, and the prohibition of excessive payments, which would ensure accountability while not undermining rules meant to protect competition.

The Public Broadcasting Bill, which is to regulate financing of public service broadcasters, has not been finalized as of mid-September 2013. As mentioned above, government officials have suggested abolition of subscription fees and a two-year period of direct state financing.

A new Advertising Bill is also being drafted. The Ministry for Trade and Telecommunications has launched a working group to prepare a draft law, but the general public has been left uninformed of any of its activities.

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1 According to the survey conducted by the Institute of Social Sciences, 65 percent of the interviewed news media editors in 2008 rated media freedom in negative terms (http://www.osce.org/sr/serbia/37379), while the figure in 2009 was 66 percent (http://www.osce.org/serbia/75445). The freedom of speech score in the IREX survey dropped from 2.14 in 2010 to 2.03 in 2012. (http://www.irex.org/sites/default/files/u105/EE_MSI_2013_Serbia.pdf)

2 In 2011, Serbian media reported on nine physical attacks on journalists, 18 threats to their personal safety, four dismissals of editors-in-chief or general managers, and four attacks on the media properties (Matic, 2012a: 15).

3 According to the records of the Anti-Corruption Council, in the period from 2008 until 2010, 18 out of 30 big media outlets had insufficiently transparent ownership structures.

4 Total daily newspaper circulation in Serbia in 1989 was 1,800,000. By 1991, it dropped to 1,400,000, in 1992 to 800,000, and in 1993 to 600,000 copies. At the height of internal political conflicts in 1996/97, when several new dailies appeared, circulation briefly rose to a total of about 1,200,000 copies only to decline later to about 600,000 in 2011.

5 In 2011, the average price of a daily newspaper in Serbia was €0.2–0.3, three times less than in Croatia and four times less than in Slovenia (http://www.b92.net/biz/vesti/srbija.php?yyyy=2011&mm=04&dd=26&nav_id=508592).

6 Media outlets are entered in the Register of Public Media, but its data are often neither updated nor accurate. In April 2013, 1,196 media outlets were officially registered (664 print media, 228 radio broadcasters, 119 TV broadcasters, 20 news agencies, 156 Internet publications, and nine other types of publications). According to the same source, in September 2011, there were 1,063 media outlets, out of which 592 were print media (20 dailies, 94 weeklies, 43 biweeklies, 224 monthlies, 80 bimonthlies, 86 quarterlies, 10 biannuals, 18 yearly publications, and 17 other publications).

7 According to a representative of a small advertising agency interviewed, the biggest advertising agencies charge commissions up to 70 percent of the value of advertisements.

8 Interview with the chair of the Association of Local Print Media (Lokal pres), Snežana Miloševic, on 26 June 2013.

9 http://www.blic.rs/Vesti/Tema-Dana/383548/Pogledajte-spisak-Medju-velikim-poreskim-duznicima-i-100-advokata-fudbalski-klubovi-i-firme-poznatih-biznismena.

10 http://www.mc.rs/goran-cetinic-realnosti-medijskog-ambijenta-srbije.1883.html.

11 Interview with Independent Journalist Association of Serbia's chairman Vukašin Obradovic on 29 June 2013.

12 A year earlier, on the same grounds, a total of about €21 million (RSD 2.16 billion) was spent (Media Strategy, 2011:6).

13 http://www.danas.rs/danasrs/drustvo/blagi_pad_prihoda_od_reklama.55.html?news_id=234720.

14 Interview with Media Association Chairman Zoran Sekulic on 12 June 2013.

15 This percentage was calculated as a share of subsidies and state advertising (€45 million) in the total advertising market size (€172 million) increased by the subsidies' amount (€25 million).

16 Estimate by the Independent Association of Journalists of Serbia (http://www.euractiv.rs/mediji/4638-strategijom-do-boljih-medija-u-srbiji.html.)

17 "The total of subscription fees, various forms of state aid, advertising by state institutions and public enterprises, and, perhaps, other budget funds allocations of which the general public is not even aware of, it is possible that the state is financing the media almost as much as commercial advertisers" (Milivojevic 2011, 17).

18 http://www.transparentnost.org.rs/index.php?view=details&id=1213%3Asrbija-loije-rangirana-po-otvorenosti-budeta&option=com_eventlist&Itemid=6&lang=sr.

19 Interview with the Media Association Chairman Zoran Sekulic on 12 June 2012.

20 http://www.uns.org.rs/sr/desk/media-news/14440/odrzana-konferencija-o-onlajn-izdanjima-manjinskih-medija.html.

21 News bulletin on activities of the Provincial Secretariat for Culture and Public Information (http://www.kultura.vojvodina.gov.rs/).

22 http://javno.skockajtebudzet.rs/index.php?page=project&lab=home&project_id=5&cl=da.

23 Budget Act of the Republic of Serbia for 2013, adopted by the National Assembly, contains a budget line 451 (Subsidies to Public Non-Financial Enterprises and Organisations) listing a total sum in subsidies to named public media enterprises and institutions and the following remark: "Allocation and utilisation of funds shall be effected pursuant to a special act of the Government."

24 (http://www.parlament.gov.rs/upload/documents/3472-12%20Lat.pdf).

25 Data from final financial statements of both agencies are posted on the Business Registers Agency website (http://www.apr.gov.rs).

26 Interview with Beta News Agency director Ljubica Markovic, 28 June 2013.

27 http://www.b92.net/mobilni/info/696658.

28 The study included quantitative-qualitative analysis of every third edition of TV Studio B's central news show Vesti u 7 (News at 7 p.m.) during December 2010. Altogether, 142 news items and 351 news sources appearing in the program were analyzed.

29 In early 2013, the government granted a €1.8 million (RSD 203 million) interest-free loan to RTS. The same loans were granted to the public service broadcaster in 2012 (€1.1 million, RSD 125 million) and in 2011 (€ 782,000, RSD 80 million). An RTS digitalization project and studio equipment were also funded from the 2012 budget (http://www.b92.net/info/vesti/index.php?yyyy=2013&mm=02&dd=05&nav_category=12&nav_id=684110).

30 http://www.antikorupcija-savet.gov.rs/Storage/Global/Documents/mediji/IZVESTAJ %20O%20MEDIJIMA,%20PRECIS-CENA%20VERZIJA.pdf.

31 The analysis encompassed all the ministries of the Government of the Republic of Serbia, individual public enterprises, some metropolitan public utilities, agencies, and other state bodies.

32 Interview with the Media Association chair Zoran Sekulic on 12 June 2012.

33 In 2011, Telekom ranked second in terms of intensity of volume of advertising among all television advertisers, and it ranked third in 2012 (interview with managing director of Nielsen Audience Measurement Darko Brocic on 31 May 2013).

34 According to a survey on violations of journalist code of conduct, in six dailies (Politika, Danas, Blic, Večernje novosti, Kurir and Alo) over the course of one week (in October 2011), 23 promotional articles (PR texts) were identified but not designated as such, which effectively means that at least one case of surreptitious advertising per day occurs in half the daily newspapers (http://rs.ejo-online.eu/2217/etika-i-kvalitet/izbledela-etika-domace-stampe#more-2217).

35 The only legislation explicitly mentioning state advertising is the Advertising Act, adopted first in 2005 as part of wider media reforms. Of 111 articles, only Article 86 addresses advertising by state bodies and organizations. This recognizes the need of state bodies to advertise some of their activities and measures that "are of importance to the citizens, the majority of citizens, or a minority social group." The law lists five special types of activities and measures that state bodies and organizations may advertise: elections (e.g., "get out the vote" campaigns), measures to inform citizens in case of general emergencies, humanitarian campaigns, public competitions and announcements calling on pupils and students to enroll in schools or universities, and notices calling for public participation in economic activities.

36 The Advertising Act does not specify any activities that may not be advertised. The only restrictions imposed regarding advertising by state bodies are that the name, countenance, voice, or personal traits of state officials cannot be used in state advertising and that a political organization or another organization established by a state body, political party, or politician cannot be advertised either directly or indirectly as part of such advertising. However, no penalty is prescribed for political self-advertising. Serbian Ombudsman Sasa Jankovic protested in 2013 that state institutions and officials were the only advertisers for whom no penalties were stipulated for violations of the Advertising Act.

37 http://www.skockajtebudzet.rs/rs/clanak/ekskluzivno-ministarstva-potrosila-milione-za-medijske-usluge.

38 http://www.smederevo.org.rs/Print-Smederevo_916_lat.

39 http://www.eservis.ni.rs/javnenabavke/ %D0 %9Aonkursna %20dokumentacija %20za %20JN %20br_235. %20404-2u-19-2013-11_235.pdf.

40 http://www.anem.rs/sr/aktivnostiAnema/saopstenja/story/14989/MEDIJSKA+KOALICIJA+O+ODLUCI+O+JAVNOM+INFORMISANJU+ZA+GRAD+NI %C5 %A0+I+O+SPROVO %C4 %90ENJU+POSTUPKA+JAVNE+NABAVKE+NA+OSNOVU+TE+ODLUKE.html.

41 In 2011, these two institutions distributed, according to the official data, €1.4 million (RSD 144 million), and in 2010, €800,000 (RSD 81.5 million).

42 Contracts concluded by two municipalities pursuant to the public competition for dissemination of public information on the work of local self-governments, worth €322,000 (RSD 33 million) are not included herein.

43 Quoted material is from the official announcement of the results of public competitions called by the Serbian Ministry of Culture and Information (http://www.kultura.gov.rs/docs/konkursi/44399108065940850068/06-3.pdf).

44 Results of the fifth public competition (public information in the mother tongue for ethnic Serbs living in the countries in the region) are not available on the website of the Ministry of Culture and Public Information, the only place where they are published.

45 According to the official data, from 2003 until late 2011, 58 media outlets were privatized. Of these, 25 were annulled, and 10 went bankrupt.

46 The media coalition held the view that the bill did not provide for a uniform practice in the implementation of the project funds allocation procedure at different levels of government. Public competition rules were criticized because they were too broadly defined; they lacked an emphasis on allocation criteria as objective, measurable, and nondiscriminatory; and the authorities did not have freedom "to regulate in more detail the conditions and procedure for securing and allocation of funds." There was no agreement as to who the members of public competition commissions should be—independent media experts or representatives of professional journalist and media associations, i.e., who should nominate candidates, as well as with regard to certain criteria for evaluation of public competitions' applications.