

## STATE-MEDIA FINANCIAL RELATIONS IN BOSNIA AND HERZEGOVINA

# INCREASINGLY DEPENDENT AND DISCIPLINED MEDIA

by SANELA HODŽIĆ

### INTRODUCTION

In Bosnia and Herzegovina, the range of financial relations between the state and the media, both public and private, is overwhelming. These relations include direct financial interference by governmental institutions in the media sector, both at the level of the entities (Republika Srpska and Federation of BiH), and at the local government level (ten cantons within the Federation, and 141 municipalities across the country).<sup>1</sup> Considerable public funds are being constantly invested in media, with some media being regularly financed out of the state budget, and some receiving direct subsidies.

The ruling parties are also believed to be in control of the advertising practices of two public telecommunication companies that are at the same time major advertisers in the country. Advertising agencies are acting as mediators in these financial transactions, which further limits any insight into where the money is going and how it affects the market.

Given these two practices – direct financing from government budgets and the advertising practices of telecommunication companies – the state, i.e. the ruling parties, emerges as one of the most powerful actors in the market. Their role has become even more relevant in the past seven years. In that period, the market was hit hard by the combination of the economic crisis, shrinking donor support, and loss of advertising due to migration of advertisers to foreign media and non-journalistic platforms, all of which have left the media with only a few major sources of revenue, besides the state-controlled ones. Competition for revenue has become more ferocious. Only a few of the major media rely extensively on advertising revenue to maintain operations, while commercial revenues are definitely insufficient to sustain the majority of media outlets. Community media and alternative models of financing have never developed in Bosnia and Herzegovina. At the same time, the media continue

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<sup>1</sup> BiH consists of from two entities: Federation of Bosnia and Herzegovina and Republika Srpska, plus Brčko District; in the both entities there are 141 municipalities, and in Federation of BiH also 10 cantons.

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to survive in a puzzling manner, with the overall number of media having remained virtually the same over the last decade.

In general, experience from other countries shows that small media markets, such as BiH, do not allow for the sustainability of media through commercial financing.<sup>2</sup> In many countries in Europe, different forms of financial intervention by the state in the media sector have been continuously present, mostly with the idea of ensuring a plurality of media titles and diversity of media content.<sup>3</sup> Moreover, while different kinds of media subsidies<sup>4</sup> have been subjected to criticism for possibly enabling political influence on editorial policies,<sup>5</sup> some

2 See, for example, Marko Milosavljević's, article "Financing of Media in South-East Europe". Available at: <http://mediaobservatory.net/radar/financing-media-south-east-europe> (accessed 20 August 2015).

3 See, for example, Evan Ruth, *Media Subsidies*, An Article 19 Paper, 1999. Available at: <https://www.article19.org/data/files/pdfs/publications/media-subsidies.pdf> (accessed 20 August 2015).

4 Subsidies for the press in most cases take the form of reductions in Value Added Taxes (in all 18 countries analysed by Schweizer, in some countries even complete exemption from VAT - UK, Belgium, Denmark and Norway) and sometimes reduced tariffs for telecommunications, electricity, paper, or transport, support for journalism schools, journalism research, or support for professional associations (Source: Schweizer, p. 8.); Other subsidies for the press have involved production aid for selected press media, mostly those experiencing difficulties on the advertising market, while some countries also support newspapers in minority languages, provide distribution aid (as in Australia or Sweden), or support reorganisation or establishment of newspapers (e.g. in Canada, Denmark, the French Community of Belgium, France and the Netherlands; Ibid, pp. 8–9). Of the 14 European countries in the study, plus Canada, the USA, Australia and New Zealand, eight do provide selective, direct subsidies to media (both broadcasters and print); two provide general subsidies (for all press outlets), and eight provide no direct subsidies at all (Schweizer, p. 9). In addition to VAT reduction, ten countries offer direct subsidies to the print media, and two thirds provide subsidies for private broadcasters (12 of the countries provide direct support for the operation of stations, mostly local, regional and non-commercial, while in seven countries media can apply for production support of specific programmes; pp. 9–10). Both types of media also receive other forms of direct support, such as support for journalist training, or for establishing newspapers/local stations (for example, in Austria, France, Switzerland and the UK); Online media are increasingly being given access to subsidies; according to Schweizer, five out of 18 countries allow subsidies for online platforms. Denmark, Sweden and Italy have extended existing press subsidy schemes so that online publications are also eligible. Some countries focus on innovative projects and convergence (in France and Canada, for example); Source: Corrine Schweizer et al, *Public Funding of Private Media*, Media Policy Brief 11, London School of Economics and Political Science, 2014. Available at: <http://www.lse.ac.uk/media@lse/documents/MPP/LSE-MPP-Policy-Brief-11-Public-Funding-Private-Media.pdf> (accessed 29 August 2015).

5 For example, in France, Sweden and Austria, as reported by Article 19, 1999, p. 13. State intervention is also problematised in the light of the assessed lack of real effects from media pluralism. See Paul Murschetz, "State Support for the Daily Press in Europe: A Critical Appraisal", *European Journal of Communication*, September 1998, vol. 13, no. 3, pp. 291-313. Although these subsidies were ultimately meant to promote plurality of media sources, Murschetz argues that, by favouring newspapers that were already economically more successful, France in fact harmed competition and diversity.

GIVEN THESE TWO PRACTICES – DIRECT FINANCING FROM GOVERNMENT BUDGETS AND THE ADVERTISING PRACTICES OF TELECOMMUNICATION COMPANIES – THE STATE, I.E. THE RULING PARTIES, EMERGES AS ONE OF THE MOST POWERFUL ACTORS IN THE MARKET.

sources suggest that many of these practices have contributed to the public interest, while involving sufficient guarantees for media independence.<sup>6</sup>

In Bosnia and Herzegovina, although the financial relations between the state and the media have become vital for the sustainability of the sector, concerns have frequently been raised about political manipulation, or in some cases about the channelling of money into the pockets of political elites and their affiliates.

This report will focus first on the issue of transparency, and then on the three aspects of state-media financial relations in Bosnia and Herzegovina: direct state funding of media, government-related advertising practices, and, finally, the influence of ruling parties on the financing of PSB.<sup>7</sup>

The purpose of the report is to examine how these financial relations and mechanisms work in practice, and what can be done to utilise them for both financial sustainability of the media and the promotion of media integrity.<sup>8</sup>

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6 See, for example, Evan Ruth. *Media Subsidies*, an Article 19 Paper, 1999. Available at: <https://www.article19.org/data/files/pdfs/publications/media-subsidies.pdf> (accessed 20 August 2015).

7 Although the three PSB channels have an independent source of revenue (primarily licence fees and advertising), the issue of their financing was included in this report, since political elites are playing an important role both in terms of collection of the fee and in terms of the organisation and functioning of PSB.

8 Media Observatory partnership puts forward the idea that freedom and independence from particular interests, as well as transparency of information concerning possible exposure to any particular interests, are the main prerequisites for media integrity. In short, media integrity is defined as the ability of media to serve the public interest and democratic processes. The concept of media integrity involves the notions of media freedom, media independence and media pluralism, but also involves an understanding of limitations due to institutional corruption, economy of influence, conflicting dependence (Lessig 2013, lectures and articles available at <http://blip.tv/lessig/institutional-corruption-short-version-2807497> and at <http://www.law.harvard.edu/alumni/hlsbrief/media/lessig-video.html>) and political clientelism (Hallin and Papathanassopoulos, 2002, and Hallin and Mancini, 2004).

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The availability of information on financial relations between state and media is rather limited. Budgets of state institutions, including information about the financing of media, are far from being commonly available on their websites.<sup>9</sup> In accordance with the Freedom of Information Act, information about the financing of media by state institutions should be available on request, but the access to information is disabled in various ways, with some sources suggesting that access to information about financial issues has been especially restricted.<sup>10</sup> The lack of centralised registries of public financing is yet another obstacle affecting any effort to gather information on the financing of media by the public sector. When it comes to the public telecommunication companies, the situation is even more discouraging: both BH Telekom and HT Mostar treat information about media advertising as a business secret and do not show any readiness to share it.<sup>11</sup>

It is extremely worrying that the public insight into government-related financing of the media, despite its relevance, remains so limited. These issues are left with little monitoring within the institutional framework, as well. The set of problems related to financial relations between the state, public companies, media and advertising agencies has not been examined by any relevant state institution in a systematic manner, despite their crucial effects on the media system in terms of both its sustainability and the public interest role. On the contrary, the institutions remain sluggish in this regard, without relevant initiatives or even articulated opinion regarding these problems. For example, the relevant institutions do not provide opinions on the status of non-privatised, local public broadcasters, while the public audit offices are reluctant to engage in a

9 Secondary sources suggest that only 3 percent of institutions published budget information from 2012, 2013 and 2014 on their websites, with a similar number publishing information on realisation of the budget for 2012 and 2014. See more in the report published by Analitika in 2014, available at: [http://www.analitika.ba/sites/default/files/publikacije/dostupnost\\_informacija-factsheet03-2014.pdf](http://www.analitika.ba/sites/default/files/publikacije/dostupnost_informacija-factsheet03-2014.pdf) (accessed 18 October 2015).

10 See, for example, the report by CIN, 2015, available at: <https://www.cin.ba/odstupanje-od-slobodnog-pristupa-informacijama/> (accessed 16 October 2015). In the course of Media Observatory research, the Government of Republika Srpska provided information about financing of the media in 2014 and 2015 upon our request, but in response to requests submitted in previous years did not provide information but instead advised researchers to find the data in the Official Gazette, which is a questionable practice, given that the Official Gazette is available only to subscribers and in a format that is not easily searchable.

11 Indeed, in the Law on Public Companies of the Federation of BiH, Article 4, the information about finances, sales and marketing is listed under “business secrets”.

THE AVAILABILITY OF INFORMATION ON FINANCIAL RELATIONS BETWEEN STATE AND MEDIA IS RATHER LIMITED.

policy discussion that goes beyond the regular auditing.<sup>12</sup> Similarly, no indirect subsidies are provided for any media sector, such as reduction of Value Added Taxes for print media, leaving them to the mercy of market forces particularly unfavourable to this media sector.<sup>13</sup>

However, a relevant initiative related to financial transparency recently emerged from the Agency for Prevention of Corruption and the Coordination of the Fight Against Corruption (APIK), within the Strategy for the Fight Against Corruption 2015–2019 and Action Plan for the Fight Against Corruption 2015–2019 (adopted in May 2015), which explicitly specifies, inter alia, the demand for transparency of media financing coming not only from the public sector, but also from all major financiers.<sup>14</sup> Two actions are meant to assure the transparency of ownership and funding of media by the public sector (including direct financing and advertising), as well as publishing of information about other forms of financing.<sup>15</sup>

Yet, five months after the adoption there have still been no specific steps taken towards successful implementation of the action.<sup>16</sup> Moreover, despite the formal obligation to implement the actions, the Communications Regulatory Agency (CRA), which is meant to implement some changes, does not have specific plans for changing its rules to adjust to the new demands in 2015–2016,

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12 More precisely, the Audit Office of the Federation of BiH replied to our request that the Office do not provide opinions about financial relations between state and the media, beyond the regular process of auditing. In the reply to previous requests submitted to both the Communication Regulatory Agency and the Council of Competition of BiH, it is indicated that structural dialogue about the status of the public local broadcasters and its impact on the market and the communication environment remains neglected at the policy level.

13 Neither is VAT reduction welcomed by all members of the community in the country. A director of the advertising agency Fabrika and a member of the association of media industry UMI believes that the only way to assure sustainability is for print media to “differentiate the products, include supplements about the tourism offering of BiH, and the transport and electro-energetic infrastructure, which would be financed through state tenders” (written reply, 18 September 2015). Reduction of VAT can in fact be beneficial only to particular business interests, while not improving the public good. Two reductions of VAT in neighbouring Croatia have been interpreted as a triumph of particular financial interests, without significant benefits for public interests.

14 See the Strategy for the Fight Against Corruption 2015–2019 and Action Plan for the Fight Against Corruption 2015–2019, p. 43.

15 Actions 4.7.2 and 4.7.4 in the Strategy for the Fight Against Corruption 2015–2019 and Action Plan for the Fight Against Corruption 2015–2019, pp. 85–86.

16 In the reply received by APIK in September 2015, it is instead stated only that the institutions mentioned in the Strategy and Action Plan are obligated to implement the actions, and that APIK will monitor the implementation, provide support and report to the Parliamentary Assembly of BiH about the implementation.

STRATEGY FOR THE FIGHT AGAINST CORRUPTION 2015-2019 AND ACTION PLAN FOR THE FIGHT AGAINST CORRUPTION 2015-2019 (ADOPTED IN MAY 2015), EXPLICITLY SPECIFIES, INTER ALIA, THE DEMAND FOR TRANSPARENCY OF MEDIA FINANCING COMING NOT ONLY FROM THE PUBLIC SECTOR, BUT ALSO FROM ALL MAJOR FINANCIERS. HOWEVER, THE INITIATIVE DOES NOT YET APPEAR TO BE BACKED BY EFFICIENT IMPLEMENTING MECHANISMS AND THE NECESSARY INSTITUTIONAL SUPPORT.

nor does it have any authority over non-broadcasting media sectors.<sup>17</sup> The Strategy points to the importance of dealing with possible influence on editorial policies of media through corrupt financing patterns.<sup>18</sup> However, the initiative does not yet appear to be backed by efficient implementing mechanisms and the necessary institutional support.

## 2 DIRECT GOVERNMENT FUNDING FOR LOCAL BROADCASTERS: BOTH NECESSARY AND DISQUIETING

### 2.1 THE PECULIAR POSITION OF LOCAL PUBLIC MEDIA

There is high number of local public broadcasters in Bosnia and Herzegovina, i.e. radio and TV stations which have never been privatised and which are directly financed from the budget of the municipalities and cantons (see Table 1).

Table 1 TYPES OF BROADCASTERS IN BOSNIA AND HERZEGOVINA

	TV STATIONS	RADIO STATIONS	OVERALL
PUBLIC	12	61	73
PRIVATE	30	79	109
OVERALL	42	140	182

Source: Communications Regulatory Agency (CRA).<sup>19</sup>

Note: PSB (three RTV stations) were not included in the table.

17 Source: written reply by CRA, September 2015. The online register of CRA provides information on the name, address and director of broadcasters, but not on the owners or sources of revenue. CRA emphasised that they are in a position to request information on broadcasters' sources of revenue, but cannot publish these, since the data are not considered public. CRA also stresses that they were not consulted in the process of the adoption of the Action plan. There are other institutions/organisations identified as responsible for implementing these actions: journalist associations (however, these have even less capacity and no authority that would enable them to do so), inspectorates (which indeed could be more proactive in publishing their findings concerning media), courts (which could increase transparency of data on ownership and initial capital, but it remains unclear how they would improve transparency about revenue).

18 The Council for the Fight against Corruption in Serbia took a more active role in deciphering these patterns, and their reports from 2011 and 2015 revealing a number of illegitimate practices have profoundly shaken both the media sector and institutions. Perhaps BiH will need similar concretisation of the commitment to fighting corruption in media financing.

19 The licensee list in radio and TV broadcasting is available at: <http://rak.ba/bos/index.php?uid=1273787112> (accessed 4 October 2015).

The overall funding provided to these media by local authorities is believed to be substantial, some sources suggesting that it amounts to at least 8 million euro per year.<sup>20</sup>

The data from 2013 and 2014 on government funding for local TV stations show that this funding ranges from 56,856 euro for *TV Visoko* (in 2014) to 1.95 million euro for TV stations in the Sarajevo Canton. Incomplete data suggest that the public local TV stations alone directly received more than 4.2 million in 2013.<sup>21</sup> In small markets such as BiH, and especially since the local media environment has even more limited options for commercial income, state funding is considered as the only guarantee that these local communities will be provided with channels for mass communication. However, it is worrying that the political bodies that in theory should be under the scrutiny of these media are precisely the ones who decide on their revenues. In particular, the budget, including the part provided to local public media, is adopted by the local government, upon proposal by the Municipal Mayor/Cantonal Prime Minister. And while no mechanisms to minimise political interference are employed,<sup>22</sup> the status and the financing patterns of these media have not even been considered on the policy level for around a decade.

Direct funding to media outlets from local budgets also raises controversy with regard to the favourable position of the local public broadcasters when compared to commercial broadcasters, combined with alleged dumping of the prices of advertising, thus constituting possible illegitimate competition on the advertising market.

Furthermore, there are concerns about the programme of these media outlets. The programme requirements do not include production of news or any other programmes related to the specific local community, but they are required to broadcast certain types of programmes, such as news and educational

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20 The data were required from the entity governments, but they denied holding this information. The only available data about it in recent years were provided by Eldin Hadžović in the article: <http://www.media.ba/bs/magazin-medijska-politika-regulativa/majmun-na-javnom-servisuu> (accessed 1 October 2015).

21 The data are provided courtesy of the online magazine *Žurnal* which plans to publish more comprehensive data at the beginning of 2016. The data for 2013 included 10 out of 12 local public TV stations, while the data from 2014, received for 9 TV stations only, amount to 3.65 million euro. In addition to this regular funding from the budget for these public media, local governments allocate tens of thousands within different budgetary lines that, in part, refer to the media sector, such as media services, marketing and sponsorship, subsidies etc.

22 The good practices of direct budget funding mostly include multi-year funding, in order to avoid a situation in which the government can make funding conditional on favourable media reporting.

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content.<sup>23</sup> Overall, without monitoring of the content of these media, it remains unclear whether and how these media perform a public service role. The problematic financial dependence of these media on local governments has led to a common belief that they are operating as mouthpieces of the governing parties. Some sources report pressures on journalists and media when they do not seem to conform to the dominant political interests in the local community. *RTV Gorazde*, financed by the Bosnian-Podrinje Canton, has been mentioned in connection with the pressure they experienced in the middle of a local government crisis. Influence on the editorial policy was mentioned as having been exerted through managerial appointments, but the president of their trade union also reports having received phone calls threatening that the employees would be denied their salaries,<sup>24</sup> or pressure from the management not to engage in critical reporting.<sup>25</sup> The reduced financing of these broadcasters in 2014, officially justified under the general financial deadlock and budget cuts, was also seen as a continuation of such pressure, with the trade union representatives pointing to the disproportionate scale of the cuts, when compared to other institutions financed by the same canton. But more commonly, interference in editorial policies remains unspoken, and can even operate only on the level of self-censorship and conformism by the employees. As one of the employees of a local public TV station said, “One can feel the atmosphere that, given that it is a public company depending on the cantonal budget, you have to be submissive, in a way.”<sup>26</sup>

## 2.2

### REGULAR FINANCING OF PUBLIC NEWS AGENCIES

Similar concerns about political dependence pertain to two public news agencies regularly financed through entity budgets: the news agencies *Fena* and *Srna*. In 2014 and 2015 government funding to the *Srna* agency amounted to around 869,196 euro, and something over a million euro for the *Fena*

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23 The general requirements for public media apply to local public media as well, but they pertain to few aspects only - such as minimum of 40 percent of the programme being dedicated to news, informative and educational programmes, out of which 10 percent should be dedicated to issues concerning refugees and displaced persons in BiH, minorities and vulnerable categories. In addition, a minimum of 6 percent of programmes (for public TV stations), or 4 percent (for radio stations) should be dedicated to children’s programming (Rule 57/2011 on public television and radio stations, Article 3).

24 The employees were not paid for several months at the end of 2013. See, for example, the article at: <http://www.klix.ba/vijesti/bih/kantonalni-vlastodrsci-zele-televizije-za-vlastitu-promociju-a-novinare-ne-placaju/140131025> (accessed 4 October 2015).

25 See, for example, the article published at: <http://www.gorazdeonline.ba/v1/index.php/gorazde/novosti/item/916-sindikata-rtv-bpk-tvrdo-aktuelna-vlast-vrsi-ekonomski-i-politicki-pritisak-na-uposlenike> (accessed 4 October 2015).

26 Reply by the respondent of Media Observatory research, 2014. The informant’s identity has been withheld.

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agency (i.e. 1.348 million euro in 2013), with a relatively stable amount over the past several years,<sup>27</sup> as an indicator that financial pressure depending on current governing political structures is not practiced. Some reports indicate that the political influences in the appointments of the managers of the *Srna* agency have severely damaged the professionalism of this news agency.<sup>28</sup> When asked about the political influences over the *Fena* agency, the director Faruk Borić confirms that appointments are politicised, but he believes that the political influence in the functioning of this agency has not hindered its journalistic integrity.

Whatever the extent of the damage, the fact remains that no guarantees of editorial independence are in place. Borić also indicated that the commercial revenues of the agency are funnelled directly to the Federal Ministry of Finance, stressing that these revenues would have been better invested in the technological advancements at the agency.

### 2.3

#### DIRECT MEDIA SUBSIDIES CONTINUED UNTIL 2013, DESPITE SERIOUS CONTROVERSY

Currently, there are no specific subsidies for media outlets by government institutions, but the blatant disregard for transparency within the subsidies provided by the Government of Republika Srpska in the period 2009–2012 must be mentioned as a cautionary tale and an open threat. Namely, in this period more than 9 million euro were provided to several media in Republika Srpska, selected every year.<sup>29</sup> In the first years, the funding was nominally based on economic criteria, such as the number of employees, while in 2011, specific projects received funding.<sup>30</sup>

However, the allocation procedures had been criticised for unclear criteria, lack of transparency and questionable decisions on allocations, sometimes even published before the deadline for the submissions expired.<sup>31</sup> Some sources

27 As indicated in a phone conversation with the *Fena's* director, Faruk Borić, on 13 October 2015. Source for the 2013 data: the budget of Federation of BiH, available at: <http://www.fbihvlada.gov.ba/bosanski/budzet/2014.php> (accessed 9 November 2015).

28 See the open letter from the employees of *Srna*, reported in the article published at: <http://www.rtvbn.com/15997/srna-u-haosu> (accessed 18 October 2015).

29 Prior to 2009, the funding was mostly provided for the *Srna* press agency only. Source: Center for Investigative Journalism, article available at: <http://mediaobservatory.net/sites/default/files/bosnia%20and%20herzegovina.pdf> (accessed 21 September 2015).

30 The economic criteria are commonly used in European and other countries. Funding of private media by the state institution is present in at least 14 European media systems, as well as in the USA, Canada, New Zealand and Australia. See more in Schweizer et al, *Public Funding of Private Media*, Media Policy Brief 11, 2014.

31 This refers specifically to allocations from 2010, as reported by the Center for Investigative Journalism (CIN), article available at: <https://www.cin.ba/vladini-milioni-za-privatne-medi-je-u-rs-u/> (accessed 17 October 2015).

IN THE PERIOD 2009–2012 MORE THAN 9 MILLION EURO WERE PROVIDED TO SEVERAL MEDIA IN REPUBLIKA SRPSKA. ESPECIALLY DISQUIETING IS THE FACT THAT THE PRACTICES CONTINUED EVEN AFTER THE MAIN AUDIT SERVICE OF REPUBLIKA SRPSKA ISSUED AN AUDIT REPORT IN 2010, STRESSING INSUFFICIENT TRANSPARENCY AND CLARITY OF CRITERIA.

suggest that the subsidies were used to maintain control over the majority of media in Republika Srpska.<sup>32</sup> Especially disquieting is the fact that the practices continued even after the Main Audit Service of Republika Srpska issued an audit report in 2010, stressing insufficient transparency and clarity of criteria.

These developments demonstrated the lack of institutional mechanisms to tackle even the malpractices evidenced by the monitoring institutions. Although the media subsidies have been abandoned by the Government of RS since 2013, this was supposedly because of budgetary cuts, while nothing was done to ensure procedural guarantees for the legitimate and politically independent allocation of the funds.<sup>33</sup> Federal institutions have not yet provided similar subsidies, but with the lack of advanced regulations, similar practices remain an open threat across the country.

As noted earlier, municipal and cantonal governments also provide occasional funding for media for specific purposes – such as reporting on local government, on particular issues, for marketing etc., but all these data are neither centralised, nor regularly monitored nor proactively published. With 155 administrative units overall, the gathering of information becomes complicated, while monitoring by audit offices at the lower administrative levels is especially scarce, and any misuse is more likely to go unnoticed.

### 3 INFLUENCE OF POLITICAL STRUCTURES ON FUNDING OF PUBLIC SERVICE BROADCASTERS

Financial independence of public service broadcasters, including the state broadcaster *BHRT* and entity broadcasters *RTRS* and *RTVFBiH* is nominally assured through independent sources of revenue – mostly through collection of licence fees, and commercial income. Such a guarantee of independence, however, falls devastatingly short, given that the current licence fee regime is increasingly inefficient. A licence fee of around 3.8 euro must be paid by every household with a TV and/or radio receiver, and it is currently collected by telecom operators, as a part of landline phone bills. The amount collected has been continuously falling since 2009, mostly due to migration of phone users to other communication platforms, i.e. IPTV services. It is estimated that in 2014 alone,

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32 See, for example, IREX MSI reports, and statements by Željko Reljić and Suzana Mijatović in Hodžić, 2014, p. 141. Available at: <http://mediaobservatory.net/sites/default/files/bosnia%20and%20herzegovina.pdf> (accessed 21 September 2015).

33 On the level of Republika Srpska, a Methodology for Managing of Grants and Projects financed from the RS Budget was adopted in December 2014, and while it does not pertain to the media but only to non-profit organisations, it does include specification of the procedures and some mechanisms for independent decision-making.

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around 1.5 million euro was lost.<sup>34</sup> The last available data suggest that the collection rate is somewhat over 73.9 percent (in 2012), but this is a percentage of the invoiced amount, which means that the actual collection rate (that would include households using IPTV phone services) could be as low as 46.5 percent.

In addition, fee collection is significantly obstructed by the political elites. Thus, Croat political parties have been advocating refusal to pay the fee, based on the populist argument that the needs of Croats, as a constituent people within BiH, are marginalised in the existing PSB, and that thus additional PSB in the Croatian language should be established. The reasons for these demands have been questioned, but even more so the financial and administrative difficulties that already bedevil the functioning of PSB.

Overall, there is a lack of political interest in improving the financing model for PSB, but also in rationalising its organisation and functioning. The common Corporation that should be coordinating the work of three broadcasters, managing the digitalisation process, and possibly in part rationalising its operations, was never established. The share of the collected taxes – 50 percent to BHRT and 25 percent to each entity broadcaster –, although stipulated by the Law on Public Service Systems, does not function in practice. Overall, not only have the political elites failed to provide a better solution for fee collection, but no collection model has yet been agreed for the period after December 2015.<sup>35</sup>

With the changes to the Law on RTRS, adopted in 2013, a possibility for direct state funding was envisaged in case other sources are proven to be insufficient for its functioning, but it is considered merely a formal change, since RTRS was receiving financial support from the RS Government in the form of subsidies prior to 2013, while in 2015, for example, 153,387 euro was allocated to RTRS from the budgetary reserves.<sup>36</sup> It is feared that if no adequate solution for RTV fee collection is found, this new possibility could be used as an additional mechanism for political control, especially since the estimate of the amount needed for RTRS functioning is left to the discretion of the government.<sup>37</sup> The possibility of collecting RTV fees through electric bills was mentioned earlier, but since the directors of the electric companies are appointed by the government, the solution has so far depended on constant evasion of political will.

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34 See, for example, the article: <http://www.bljesak.info/rubrika/vijesti/clanak/tvpretplata-od-svibnja-skupljanje-novca-uz-racun-za-struju/108504> (accessed 23 October 2015).

35 The previous agreement with telecommunication companies that have been performing this role expired in mid-2015. Based on an agreement between PSB management and the telecommunication companies, the collection with phone bills will continue until the end of 2015.

36 Reply by the PR office of the Government of RS, General Secretariat, 16 September 2015.

37 See more in the article at: <http://www.gyka.com/novost/44968/jos-jedan-udar-na-slobodno-i-objektivno-novinarstvo-u-rs> (accessed 2 October 2015).

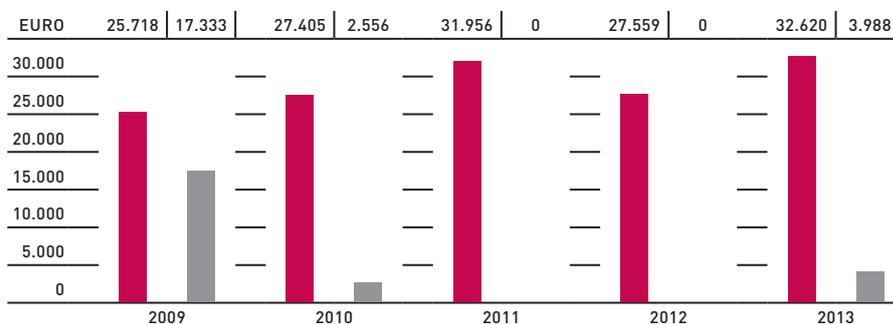
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The major controversies concerning such advertising are related to campaigns by public companies, which are controlled by specific political parties in power, and on some occasions to advertising campaigns contracted by particular entity ministries.

The public telecommunication companies BH Telecom and HT Mostar are the major national advertisers. They are considered to be under strong political control, assured primarily through appointment of managers closely affiliated with major political parties in the Federation of BiH.<sup>38</sup> The advertising practices of these companies are believed to be instrumental for particular political goals, while also being open to particular financial misuse. The latter was exemplified in the context of a story reported by the magazine *Slobodna Bosna*. The magazine reported on excessive advertising contracts between HT Mostar and the SV-RSA advertising agency, as a means of money laundering. After the first reports published in 2010, *Slobodna Bosna* suffered a dramatic drop in advertising accrued from HT Mostar (see Chart 1).<sup>39</sup>

INCREASINGLY DEPENDENT AND  
DISCIPLINED MEDIA

Chart 1 SLOBODNA BOSNA (FRC) (■ BH TELECOM, ■ HT MOSTAR)



Source: MIB, AD Index.<sup>40</sup>

The judicial process concerning the case began in 2014, and on May 2015 the charges against the managers of HT Mostar Stip Prlić and Zoran Bakula, together with the director of the SV-RSA advertising agency, Neven Kulenović, were finally confirmed by the Prosecutors Office of BiH, on account of alleged misuse of power and bribery involving 3.8 million euro.<sup>41</sup>

MAJOR CONTROVERSIES  
ARE RELATED TO  
CAMPAIGNS BY PUBLIC  
COMPANIES, WHICH  
ARE CONTROLLED BY  
SPECIFIC POLITICAL  
PARTIES IN POWER, AND  
ON SOME OCCASIONS  
TO ADVERTISING  
CAMPAIGNS  
CONTRACTED BY  
PARTICULAR ENTITY  
MINISTRIES.

38 By contrast, the major telecommunication company in RS, Telecom Srpske, is not owned by the local government; instead the majority of ownership is held by Telecom Serbia (with the Serbian government being the major owner).

39 See more in Hodžić, 2014, pp. 145–147.

40 The data are from previous years of Media Observatory research, but they are used here for illustration of the general patterns.

41 The case is known under the name Gibraltar, given that the money was funnelled into personal bank accounts from a company based in Gibraltar.

The changes in the advertising practices due to particular political interests can be illustrated by the case involving the dramatic drop in advertising money allocated to *Dnevni avaz* by BH Telecom. Namely, when the director of *Dnevni avaz* started a political party and engagement based on antagonism towards the SDA party (affiliated with BH telecom), BH Telecom dropped the value of advertising contracts in 2011 to only around 3.4 percent of the amount provided in 2009.<sup>42</sup> These are considered only examples of general trends related to the instrumentalisation of advertising practices, but newer examples are hard to find, given that similar disputes with major advertisers cannot be afforded by most of the media, and so any misconduct that might happen stays behind closed doors. The lack of transparency in the data on advertising from these public companies is overpowering, with any information on the amounts allocated to media, selection of media etc. being treated as a business secret.<sup>43</sup> Some sources are also convinced that a part of the money invested by these public companies for advertising campaigns is in fact channelled towards the electoral campaigns of affiliated political parties.<sup>44</sup>

Occasional advertising campaigns by public institutions, i.e. particular entity ministries, have similarly been criticised for alleged misuse involving promotion of particular political options, disregard for procurement procedures and allocation of money to media and advertising agencies loyal to a particular political party.<sup>45</sup> However, in 2014 and 2015 campaigns by public institutions have been rare and small, and thus have attracted less public attention.

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42 From 118,959 euro in 2009 to 4,028 euro in 2011.

43 BH Telecom replied on 19 September 2015, stating that all these issues are in the domain of business secrets. A similar reply came from HT Mostar, who only provided the information that they are currently cooperating mostly with the Universal Media advertising agency (14 September 2015). We also asked for any information on these relations from Audience Measurement Ltd, which is currently doing monitoring of advertising, but so far have not received any reply.

44 Samra Lučkin, Director of the Boram agency, OSCE Conference, September 2013; these suspicions are further strengthened on account of the lack of transparency and shady practices behind the financing of political parties and election campaigns. See more at: <http://ti-bih.org/wp-content/uploads/2014/05/Finansiranaje-politickih-partija-pred-Opste-izbore-2014-.pdf> (accessed 18 October 2015).

45 One of the major campaigns in 2012 implemented by the Ministry of Agriculture, Water-Management and Forestry of FBiH, worth approximately 3.37 million euro, was heavily criticised for its disregard for procurement procedures, allocation of funds to media and advertising agencies friendly to the political party of the Minister, and in sum for being a promotion of the political party instead of a promotion of domestic agriculture.. This was not an isolated case, given that a previous campaign “It is not late for a better life”, implemented by the public company Elektroprivreda and the Ministry of Energy, Mining and Industry of FBiH in 2010 was also considered to have been misused for promotion of a political party, or before that, the promotional video “Proud of Srpska” which was perceived to have placed an inadmissible emphasis on the alleged accomplishments of the ruling party SNSD.

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While the Federal Government reported no such campaigns, only the Ministry of Agriculture, Forestry and Water-Management in Republika Srpska allocated a smaller amount of around 28,946 euro to ten media outlets on the territory of Republika Srpska.<sup>46</sup>

## 5 INSPECTIONS AS A MEAN OF DISCIPLINING MEDIA AND RELATED ACTORS

Intensified inspectorate controls are considered an established pattern for pressuring the media and related actors. Some members of the media community believe that the treatment of media in terms of their obligations towards the state is not equal, and that some media, primarily the public ones, are allowed to carry debt for longer periods of time, based on affiliation of managers with the local governments.<sup>47</sup> As in the abovementioned aspects of media financing, police searches and inspectorate controls are believed to be occasionally instrumentalised for particular political and business interests. When the police burst into the premises of the online media outlet *klix.ba* at the very end of 2014, this was seen as politically motivated and an unjustified infringement of media freedom in which the anonymity of information sources was severely jeopardised. The raid happened after *klix.ba* published a leaked audio with a recording of the Prime Minister of Republika Srpska talking about bribing two Members of Parliament in order to achieve a parliamentary majority.<sup>48</sup>

Another possible example of these practices occurred when *TV 101* from Sanski Most was subjected to eight inspections in May 2014, and finally in January 2015, upon the decision of the cantonal market inspector regarding alleged failure of the TV station to implement a fiscal system, the offices of *TV 101* were closed down. The director of this private TV station, however, claimed that these inspections were tendentious and that they followed the municipal government's accusation that *TV 101* had been one of the organisers of the mass citizen protests in February 2014. For this reason, the municipality terminated its previous cooperation agreement with this broadcaster.<sup>49</sup> Some older cases also involved allegations that inspection controls had been motivated by

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46 Source: Reply by the Government of RS, 16 September 2015.

47 As stated by Reuf Herić, president of the Managerial Board of the Association of private electronic media BIH – PEM, written reply, 30 September 2015.

48 Similarly, the police raid on the building of *BN* television in 2010 was by some sources considered as politically motivated, given that *BN* television nurtures a he somewhat critical stance towards RS Government.

49 See more at: <http://zurnal.ba/novost/18649/gradani-sprijecili-zatvaranje-ntv-101-osam-inspekcija-u-televiziji-osumnjicenoj-za-februarske-proteste> and <http://zurnal.ba/novost/18664/sanski-most-zapecacena-ntv-1-priveden-protestant-gradonacelnik-na-odmoru> (accessed 18 October 2015).

particular business interests within the media market and related industries.<sup>50</sup> These examples outline a possible common pattern of confining media and related actors within the range of dominant political and business interests.

## 6 CONCLUSIONS

Particular political and business interests seem to overpower any notion of public interest in the financial relations between government and the media.

The public interest that these financial patterns should in theory serve remains under-articulated and unmonitored with a lack of clear criteria, transparency and developed remedial mechanisms. Minimum guarantees of political independence are not provided in the schemes of government funding for media, with political bodies directly deciding on the allocation of funds. While some secondary sources suggest that public funding in other countries results in more diverse content and perspectives, or more accountability for government performance,<sup>51</sup> this can hardly be the case in Bosnia and Herzegovina, where the funding decisions are made directly by the politicians that should be under media scrutiny.

Transparency of information about the patterns of financial relations between media and government is highly limited. The information on funding of media is hard to access, since publishing of these is not proactive and the disparity of information corresponds with the complexity of administrative structure. Information about the advertising practices of public telecommunications companies is especially hard to obtain, given that this is mostly treated as a business secret. The controversial practices range from accusations of rewarding loyal media through grants and advertising contracts, hindering the financial sustainability of PSB, and disciplining media through inspections, all in the service of particular business and political goals.

The set of issues concerning financial relations between the state and the media remains neglected at the policy level, and these issues are not even being investigated, let alone improved through specific policies. A recent initiative

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50 Most notably, in the course of previous research by the Media Observatory partnership, the director of Mareco Index Bosnia reported her conviction that three inspection controls to which this company was subjected at the beginning of 2012 were part of the overall pressure aimed at creating uncertainty on the advertising market, from which “someone should certainly profit”. However, the inspectorates did not issue any unfavourable decisions concerning the company.

51 See Benson and Powers, *Public Media and Political Independence: Lessons for the Future of Journalism from Around the World*, New York University, Free Press, 2011. Available at: <http://www.freepress.net/sites/default/files/stn-legacy/public-media-and-political-independence.pdf> (accessed 24 August 2015).

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involving demands for greater transparency of these relations does not have much chance without the necessary support and implementing mechanisms.

The trends are worrying, since the media are becoming increasingly dependent on state financing. Such dependence leads to a de-antagonisation of the journalistic drive. As Leila Bičakčić, director of Center for Investigative Journalism from Sarajevo said, in the contemporary media environment “the only solvent firms are those close to the political structures.”<sup>52</sup>

## 7 RECOMMENDATIONS

These gloomy trends can be reversed only by decisive and comprehensive policy reforms and changes in practice, which demands involvement by state institutions, civil society actors and media professionals, in order to efficiently restore public interest in the relations between the state and the media.

Policies concerning government funding for media should be developed to advance several major aspects of financial relations between media and the government:

1. Government institutions should be proactively publishing information related to media financing. All governmental institutions should be required to proactively publish such information, including regular budget funding, subsidies and advertising, which can be advocated in the context of implementation of the newly adopted Strategy and Action Plan for the Fight against Corruption. APIK can have an important role in advocating these changes. Transparency requirements can also be introduced as a required part of the internal statutes of institutions, through possible changes to the Law on Public Companies to increase transparency of advertising practices, etc.
2. Media outlets should publish information on any type of funding coming from government institutions.<sup>53</sup> The rules and practices of the Communication Regulatory Agency can be changed in order to publish such information in the centralised register of broadcasters administered by CRA. Furthermore, the association of media outlets can introduce this requirement for their members. APIK can play an important role in advocating these changes.
3. The government funding for media should categorically be developed around the criteria of public interest. The inclusion of the criteria of public interest should be an obligatory requirement for every type of funding (grants and advertising) and every government institution.

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<sup>52</sup> Written reply, September 2015.

<sup>53</sup> Such a requirement was recently introduced in Serbia, but it is still not fully implemented.

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4. Common understanding on all state levels of what makes “public interest” in these funding schemes should be assured. State and entity governments, as well as public institutions such as APIK and CRA can each play an important role. Public interest should be specified in order to limit misuse of this funding, but also should allow for a wide range of particular aspects of the public interest, depending on priorities in the specific community.
5. Allocation of government subsidies should be made on a competitive basis, under a public call, and within the above criteria of public interest, regardless of the type of media. In addition, the results of the any funded projects should be monitored and taken into account in future government funding.
6. Political bodies should not directly make decisions on government funding for media, in order to prevent political instrumentalisation. The possibility of introducing an independent body, a committee including a wide range of social actors, should be explored and advocated; alternatively, a media regulator could lead the decision process.
7. Independent public funding for the production of content with public relevance should be provided at the state level. Part of the income collected from the telecommunication licence, or part of the collected VAT could form the basis for such funds.
8. Part of the government funding to the media should be directed towards support for training and permanent education of media professionals in terms of journalism and business skills. This can be done through support for professional associations or media training organisations.
9. The Council of Competition, the Communications Regulatory Agency, as well as media representatives and association should jointly reconsider the status of local public media and identify the best way to provide the missing guarantee of editorial independence, as well as to ensure the public interest role of these media outlets. One such guarantee of editorial independence could be multi-year funding, which would prevent funding from being made conditional on editorial support for particular political elites and affiliated business actors.
10. The capacity of audit offices to monitor these financial relations should be strengthened, but institutional mechanisms for implementation of the audit recommendations should also be developed. Such a mechanism could, for example, include meticulous monitoring and publishing of information about the implementation of the crucial recommendations from audit offices. This information should be monitored and published within the institutional framework, but also by civil society organisations and the media.
11. The state Parliament, in consultation with the managerial boards of the three public service broadcasters, should urgently find an efficient solution for the collection of RTV fees. Collection through electric bills should again be considered. In addition, to prevent further financial deterioration of PSB, an efficient share of the collected fee should be guaranteed, and finally the rationalisation of the system should be enacted.

For the introduction of these changes, a comprehensive policy dialogue is needed. Some of the institutions that should take part in the introduction of needed changes are the Ministry of Communication and Traffic BiH, equivalent ministries on the entity level, the Parliamentary Assembly of BiH, the Parliamentary Assembly of FBiH (in particular the Information Committee), the National Assembly of Republika Srpska (in particular the Education, Science and Information Committee), and finally the Communication Regulatory Agency. APIK could be a key agent in campaigning for the necessary changes, especially in the context of the newly adopted Strategy and Action plan for the fight against corruption. Civil society actors and the media community itself can substantially contribute by engaging, suggesting solutions and championing change.

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IN BOSNIA AND HERZEGOVINA**

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