

## STATE-MEDIA FINANCIAL RELATIONS IN MACEDONIA

# MEDIA FREEDOM CURBED WITH PUBLIC MONEY

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### INTRODUCTION

Over the years, the Macedonian authorities have grown fairly familiar with methods of financial support for media outlets, using funds allocated from the national budget. The results of this obvious misuse have been even more evident in the media market in recent years.

The funds allocated to the media by the government increased over the years, and at the same time, the corrupt and clientelist relationships grew stronger. Furthermore, new legal mechanisms for subsidizing the media were introduced, enabling government influence over and control of editorial policies.

Many media, especially commercial TV channels with national coverage, are beneficiaries of the state advertising funds that entail advertising on behalf of the government, the ministries, public enterprises and agencies, as well as the local self-governments. Since 2014, the government subsidies for production of a domestic film and documentary program by commercial and public service broadcasters have been introduced. At the same time, the public service broadcaster *Macedonian Radio Television (MRT)* obtains revenues from the state budget on several grounds. The circulation of pro-government newspapers is artificially increased, inter alia, owing to their distribution to public and state institutions.<sup>1</sup> Several cases were disclosed in 2014 wherein media outlets received funds directly from the government.<sup>2</sup>

By providing such financial benefits, the government creates a network of servile media outlets that report in its favour. Media market is so weak that the bare existence of some media outlets depends on the government funds. The corruption of media with public money became so normalised, that young journalists attending a training course identified “government advertising” as “the most important component for the development and growth of a media outlet”.<sup>3</sup>

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1 Information contained in intercepted material disclosed by the opposition in 2015.

2 MediaPedia (media ownership database), “Televiziski let nad zakonite so kerozin od vladini reklami,” 2015.

3 Blaževska, “Vladinite reklami – alfa za ureduvačkata politika, omega za nezavisnosta,” *Deutsche Welle* (in Macedonian), 23 September 2014.

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This situation has been reflected in the editorial policy, the fall in professional and ethical standards in the newsrooms, as well as in culture of fear and self-censorship among journalists.

## 1 TRANSPARENCY OF FINANCIAL MECHANISMS

Lack of transparency of financial mechanisms for allocation of the state funds to the media in Macedonia is a prerequisite for effectively maintaining corrupt business and political relations.

There are no clear and precise criteria on the distribution of government advertising to the media, partly because of the inadequate and perplexing legislation. The share of the central and local authorities as well as of the public institutions, agencies and enterprises which are part of the advertising media market through government advertising has been one of the best kept state secrets in recent years.<sup>4</sup> The journalists who investigated the subject were given the response that it was a matter of “classified information” for which they needed security clearance.<sup>5</sup> Although the regulatory body, within its regular analyses, has recently been estimating the share of the government in the advertising market, accurate figures are known only to the government.

In 2014, the government released the information on its campaign expenditures of 18 million euro for a period of two and a half years, but failed to provide details on the amounts allocated to particular media and the criteria used for distribution of the funds. In July 2015, the government declared a moratorium on government advertising. However, the campaigns continued to be broadcasted on *MRT*, free of charge and in significant numbers.

Furthermore, the subsidies for production of domestic documentary and film programmes are allocated in the same unclear and non-transparent manner, while *MRT* is a non-transparent institution regarding both the work of the governing bodies and its financial operation.

This report will focus on three financial mechanisms through which the government supports the media: state advertising, subsidies for production of film and documentary programmes and assistance that *MRT* receives from the national budget. The research was conducted in the period from August to October 2015, using several qualitative methods for collecting and analysing data: in-depth interviews with journalists and media professionals, representatives of media organisations and the media industry, as well as qualitative analysis of legislation, official documents of state institutions and other relevant

4 Ordanoski, *Buying love with public money*, Flash Report 5: Macedonia, SEE Media observatory website, 2014. Available at: <http://mediaobservatory.net/radar/flash-report-5-macedonia>. Accessed 5 August 2015.

5 Interview with Meri Jordanovska, journalist, *BIRN Macedonia*, 15 September 2015.

THERE ARE NO CLEAR AND PRECISE CRITERIA ON THE DISTRIBUTION OF GOVERNMENT ADVERTISING TO THE MEDIA, PARTLY BECAUSE OF THE INADEQUATE AND PERPLEXING LEGISLATION. THE SHARE OF THE CENTRAL AND LOCAL AUTHORITIES AS WELL AS OF THE PUBLIC INSTITUTIONS, AGENCIES AND ENTERPRISES WHICH ARE PART OF THE ADVERTISING MEDIA MARKET THROUGH GOVERNMENT ADVERTISING HAS BEEN ONE OF THE BEST KEPT STATE SECRETS IN RECENT YEARS.

research. Information was also requested from the state bodies using the freedom of information legislation.

## 2 STATE ADVERTISING

The advertising market in Macedonia is weak and lacks resources. The estimated market value of 40–50 million euro is insufficient to sustain the large number of media, 140 of which are broadcasters.<sup>6</sup> Not only have most media continued to operate in the poor market for years, but also interest in establishing new broadcasters does not seem to wane. Many media have managed to survive as a result of the unfair competition created through political clientelism and financial incentives from the government, political parties and the economic entities related to them.

There are no accurate and reliable figures available on the size of the media advertising budget in Macedonia. According to the Agency for Audio and Audiovisual Media Services (AAAVMS), all broadcasters (commercial and public) generated total revenues of 3,176,740,000 MKD (around 52 million euro) in 2014.<sup>7</sup> The advertising revenue in the TV broadcast sector, commercial and PSB, was around 26 million euro.

Television remains the most influential media in Macedonia.<sup>8</sup> It is the most attractive media for commercial advertisers, but also for advertising by the government and political parties.

The ruling party, VMRO-DPMNE,<sup>9</sup> has been taking up media space more aggressively since 2008. The analyses show a steady increase in the funds allocated by the government and the ruling party from the state budget to finance public campaigns in the media.<sup>10</sup> From 2008 to 2013, the government was among the top five advertisers in the advertising market, with the exception of 2010, when it ranked 18<sup>th</sup>. The ruling party, VMRO-DPMNE, also appears on the list of the 50 heaviest media advertisers. In 2013, the government and VMRO-DPMNE had a 7.8 percent share in the total number of advertisements. According to some estimates, the total of the budget funds spent on advertising by the government and the ruling party, as well as those of public enterprises, agencies and local authorities, makes the government the largest advertiser in

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6 According to the media register on the website of the AAAVMS, in October 2015, there were 66 TV and 76 radio broadcasters.

7 The regulatory body keeps records and only estimates the revenues of the broadcasters.

8 AAAVMS, *Analiza na pazarot na audio i audiovizuelni mediumske usluzi za 2014 godina*, 2015, p. 7.

9 VMRO-DPMNE has been in power for nine years since winning the elections in 2006.

10 Analyses of the market of broadcasting activity from 2008 to 2014.

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IN 2013, THE GOVERNMENT AND VMRO-DPMNE HAD A 7.8 PERCENT SHARE IN THE TOTAL NUMBER OF ADVERTISEMENTS. ACCORDING TO SOME ESTIMATES, THE GOVERNMENT IS THE LARGEST ADVERTISER IN THE TELEVISION MARKET. IT CONTROLS 15-20 PERCENT OF THE TOTAL ADVERTISING REVENUE OF THE MEDIA.

the television market in Macedonia. It controls 15–20 percent of the total advertising revenue of the media.<sup>11</sup>

Table 1 THE GOVERNMENT AND THE RULING PARTY AMONG THE 50 HEAVIEST ADVERTISERS

YEAR	GOVERNMENT OF RM		VMRO-DPMNE	
	POSITION	SHARE (%)	POSITION	SHARE (%)
2014	NO DATA	NO DATA	NO DATA	NO DATA
2013	2 <sup>ND</sup> PLACE	5.00	5 <sup>TH</sup> PLACE	2.84
2012	1 <sup>ST</sup> PLACE	4.00	11 <sup>TH</sup> PLACE	1.75
2011	4 <sup>TH</sup> PLACE	2.50	23 <sup>RD</sup> PLACE	1.00
2010	18 <sup>TH</sup> PLACE	/	46 <sup>TH</sup> PLACE	/
2009	5 <sup>TH</sup> PLACE	/	13 <sup>TH</sup> PLACE	/
2008	2 <sup>ND</sup> PLACE	/	38 <sup>TH</sup> PLACE	/

Source: AAVMS, Analyses of the broadcasting market for 2008–2013.

No official data is available on the ranking of the government on the list of the heaviest advertisers in 2014. The regulator, AAVMS, failed to publish this data in the 2015 analysis, unlike the previous years. The director of the AAVMS, Zoran Trajčevski, explained that the media research agency based the analysis on the official price lists of the broadcasters, without calculating the discounts. Therefore, the calculations are not accurate. Since the regulator had no information on the size of the discounts, this data was omitted from the 2015 analysis.<sup>12</sup>

In 2014, the government published on its website sparse data on campaigns conducted to “inform the citizens.” According to the data therein, in the period 2012–2014, the government implemented 27 campaigns and spent approximately 18 million euro, or more precisely 6,615,609 euro in 2012, 7,244,950 in 2013 and 3,985,500 euro in the first half of 2014.<sup>13</sup>

The analysis of the Association of Journalists of Macedonia (AJM), however, shows that from October to December 2014 the central government and the local self-government bodies invested a total of 5,306,107 euro in the electronic media and a total of 657,759 euro in the eight daily and three weekly newspapers.<sup>14</sup> The amount of nearly 6 million euro is the gross sum, since the prices were calculated on the basis of the official price lists of the television broadcasters, not taking into account the discounts.

The Macedonian Media Association (MMA)<sup>15</sup> reacted strongly to the information that the funds paid by the government were drastically lower than ones

11 Ordanoski, *Buying love with public money*, Flash Report 5: Macedonia, SEE Media Observatory web site, 2014. Available at: <http://mediaobservatory.net/radar/flash-report-5-macedonia>. Accessed 5 August 2015.

12 Jordanovska, “Agencijata za medijumi gi premolči najgolemite oglasuvači na televiziite,” *Prizma*, 18 August, 2015.

13 Informing Citizens’ Matrix, data available at the web site of the Government of RM at: <http://vlada.mk/node/9241>. Accessed 1 September 2015.

14 AJM, *Javnite pari vo medijumskiot prostor*, 2015.

15 Association that has the five national commercial TV channels as members – *Sitel*, *Kanal 5*, *Telma*, *Alfa* and *Alsat-M*.

declared,<sup>16</sup> but the accurate sum remained undisclosed. *Alsat-M TV* was the only TV station to provide the information that the revenue they generated from government advertising in 2014 did not exceed 150,000 euro in total, as opposed to AJM's calculation of 472,000 euro for just three months in the same year.<sup>17</sup>

## 2.1

### FINANCIAL INJECTION FOR "ELIGIBLE" MEDIA

The allocation of the government advertising campaigns to the media cannot be explained by any economic rationale, but it rather serves as a financial injection for *eligible* media. The government's claims that the campaigns are conducted according to a media plan proposed by the marketing agencies, based on the criteria of viewership and ratings, while also taking into consideration the structure of the viewers, readers, target groups and forms of advertising, are not convincing.<sup>18</sup>

The marketing agencies seem to serve as a crucial link between the government and the media. According to our source, the agencies usually propose a media plan with *tested combination* of media, i.e. media that are known as pro-governmental. Such practice signifies a form of self-censorship by the marketing agencies.<sup>19</sup> Furthermore, there have been cases when the media plan was returned to the marketing agencies with the names of certain media outlets added or crossed out.<sup>20</sup> There are also claims that the government first negotiates with the media directly and agrees on the discounts, and then formally selects the marketing agencies through public bidding, as required by the Law on Public Procurement.<sup>21</sup>

Receiving the state advertising is a matter of survival for many media. To some national broadcasters, the abolition of government or political advertising during election campaigns<sup>22</sup> would result with dismissing journalists and reducing staff because of decreased revenue.<sup>23</sup> However, as it is emphasized by a marketing expert, "the commercial television stations are in private ownership

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16 Kanal 5, "MMA: ZNM i Selmani pravat tendenciozna 'analiza' so cel da ja urne doverbata vo televiziite," 29 May 2015.

17 Alsat-M, "Sumite dobiени od vladini reklami od desetkratno pomali od oni koi gi navede ZNM," 28 May 2015.

18 Ibid.

19 Interview with an anonymous manager of a marketing agency, 23 September 2015.

20 Interview with Meri Jordanovska, journalist, *BIRN Macedonia*, 15 September 2015.

21 Interview with an anonymous manager of a marketing agency, 23 September 2015.

22 This reflects the stands of civil society organisations MIM and AJM. See more in Trpevska and Micevski, *Zošto e važen integritetot na mediumite*, MIM, 2014; and AJM, *Analiza na mediumskiot sistem vo Makedonija*, 2015.

23 Although we did not receive a response to our questions submitted to MMA, the positions referred to in the article were stressed by some representatives of MMA on several public occasions in September and October 2015.

/.../ and should primarily operate commercially i.e. have other clients. They should not rely only on government funding.”<sup>24</sup>

The data about the government media campaign expenditures, released in 2014, disclose disregard for standard criteria. *Alfa TV* ranks first according to the number of advertisements broadcast during each of the eight campaigns carried out in the course of 2012, despite having a viewership share of only 3.13 percent. In 2013, again, *Alfa TV* gets a record number of advertisements in 10 out of 12 conducted campaigns,<sup>25</sup> notwithstanding that its viewership share is only 3.20 percent. In 2013, *Alfa TV* broadcasted 5,295 government advertisements, compared to the total of 3,874 advertisements broadcast on the other four commercial television stations. In the first half of 2014, *Alfa TV* also reached a record-breaking 30 percent of the total number of government advertisements broadcast on all five commercial television stations.<sup>26</sup>

*Alfa TV*, which was founded in 2008 as a satellite television station and was close to the opposition party, SDSM, experienced a change of ownership in 2013. It simultaneously changed its political orientation and began to prosper. In May 2013, *Alfa TV* started broadcasting via a terrestrial transmitter, it also received the biggest number of government advertisements and generated the highest revenues in its existence – around 85 percent more than in 2012,<sup>27</sup> even though it had been broadcasting via a terrestrial transmitter for only six months.

In contrast, *Sitel TV* had the highest audience ratings over the past several years (28 percent in 2013 and 29 percent in 2012),<sup>28</sup> as well as the highest advertising revenue in the market.<sup>29</sup> However, it obtained the smallest number of government advertisements in the period 2012–2014.<sup>30</sup>

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24 Interview with an anonymous manager in a marketing agency, 7 September 2015.

25 Informing Citizens’ Matrix, data available at the web site of the Government of RM at: <http://vlada.mk/node/9241>. Accessed 1 September 2015.

26 MediaPedia (media ownership database), “Televiziski let nad zakonite so kerozin od vladini reklami,” 2015.

27 Ordanoski, *Buying love with public money*, Flash Report 5: Macedonia, SEE Media observatory website, 2014. Available at: <http://mediaobservatory.net/radar/flash-report-5-macedonia>. Accessed 5 August 2015.

28 AAVMS, *Analiza na pazarot na radodifuznata dejnost za 2013 godina*, 2014, and Broadcasting Council of RM, *Analiza na pazarot na radodifuznata dejnost za 2012 godina*, 2013.

29 AAVMS, *Analiza na pazarot na audio i audiovizuelni mediumske usluzi za 2014 godina*, 2015, pp. 22–23.

30 The website of the Government of the Republic of Macedonia; and MediaPedia (media ownership database).

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IN 2013, ALFA TV EXPERIENCED A CHANGE OF OWNERSHIP AND POLITICAL ORIENTATION. CONSEQUENTLY, IT BEGAN TO PROSPER: IT RECEIVED THE BIGGEST NUMBER OF GOVERNMENT ADVERTISEMENTS AND GENERATED THE HIGHEST REVENUES IN ITS EXISTENCE .

Table 2 REVENUES AND VIEWERSHIP OF TV BROADCASTERS IN 2014

	TOTAL REVENUE		ADVERTISING REVENUE		SHARE IN THE ADVERTISING REVENUE	VIEWERSHIP SHARE
	MILLION MKD	MILLION EUR*	MILLION MKD	MILLION EUR*	%	%
MTV1	1,325.61	21.555	48.48	0.788	4	MTV 1 5.0 MTV 2 0.8
SITEL	538.29	8.753	526.77	8.565	44	25.2
KANAL 5	276.86	4.502	253.30	4.119	21	16.4
ALSAT M	164.25	2.671	149.05	2.424	12	5.1
ALFA	162.71	2.646	150.50	2.447	13	4.6
TELMA	92.22	1.500	70.89	1.153	6	1.8
TOTAL	2,559.940	41.625	1,198.96	19.495	100	

\* THE VALUES IN EURO ARE APPROXIMATE ESTIMATIONS MADE BY AUTHORS ON THE BASIS OF THE AMOUNTS IN MKD.

Source: Analysis of the audio and audiovisual media service market for 2014. Source for viewership shares: AGB Nielsen Media Research.

Some TV broadcasters allegedly receive government funding in other ways. The recordings of the intercepted conversations disclosed by the opposition in 2015 reveal the corrupt relationships between high officials of the ruling party and the owners and editors-in-chief of some commercial media. One recording contains an account of a confession by the editor-in-chief of a commercial TV channel, saying that “each of us enjoys benefits from this government... and I would like to return the favour.” In the same conversation, a high-ranking government official states that two commercial television stations receive funding, of which one receives an amount of 2 million euro annually.<sup>31</sup> Journalist investigations point out that in some cases the government has made payments directly to media outlets.<sup>32</sup>

The ownership and the political inclination of the media as a crucial factor in determining their revenue proved to be a functional model at a regional level as well. Consequently, in 2014, a dozen television stations started receiving hundreds of government advertisements more than other stations, after transferring from local to regional broadcasting and changing ownership.<sup>33</sup> In that way, the government campaign “Explore Macedonia” was aired between 33 and 140 times on most of the local and regional media, whereas on some regional TV channels, this campaign was broadcasted 1,139 times.<sup>34</sup>

Around 40 regional and local broadcasters appeared as major contributors to the election campaign of the ruling party VMRO-DPMNE during the 2014 early parliamentary elections. Donations take the form of a service or a discount

31 Transcript from intercepted materials published by the opposition party, SDSM, in February 2015.

32 MediaPedia (media ownership database), “Televiziski let nad zakonite so kerozin od vladini reklami,” 2015.

33 MediaPedia (media ownership database).

34 MediaPedia (media ownership database), “Nova mediumska žetva vo vladiniot reklamen kombajn,” 2014.

THE RECORDINGS OF THE INTERCEPTED CONVERSATIONS DISCLOSED BY THE OPPOSITION IN 2015 REVEAL THE CORRUPT RELATIONSHIPS BETWEEN HIGH OFFICIALS OF THE RULING PARTY AND THE OWNERS AND EDITORS-IN-CHIEF OF SOME COMMERCIAL MEDIA.

on the price for broadcasting political advertisements.<sup>35</sup> Only six media outlets gave discounts to the oppositional SDSM campaign, including several media critical to the government such as TV channels *Telma* (4,200 euro) and *24 Vesti* (8,500 euro), and a daily newspaper *Sloboden pečat* (4,400 euro).<sup>36</sup>

The major pro-governmental television channels did not give donations in 2014, unlike 2013, when during the local elections *Alfa*, *Kanal 5* and *Sitel* donated services between 77,000 and 161,000 euro. At the same time the company MPM that owns three newspapers, *Dnevnik*, *Utrinski vesnik* and *Vesti*, donated around 250,000 euro. Because of this practice, in 2014, amendments to the law were adopted to limit the media donations to political campaigns to a maximum of 50,000 euro. Furthermore, media donations to election campaigns of political parties have been completely prohibited with the changes in the Electoral Code, adopted in November 2015.

### 3 GOVERNMENT SUBSIDIES FOR DOMESTIC TV PRODUCTION

Subsidies for domestic production represent a new financial mechanism in Macedonia by which the government stimulates production of high quality film and documentary programming. In 2014, the Law on Audio and Audiovisual Media Services was amended in a shortened procedure obliging commercial national television broadcasters to produce and broadcast at least 10 hours of documentary programming and at least 20 hours of domestic film programming by 25 November of the current year (Article 92, paragraphs 8, 9). *MRT*, on the other hand, shall produce 30 hours of domestic documentary programming and 30 hours of domestic film programming within the same period of time.

According to the new mechanism, the national broadcasters, already the wealthiest actors in the media market, receive state subsidies for the production of domestic programming in the amount of a maximum 50 percent of the total costs. In 2014, the maximum subsidy rate per hour of documentary programming was 137,500 MKD (around 2,254 euro) and 338,461 MKD (around 5,548 euro) for film programming, respectively.<sup>37</sup> In 2015, the maximum subsidy rate was reduced to 107,500 MKD (around 1,760 euro) for production of

THE OWNERSHIP AND THE POLITICAL INCLINATION OF THE MEDIA AS A CRUCIAL FACTOR IN DETERMINING THEIR REVENUE PROVED TO BE A FUNCTIONAL MODEL AT A REGIONAL LEVEL AS WELL. CONSEQUENTLY, IN 2014, A DOZEN TELEVISION STATIONS STARTED RECEIVING HUNDREDS OF GOVERNMENT ADVERTISEMENTS MORE THAN OTHER STATIONS, AFTER TRANSFERRING FROM LOCAL TO REGIONAL AND CHANGING OWNERSHIP.

35 State Commission for Preventing Corruption, *Finalen izveštaj za prihodite i rashodite za izbornata kampanja na VMRO-DPMNE za periodot od 5–20 april 2014*, 2014.

36 State Commission for Preventing Corruption, *Vkupan finansiski izveštaj za prihodite i rashodite za izbornata kampanja na SDSM za periodot od 2 april do 19 maj 2014*, 2014.

37 See the Decision (*Odluka za maksimalni iznos na nadomestokot za pokrivanje na trošocite vo visina od 50% pri proizvodstvo na domašnata dokumentarna programa i na domašnata igrana program*), Official Gazette 138-14, 17 September 2014.

an hour of domestic documentary programming and to 264,615 MKD (around 4,340 euro) for an hour of film programming.<sup>38</sup>

Table 3 THE SUBSIDY MECHANISM FOR TV BROADCASTERS IN 2014 AND 2015

TYPE OF BROADCASTER	LEGAL OBLIGATION FOR PRODUCTION	MAXIMUM AMOUNT OF SUBSIDIES (EUR)* IN 2014	MAXIMUM AMOUNT OF SUBSIDIES (EUR)* IN 2015
TV AT A NATIONAL LEVEL VIA AN OPERATOR OF A DIGITAL TERRESTRIAL MULTIPLEX	10H OF DOCUMENTARY PROGRAMMING	22,540	17,600
TV AT A NATIONAL LEVEL VIA AN OPERATOR OF A DIGITAL TERRESTRIAL MULTIPLEX	20H OF FILM PROGRAMMING	111,000	86,800
PUBLIC SERVICE BROADCASTER MTV	30H OF DOCUMENTARY PROGRAMMING	67,620	52,800
PUBLIC SERVICE BROADCASTER MTV	30H OF FILM PROGRAMMING	166,440	130,200

\*THE VALUES IN EURO ARE APPROXIMATE ESTIMATIONS MADE BY AUTHORS ON THE BASIS OF THE AMOUNTS IN MKD.

Source: Decision of the Government of RM from 2014 and 2015.<sup>39</sup>

At the same time, the legal mechanism for stimulating domestic production has introduced severe fines for broadcasters which fail to produce the prescribed amount of documentary and film programming: 100,000 euro for the television station and between 3,000 and 5,000 euro for the responsible person in the television station.

The subsidies for domestic film and documentary programmes are not open for regional and local broadcasters although they are in difficult position having limited financial, professional and technical resources for production of their programming.

The selection procedure for subsidizing national broadcasters (commercial broadcasters and *MRT*) has been conducted by a committee formed by the government at the end of 2014. The expertise and independence of this body are very important for achieving the goal of this financial mechanism. However, the combination of bodies involved in the composition of the committee and their roles in the selections procedure create serious problems with the independence and adequate expertise of the committee. Most of its members come from the ministries and from the institutions that are under direct control of the government. Only three of the seven members of the committee and their deputies are directly engaged in the creative aspects of the film and documentary production. Moreover, the government failed to publish information on the establishment, composition, documentation and criteria according to which the committee reaches decisions, contributing in that way to further problems with non-transparency of state-media financial relations.

THE SELECTION PROCEDURE FOR SUBSIDIZING NATIONAL BROADCASTERS HAS BEEN CONDUCTED BY A COMMITTEE FORMED BY THE GOVERNMENT AT THE END OF 2014. THE COMPOSITION OF THE COMMITTEE RAISES CONCERNS REGARDING ITS INDEPENDENCE AND ADEQUATE EXPERTISE.

<sup>38</sup> See the Decision (*Odluka za maksimalni iznos na nadomestokot za pokrivanje na troškove vo visina od 50% pri proizvodstvo na domašnata dokumentarna programa i na domašnata igrana programa*), Official Gazette 47-15, 24 March 2015.

<sup>39</sup> Official Gazette 138/14 and Official Gazette 47-15.

### 3.1

#### THE SUBSIDIES REALISED IN 2014

The overall process of selection, production and broadcasting of the projects in 2014 was premature and non-transparent, which was reflected on the quality of the programmes. In 2014, the commercial TV channels with national frequencies were provided with subsidies in the amount of nearly 450,000 euro for production of film programming and 80,000 euro for documentary programming: i.e., around 530,000 euro in total. The highest compensation for domestic film programme production was awarded to TV channels *Alfa* and *Telma*.

Table 4 THE SUBSIDIES APPROVED TO BROADCASTERS IN 2014

TV CHANNEL	FILM PROGRAMMES	COST		DOCUMENTARIES	COST	
		MKD	EUR*		MKD	EUR*
KANAL 5	"MACEDONIAN FOLK TALES"	5,213,617	84,500	DOCUMENTARIES, FICTIONAL DOCUMENTARIES AND RESEARCH DOCUMENTARIES	1,274,474	20,660
ALFA	"ALFA ACTION" "LIFE STORIES"	7,107,681	115,207	"PRESPA IN 7 DAYS" "ARCHAEOLOGICAL ADVENTURES" "ARTS AND CRAFTS "	1,409,375	22,844
TELMA	FICTIONAL CHILDREN'S SERIES "PET PLUS"	6,764,994	109,652	"MY PATH" "PEOPLE AND PLACES"	751,000	12,173
SITEL	FICTIONAL SERIES	3,824,068	61,983	DOCUMENTARY PROGRAMME (SERIES OF DOCUMENTARIES)	1,523,500	24,694
ALSAT-M	"MIRI" "MACEDONIA IS IN MY HEART"	3,384,610 1,692,305	54,860 27,430	/	/	/

\*THE VALUES IN EURO ARE APPROXIMATE ESTIMATIONS MADE BY AUTHORS ON THE BASIS OF THE AMOUNTS IN MKD.

Source: The Ministry of Information Science and Administration.<sup>40</sup>

In the 2014 call for project proposals, the public service broadcaster *MTV* was the only one not to submit a project proposal, despite being eligible. On the other hand, it failed to fulfil its obligation to produce 30 hours of documentary programming and the same amount of film programming in 2014.<sup>41</sup> Therefore, AAVMS initiated a misdemeanour procedure against public broadcaster for breaching the legal obligation to produce domestic documentary and film programming.

The Ministry of Information Society and Administration responded to our request for access to public information submitted for the purposes of this research, providing information on the projects approved by the selection committee in 2015. *MRT* this time applied with two project proposals for film programmes.

IN 2014, THE COMMERCIAL TV CHANNELS WITH NATIONAL FREQUENCES WERE PROVIDED WITH SUBSIDIES IN THE AMOUNT OF NEARLY 450,000 EURO FOR PRODUCTION OF FILM PROGRAMMING AND 80,000 EURO FOR DOCUMENTARY PROGRAMMING: I.E., AROUND 530,000 EURO IN TOTAL.

<sup>40</sup> Reply to our request for access to information of public character, 2 June 2015.

<sup>41</sup> AAVMS, *Redoven monitoring na MTV*, 16 February 2015.

However, the lack of information how the specific criteria have been applied in ranking the projects and deciding about the amount of individual subsidies<sup>42</sup> does not allow a comprehensive analysis of the subsidizing mechanism. The innovativeness and authenticity of the programmes is questioned because three of the selected TV channels produced the same type of film programme in 2014. Moreover, *Sitel* and *Kanal 5* were producing the same type of programme with their own funds, prior to the introduction of the subsidies.

Media civil society organisations consider the subsidies as “direct state interference in the media,” which could further jeopardise their independence.<sup>43</sup> According to them, instead of subsidizing, the government should cut the legally obliged hours of domestic production for the broadcasters by half.<sup>44</sup> On the other hand, representatives of the media industry believe that state subsidies may have an effect in the future, when they would produce truly high-quality programmes.<sup>45</sup>

#### 4 STATE FUNDING OF MRT

The funding model of the public service broadcaster *MRT*, built in the past two decades, led to the collapse of its institutional autonomy and to heavy financial dependence on the state budget. *MRT* was fully dependent on budget funds from its foundation in 1998 until 2008, and again from 2008 until 2010 through the rehabilitation program managed by the government. In the following years, new state funding mechanisms were introduced to support *MRT*'s activities such as digitisation, promotion of Macedonian music, and production of domestic documentary and film programmes. State agencies and ministries have also contributed to the *MRT* finances.

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42 According to the Law (2013), the basic criteria are originality, authenticity and quality of the content of the scenario; realistic production viability of the project, taking into consideration the scenario, the budget, its complexity, the plan and the time for shooting; as well as the technology for production of domestic film programmes (Article 92, paragraph 11). More detailed criteria can be found in the Government's Decree (Article 4), and these refer to innovation, originality, high artistic values and commercial potential, cultural and artistic topics; locations that promote historical and cultural values or mark people or events from history or from traditional values; multiculturalism and cultural diversity, actual topics from everyday life, the lives of children and young people; to works of literature, fairy-tales, legends or fictional characters representing real historical events; to send universal and humanist message.

43 Cvetkovska, “Selmani: Državata vleguva so pari vo privatnite televizii,” *Nova TV*, 22 August 2014.

44 AJM, *Analiza na mediumskiot sistem vo Makedonija*, 2015, p. 14.

45 See interview with an anonymous TV producer, Skopje, 15 April 2015, in Nikodinoska, *Need for independent model of media subsidies for domestic production*, SEE Media observatory website, 20 July 2015. Available at: <http://www.mediaobservatory.net/radar/need-independent-model-media-subsidies-domestic-production>. Accessed 1 August 2015.

The collection rate of the broadcasting fee from households has increased over the past 7-8 years (it was 28 percent in 2011 and gradually rose to 74 percent in June 2015). Especially since 2011, *MRT* has begun to stabilise its financial capacities. However, these funds are not sufficient to enable independent and unhindered operation of public broadcaster, including five TV channels and three radio-programming services. The poor financial condition of *MRT* is illustrated by the fact that, in 2014, *MRT* was on the list of biggest tax debtors. It owed the state 1.5 million euro of unpaid taxes.

The financial dependence of *MRT* from the state budget has increased over the past decade, which resulted in its diverging from the fundamental role of a public service broadcaster – protection of the public interest. Instead of working in the public interest as a publicly funded entity, *MRT* has grown into a media outlet of the governing system, which often places the government interests before the public interest.

In recent years, the state funds have accounted for the largest share of the revenue of *MRT*.<sup>46</sup>

Table 5 MRT REVENUES 2008–2014

	REVENUES FROM THE STATE BUDGET		REVENUES FROM THE BROADCASTING FEE		TOTAL REVENUES	
	MKD	EUR*	MKD	EUR*	MKD	EUR*
2014	240,000,000	3,890,000	858,528,442	13,916,817	1,326,335,743	21,500,012
2013	240,000,000	3,890,000	936,890,453	15,187,071	1,527,832,193	24,766,286
2012		/	724,360,000	11,741,000	1,069,080,000	17,329,875
2011		/	474,460,000	7,691,000	953,470,000	15,458,827
2010	267,750,000	4,340,000	145,850,000	2,364,000	548,320,000	8,888,312
	BUDGET FUNDS PER REHABILITATION PROGRAMME					
2009		/	39,728,696	644,010	348,806,307	5,654,179
2008		/	2,141,484	34,713	611,852,830	9,918,184

\*THE VALUES IN EURO ARE APPROXIMATE ESTIMATIONS MADE BY AUTHORS ON THE BASIS OF THE AMOUNTS IN MKD. TOTAL REVENUES INCLUDE ALSO OTHER INCOME BY MRT.

Source: The 2014 annual report on the financial performance of *MRT*.

In 2014, *MRT* received 240 million MKD (around 4 million euro)<sup>47</sup> from the state budget as well as more than 97 million MKD (1.6 million euro) from the government and the Agency for Electronic Communications (AEC) for digitalisation. It also received nearly 6 million MKD (around 100,000 euro) from the Ministry of Culture for the promotion of Macedonian music.<sup>48</sup>

Not only have legal amendments not been initiated to provide full financial independence for *MRT*, but the share of state funds in the budget and operation

NOT ONLY HAVE LEGAL AMENDMENTS NOT BEEN INITIATED TO PROVIDE FULL FINANCIAL INDEPENDENCE FOR MRT, BUT THE SHARE OF STATE FUNDS IN THE BUDGET AND OPERATION OF THE PUBLIC BROADCASTER ALSO KEEPS RISING. THE STATE FUNDING SHARE EXPECTED BY MRT ON DIFFERENT GROUNDS IN 2015 IS ANTICIPATED TO AMOUNT TO ONE-THIRD (31.3 PERCENT) OF THE MRT TOTAL BUDGET.

46 AAVMS, *Analiza na pazarot na radiodifuznata dejnost za 2013 godina*, 2014.

47 Public Broadcasting Company *MRT*, *Godišen izveštaj za finansiskoto rabotenje na JRP Makedonska radio televizija za 2014 godina*, 2015.

48 Ibid.

of the public broadcaster also keeps rising. The 2015 annual financial plan of *MRT* reveals that the state funding share expected by *MRT* on different grounds in 2015 is anticipated to amount to almost one-third (31.3 percent) of the *MRT* total budget.<sup>49</sup>

This illustrates the lack of political will to find a model for financial independence of *MRT*.

The consequence is that *MRT* fails to perform the public service broadcaster's function of providing citizens with balanced information and diverse media content, but it instead displays clear political bias towards the ruling party.<sup>50</sup>

*MRT*'s exposure to political influence and its financial dependence on the state budget are reflected in the editorial policy. Several cases illustrate the political capture of *MRT*, including its decision not to report on the interception scandal exposed by the main opposition party *SDSM* in 2015,<sup>51</sup> or the 2014 massive protests by university and high school students, which took place literally in front of the *MRT* building. There have been instances of selective reporting as well, such as the reports on the arrest and trial of the journalist Tomislav Kežarovski.<sup>52</sup> In addition, the interception scandal reveals the direct arrangement of transfers and employment of journalists in *MRT* who had been given a "recommendation" by high government officials that they were suitable staff for employment.<sup>53</sup> "*MRT* editors and journalists allow the news to be edited by representatives of political parties or spokespersons of the state and public institutions. They are largely to be blamed for the abuse of *MRT* by any ruling party," explains the situation a *MRT* employee.<sup>54</sup>

*MRT* has become a subject of the negotiations between political parties held recently under international mediation. However, there are opposing views about whether *MRT* needs to be reformed by the political parties within the framework of this political process. There are concerns that the *PSB* could become further politicised.

The reform process requires systematic and operational change of *MRT*, especially regarding the way it is financed. "The changes of both the system of financing and the governing structure of *MRT*, including appointment procedures for director general and for a governing body (programming council), should be done simultaneously" claims Dragan Sekulovski from the

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49 Public Broadcasting Company *MRT*, *Predlog godišen finansijski plan na Javno radiodifuzno pretprijatie Makedonska radio televizija za 2015 godina soglasno Zakonot za audio i audiovizuelni medijumski usluzi*, 2014.

50 IREX, "Macedonia", in *Media Sustainability Index*, 2014.

51 Plusinfo, "Goran Petreski: Obvinitelstvo ne dozvoluva objavuvanje na 'Bombi'" 12 March 2015.

52 NVO Infocentar, *Monitoring na informiranje na MRT: Studii na slučaj: Kežarovski, štrajk na SONK, krivična prijava protiv Zaev*, 2015.

53 Dimeska, "'Bomba' 24 na *SDSM*: Vrabotuvanja vo medijumi po vladin spisok," *Radio Slobodna Evropa*, 22 April 2015.

54 Interview with an anonymous *MRT* employee, 17 September 2015.

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Association of Journalists of Macedonia (AJM)<sup>55</sup> which proposes an alternative model of *MRT* funding.<sup>56</sup>

## 5 CONCLUSIONS

The government has developed various mechanisms for creating financial dependence on the part of the media, at both the national and the regional level. Owing to these financial relations, the media outlets become servile to the government, thereby seriously undermining own professional integrity and independence.

The allocation of government advertising has been conducted on the grounds of political eligibility, in a non-transparent manner, disregarding the specific criteria such as viewership, ratings and influence. The advertising campaigns were awarded to media outlets whose editorial policy was biased towards the government, as well to other broadcasters after changing ownership and consequently also editorial policy.

Using the state budget funds, the government fosters the sustainability as well as the rise of many media outlets at the national and regional levels, creating unfair competition and distorting the media market. In this way, a wide network of supportive media outlets is created, through which the media space is captured in order to spread political propaganda.

Several patterns can be identified showing how the government utilizes state advertising to assume control over the media. The first pattern, with the longest tradition, includes media which received government funding based on favourable editorial policy. The national commercial television channels *Kanal 5* and *Sitel* fall into this category, especially in the past several years.<sup>57</sup> The second pattern demonstrates how the government wins the favour of the media outlets through government advertising. The government pours advertisements into those media outlets that change political orientation after a change in ownership. In this way the government fosters the sustainability of some media, as well as their growth in the market. *Alfa TV* and a dozen regional television channels are proof of that. The third pattern includes the established pro-government media, which do not receive the highest amount of advertising funds,

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55 Interview with Dragan Sekulovski, Executive Director, Association of Journalists of Macedonia (AJM), Skopje, 6 October 2015.

56 AJM proposes an independent budget for *MRT*, which would amount to one percent of the state budget from the previous year. The funds would be divided into 12 equal installments and transferred to the *MRT* account automatically. AJM proposes the collection of the broadcasting fee to be an obligation of the public institutions, but the funds should be directly transferred to the state budget. See AJM, *Analiza na mediumskiot sistem vo Makedonija*, 2015.

57 Trpevska and Micevski, *Zošto e važen integritetot na medijumite*, 2014, p. 95.

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USING THE STATE BUDGET FUNDS, THE GOVERNMENT FOSTERS THE SUSTAINABILITY AS WELL AS THE RISE OF MANY MEDIA OUTLETS AT THE NATIONAL AND REGIONAL LEVELS, CREATING UNFAIR COMPETITION AND DISTORTING THE MEDIA MARKET. IN THIS WAY, A WIDE NETWORK OF SUPPORTIVE MEDIA OUTLETS IS CREATED, THROUGH WHICH THE MEDIA SPACE IS CAPTURED IN ORDER TO SPREAD POLITICAL PROPAGANDA.

but receive money directly from the government. The media return the favour for government generosity through donations in the form of huge discounts for paid political advertising by the ruling party during election campaigns.

An additional problem is that the media campaigns through which the government feeds the media in such clientelistic relations cost a significant portion of the state budget.<sup>58</sup> While nearly 30 percent of the population in Macedonia lives on the poverty line, the Prime Minister promotes the campaign “Health is a Choice” that costs about half a million euro.

The wealthiest private commercial TV channels received about a half a million euro of state funds in 2014 as subsidies for production of domestic film and documentary programmes. In order to avoid the perception of the subsidies as another type of “media corruption,” it is necessary to revise the subsidy model and to establish an independent body of experts specializing in film and documentary production.

The state budget support to *MRT* has only increased its dependence on the government, to the detriment of integrity of its operations and journalism. Although the collection rate of the broadcasting fee has stabilised, the state budget sources of *MRT* funding have increased. There is urgent need to reform the financial and governing model of *MRT* as a precondition for its independence and ability to fulfil its public service function.

## 6 RECOMMENDATIONS

1. State advertising in the media should be limited only to campaigns of public interest, and it is necessary to clearly define what constitutes public interest.
2. The media outlets should be legally obliged to publish their major sources of funding, and the audiovisual regulator should monitor this obligation.
3. The selection committee for granting subsidies for domestic production should publish the projects selected for subsidies, as well as the amount of the subsidies. The committee should provide a detailed explanation of the selection decision and of the project ranking.
4. The composition of the selection committee for the subsidies should be revised. It should be an independent body, rather than a body established by the government and composed of representatives of institutions under government control. This will guarantee independent selection and allocation of subsidies for production of high-quality domestic projects.

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58 Immediately after the elections in 2014, the government signed seven contracts with marketing agencies for producing two advertising campaigns that cost 560,000 euro: a campaign for promotion of reforms in the public administration (320,000 euro) and for raising traffic awareness (240,000 euro).

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5. Reforms are necessary in order to establish an independent and sustainable funding model for the public service broadcaster *MRT*. The reform process should engage media experts in the first place while political parties should keep their role limited to the parliamentary procedure.
6. Continuous monitoring and open public debate are necessary in order to critically approach the changes and amendments to the legislation which affect the performance, operation and funding of the *MRT* as well as overall media market in the country.

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STATE-MEDIA FINANCIAL RELATIONS  
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MEDIA FREEDOM CURBED  
WITH PUBLIC MONEY