

RTK's Financial Sustainability:

Finding alternatives to public broadcaster financing

Introduction

The Draft Law on the Kosovo Public Broadcaster was adopted in principle in the plenary session of June 29, 2011. With 64 votes in favor, 3 abstentions and none against, the Assembly has showed its interest to have a new law on the public broadcaster. However, the section of the Draft Law on the public broadcaster financing incited an extensive debate. Another vague section was the Article on the establishment of a second RTK channel in Serbian language. European Commission was interested on having the public broadcaster law adopted with urgency, thus it was expected that the law would be sent for adoption on the session of August 29, 2011. However, it did not happen, as it was considered that the draft law requires more time for revision.

Public broadcaster financing was unclear since the very inception of this medium, and this draft law provides for no long-term mechanism of RTK financing. According to the draft law, RTK shall have regular financing from the state budget for a three-year transitional period, with an annual allocation of 0.7% of Kosovo Budget revenues, in addition to revenues from commercial advertisement. What after three years? The draft law provides that financing is done through license fee revenue, a regular fee payable by the citizens. However, the draft law doesn't specify the manner in which fees will be collected or its amount.

RTK has never had a long-term financing mechanism. Initially, RTK was supported with donor grants and annual budget allocations from the Kosovo Budget. Later, the Assembly decided to introduce a license fee, for the collection of which RTK contracted KEK. This financing system provided RTK with a solid financial sustainability, but it didn't turn out profitable to KEK, which finally terminated the contract. On October 16, 2009, the Constitutional Court of the Republic of Kosovo rendered a decision¹ to terminate RTK's fee collection through KEK bills. After this decision, Kosovo Assembly failed to adopt a new law on RTK and as of 2010 RTK financing is made directly from the Kosovo Budget.

¹ Decision of the Constitutional Court on the temporary measure Case KI 11/09, Tomë Krasniqi vs. RTK et al. Complete text of the Decision [http://www.gjk-ks.org/repository/docs/Vendim - Mase e Perkohshme - MP - Rasti KI 11-09 Tome Krasniqi vs RTK et Al.pdf](http://www.gjk-ks.org/repository/docs/Vendim_-_Mase_e_Perkohshme_-_MP_-_Rasti_KI_11-09_Tome_Krasniqi_vs_RTK_et_Al.pdf).

With this study, GAP Institute tends to analyze RTK's financial sustainability by examining past financing methods, and those envisaged in the draft law on Kosovo's public broadcaster. Notwithstanding that the draft law includes several disputable articles, such as the one on RTK ownership and the Article on the second channel in Serbian, our analysis was only confined to its financing methods. GAP Institute concludes the best financing method for RTK is through license fee revenue. This study also provides several possible methods on RTK license fee revenue.

Public broadcaster financing in line with EU standards

The provision of finances for the public broadcaster is only done to enable its operations, but also to compete with other commercial TVs, both technologically and in terms of program quality. While commercial broadcasters ensure their financing exclusively from advertisements, public broadcaster requires a more effective financing model, which would assure that institutional and editorial independence from the state, political parties and other commercial interest groups is preserved. It appears that the best financing models ensuring such editorial independence of the public broadcaster are payments from the citizens, rather than directly from the state budget.

Member States of the Council of Europe have an obligation to adopt an appropriate, safe and transparent financing model for the public broadcaster, which would ensure sufficient funds to fulfill its mission. Public broadcaster must be consulted on the amount of license fee. The Declaration of the Council of Europe's Committee of Ministers on the guarantee of the independence of public service broadcasting provides that member states must provide the legal, political, financial, technical and other means necessary to ensure genuine editorial independence and institutional autonomy of public service broadcasting organizations, so as to remove any risk of political or economic interference.²

According to a document of the legal department of the European Broadcasting Union (EBU)³, license fee revenue is the main financing method of public service broadcasters in all Western European countries (with the exception of Spain and Netherlands). In the majority of these states, in addition to the license fee revenue, public broadcaster also has revenues from other sources, particularly from advertisements /sponsorship, but only as additional financing sources. According to this document, financing through license fee revenue has several advantages compared to annual allocations from state budget:

² Declaration of the Committee of Ministers, of September 27, 2006. More on: www.bal-malta.org/file.aspx?f=700

³ *Broadcast receiving license fee*, Legal Department, EBU 2006, http://www.ebu.ch/CMSImages/en/leg_p_broadcastreceiving%20licensefee_011106rev_tcm6-50157.pdf

- It is a major guarantee of the editorial independence of the public service broadcaster, who would otherwise have to rely on, and "buy", the political good-will of those who decide the amount of the annual State budget allocation.
- The income is predictable over a number of years, which is an essential pre-condition for any medium-term and long-term planning and investment.
- Where there is license fee funding, the public service broadcaster will normally also have the right of self-administration..
- License fee funding establishes an important psychological link between the license fee payer, the citizen, and the public service broadcaster as the recipient of the money who is expected to spend it solely in the interests of the license fee payers (rather than, for instance, the government or the parliamentary majority).

The amount of the license fee should be carefully determined. EBU emphasizes that the amount of license fee should not correspond to what politicians regard as being more or less acceptable to their electorate, and definitely not to what they regard as not doing harm to commercial broadcasters. Rather, as has been emphasized in so many formal Council of Europe documents, it must be ensured that the overall revenue of public broadcasters (i.e. the actual license fee revenue, plus any other income) constitutes "an appropriate and secure funding framework which guarantees public service broadcasters the means necessary to accomplish their mission". The amount of the license fee should be fixed for a number of years, and any increase should be done with a decision of the Assembly. Any increase in the license fee should be subject to a decision by Parliament, rather than by the Government.

EBU also provides the reasons as to why the public broadcaster fee should be paid regularly. Other than categories legally exempted from the license fee, reasons of not possessing a TV or a radio, or the reason that one possesses the appliance but never watches/listens to the public broadcaster are no longer valid reasons not pay the license fee. For economists, public service broadcasting falls into the category of merit goods, i.e. goods or services which are important if not, indeed, vital for society but which the market itself could never produce and sustain. Hospitals, schools, the police, etc. fall into the same category. All citizens have to contribute to the funding, even if individually they derive no benefit from them. The very availability of public service programming is in the interests of society as a whole, of all citizens.

A problem with the license fee revenue systems is that it requires a collection agent of the public broadcaster fee. Another problem is that although the license fee is determined by state institutions, it's a flat fee making no distinction between household incomes. Because of this, it may present an additional burden to poorer families.

Background of RTK functioning and financing

On June 19, 1999, Radio and Television of Kosovo (RTK) began its first broadcast with a two-hour program. RTK has since gone through a long development process, financial stabilization and transfer of management from international to local people. Today, RTK represents one of the most important information institutions, a public medium whose editorial independence is, and will be, essential to maintain stability and sustainability of interethnic relations and a sound political and economic development of Kosovo.

Initially, RTK was managed by EBU in line with a memorandum of understanding signed between OSCE and EBU, which envisaged the establishment of a sustainable and independent public broadcaster. In time, RTK program increased from two hour program to four, and then to 15 hours of programming a day, until finally on 22 December 2003, RTK began broadcasting 24 hours a day. Program diversity increased steadily with the launching of new programs in Albanian and minority community languages. RTK programs are broadcasted via satellite and terrestrial waves. Initially, RTK budget was dependant on donations, and in the first month of 2003, a decision was made to collect RTK revenues through KEK bills. To date, RTK public services included the TV channel (RTK) and two radios (Radio Kosova and Radio Blue Sky). According to the new draft law, RTK will be added with Serbian TV and radio channel.

Legal basis for RTK functioning and financing:

- The primary legal basis for RTK functioning dates in mid June 2011, with UNMIK Regulation 2001/13⁴. According to this Regulation, RTK reports to the SRSG, and its budget is adopted by SRSG through the Central Fiscal Authority of the Kosovo Consolidated Budget.⁵ RTK was obliged to submit the annual report to the SRSG and the Kosovo Transitional Council. In addition to financing from the Kosovo Consolidated Budget, Article 11.2 of this Regulation established the basis of RTK funding through a public broadcaster fee, however, the details, procedure and collection agents were left to be determined with administrative directions.
- One and a half years later the Administrative Direction was adopted (AD No. 2003/5) whereby deciding that collection of RTK funds shall be done through KEK, where every household, business or other institution in Kosovo receiving electricity service provided by the KEK shall a monthly fee of 3 Euros.⁶ After four months from the entry into force of this administrative instruction, KEK was declared as the collection agent.

⁴ UNMIK Regulation 2001/13 on the Establishment of the Radio Television of Kosovo, 15 June 2001

⁵ Article 3.3 of UNMIK Regulation 2001/13

⁶ UNMIK Administrative Direction 2003/5 implementing UNMIK Regulation No. 2001/13 on the Establishment of the Radio Television of Kosovo, 5 February 2003

- The aforementioned Administrative Direction was replaced with a new Direction, AD 2003/12, which left open the possibility of selecting the collection agent and increased the amount from 3 to 3.5 Euros.⁷ According to this DA, on 18 November 2005, RTK signed an agreement with KEK for the collection of RTK revenues, in the amount of 3.5 Euros a month, for a 3 year period. For this service, KEK was paid a provision of 6% and free advertisement in RTK on the awareness-raising of the Kosovo citizens on security, payments and savings of electricity.
- On January 20, 2006, Kosovo Assembly issued the Law No. 02/L47 on the Radio Television of Kosovo⁸ replacing UNMIK Regulation No. 2001/13 and other legal acts. According to the new law, the reporting responsibility on financial expenditures of RTK is transferred from SRSG to the Kosovo Assembly. The Law on RTK didn't exclude the possibility for RTK financing also from the Kosovo Consolidated Budget⁹, but the main funding would be done from 3.5 Euro license fee. Although the Law on RTK repealed the UNMIK Regulation No. 2001/13 on the Establishment of RTK, and the AD No. 2003/12, the new Agreement between RTK and KEK on the collection of the broadcast fee was based on the AD No. 2003/12. Despite the fact that the Law on RTK exempted households on social assistance and those without signal coverage from payment, RTK fee was also paid by citizens living in social assistance and those who were not covered with terrestrial signal. The final table of this Study indicates the distribution of the terrestrial signal of RTK in 2008, when citizens paid the fee through KEK.
- The Agreement between RTK and KEK was to be expired on November 30, 2009. KEK was not interested in continuing to act as a collection agent for RTK. The Agreement between RTK and KEK was finally terminated. On October 16, 2009, the Constitutional Court decided that payments of 3.5 Euros are a violation of human rights of Kosovo citizens, and issued a temporary measure for the implementation of Article 20.1¹⁰ of the Law on RTK and recommended the Assembly to review Article 20.1 until December 1, 2009. On 14 June 2010, the Court reiterated the temporary measure until January 1, 2011.¹¹ This case is still not concluded.
- KEK had complained on financial damages inflicted by the Agreement with RTK. KEK had collected payments in regions

⁷ UNMIK Administrative Direction 2003/12 implementing UNMIK Regulation No. 2001/13 on the Establishment of the Radio Television of Kosovo, 3 June 2003

⁸ This Law entered into force after promulgation by the SRSG, on 11 April 2006

⁹ Article 19.1 of the Law No. 02/L47 on RTK

¹⁰ Article 20.1 determines the amount of 3.5 Euros payable by the citizens.

¹¹ Chronology of Decisions by the Constitutional Court on RTK. For more visit: http://www.gjk-ks.org/repository/docs/gjk_ki_11_09_shq.pdf

without RTK network coverage, despite numerous objections by citizens. Because of a low rate of electricity bill collection, KEK reported losses of up to 400.000 Euros.¹²

Required Budget for RTK Operations

A public broadcaster such as RTK needs adequate funding not only for its operations, but also to compete with other commercial channels, both in terms of technology and in program quality. As of December 1, 2009, RTK was completely left out of broadcast fee revenue with a decision of the Constitutional Court, and since then funding has been provided from the Kosovo Consolidated Budget. In 2010, main incomes of RTK were from the Kosovo budget, reaching 85% of overall RTK incomes. Marketing incomes generated 14% of overall incomes, and 1 % were other revenues. The overall budget of RTK in 2010 was 12.305.126 euro¹³, of which around 10.5 million Euros were received from the Kosovo budget and around 1.8 million Euros were marketing revenues. It is worth mentioning that RTK had completed the year with a 1.1 million Euros surplus.

Table 1: RTK revenues in the past five years

Year	Broadcast fee (KEK)	Kosovo Budget	Marketing	Other	Total
2010	0	10.464.000	1.733.817	107.345	12.305.162
2009	7.080.276		2.540.445	164.321	9.785.042
2008	8.652.000		1.493.000	244.000	10.389.000
2007	7.991.363		1.526.519	294.400	9.812.282
2006	7.080.000		1.432.654	325.334	8.837.988

Source: RTK annual reports, and independent auditor reports

¹² Ibid

¹³ RTK 2010 Annual Report

RTK Financing according to the Draft Law on Public Broadcaster

According to Article 4 of the draft law, founder of the Public Broadcaster of Kosovo is the Assembly of the Republic of Kosovo, which shall ensure the institutional autonomy and adequate financing for the execution of RTK's public service mission. This draft law provides that RTK shall be provided with funding from the Kosovo Budget in the next three years, after which financing will be secured through a broadcasting fee. However, even in case an appropriate form of broadcast fee revenue is not found, RTK will continue to be financed by the Kosovo budget, as envisaged in Article 25¹⁴, which, in a way, relieves RTK of the concern of ever running out of financing. According to this draft law, RTK shall be financed through the Kosovo budget, broadcast fee, and its economic activities.

- a) **Financing from the Kosovo budget** – Although broadcast license revenue is considered as a long-term financing method for RTK, the draft law provides that RTK shall initially be funded from the Kosovo budget. Considered as a transitional period, RTK will be provided annually, for the next three years, namely until the provision of financing through a broadcast fee, with 0.7% of revenues of the Kosovo Budget excluding incomes from privatization, single incomes in the Kosovo budget and own source revenues of the central and local level.¹⁵ This means that RTK shall have financing guaranteed from the Kosovo budget by end of 2014, if the Law is adopted by end this year. Kosovo budget for 2010 was 1.46 billion Euros, with budgetary incomes amounting to 1.194.000.000 Euros¹⁶, or around 1.2 billion. If 0.7 percent is to be allocated, RTK shall receive 8.4 million Euros from the Kosovo budget. This excluding other sources of incomes, including marketing revenues which in 2010 were around 1.8 million Euros. Hence, in the next three years, RTK shall have a similar budget with the previous years, namely sufficient for a standard functioning.
- b) **Broadcast fee** – within a three-year period for which funding will be secured, RTK Board shall send a proposal to the Assembly on the public broadcast fee revenue. This proposal shall be adopted by the Assembly. According to Article 24, RTK Board must propose the amount of the fee payable by the citizens, which shall be fixed for a minimum of three years. Public broadcast fee must be paid by all households and legal persons, excluding households on social assistance and KLA war pensions. Religious sites and settlements without terrestrial television network are also exempted. RTK Board shall decide on the realization of the RTK public broadcaster, which

¹⁴ Article 25 of the Draft Law on RTK: 'To ensure the pristine grounds of the activity, regular activities and editorial independence of RTK as an independent public institution, depending on the budget options the founder shall provide funding.

¹⁵ Article 23, par. 3 of the Draft Law on the Public Broadcaster

¹⁶ Annual Financial Report 2010, Ministry of Finance

shall select the economic entity acting as a collection agent, through a public announcement. Previously, KEK was the collection agent for RTK, based on an agreement between the two parties. It must be noted that the currently Law on RTK also exempts households in areas without a network coverage, although this provision was not enforced, and numerous households have paid the 3.5 Euro fee with the electricity bill. This left the perception that RTK broadcast fee revenue through KEK is an unfair method.

- c) **Other sources** – According to the draft law, RTK is allowed to generate own-source revenues. In addition to the three-year funding from the Kosovo budget, and revenues from broadcasting fee after three years, the draft law allows RTK to generate incomes from two other sources. One is self financing through its economic activities, and the other includes contracts with third parties for broadcasting services, music productions (video, audio, books, newspapers, magazines), concerting activities, advertisements and publication of other paid messages in line with the law, sponsorship and donations, preparation, production and sale of RTK programs, and other program services.¹⁷ According to the draft law, RTK can air advertisement from 10 to 20 percent of the overall program volume, until realizing payments from broadcast fee revenues.¹⁸ This means that RTK may advertise on average 6-12 minutes per hour. The law, thus, allows RTK the right to decide on the minutes of advertisements up to 20% of time, overlooking the role of the Independent Media Commission, which, even in the new draft law, is authorized to restrict, minimize or ultimately eliminate advertisements in the public broadcasting entity.¹⁹ Advertisement minutes are in violation with the applicable regulations enforced by IMC, whereby the public broadcaster should exceed the average daily advertisements of 6 minutes per hour, whereas the limit for private broadcasters is 12 minutes per hour.²⁰ As of January 1, 2010, with the entry into force of this Regulation, ICM has concluded that the public broadcaster has violated this regulation airing more advertisements than allowed.²¹

¹⁸ Article 18, Draft Law on RTK

¹⁹ Article 21.2, of the Draft Law on the Independent Media and Broadcasting Commission. This Law was also expected to be adopted, in addition to the law on public broadcaster, in the session of 29 August 2011, but similarly was withdrawn for additional changes.

²⁰ ICM Regulation 2009/04 on Commercial Audiovisual Communication

²¹ <http://www.imc-ko.org/index.php?id=786&l=a>

How to finance RTK after three years?

The draft law on the public broadcaster guarantees regular funding of RTK for the next three years. However the draft law provides that public broadcaster fee revenues are financing method in the long-term. Based on the practice of EU member states, public broadcaster fee revenue is the best financing for public broadcasters. Such a method, if implemented efficiently, not only would affect and thus preserve the RTK's financial stability but would assist in shunning doubts over interference in its editorial independence. The RTK board will have available three years for setting the broadcaster fee revenue, the cashing economic operator and the method of collecting subscription. The draft law in question does not provide neither the sum that must be paid nor the method of its collection, whether that is by establishing a single cashing body or by contracting a third company in order to collect the fee. In the following we present some of the potential alternatives for collecting the fee for the public broadcaster, and the advantages and weaknesses of each method therein.

- a) **Broadcaster fee revenue through KEK-** Broadcaster fee revenue for RTK through KEK was implemented from 2003 until 2009. The contract between RTK and KEK expired on 30 November 2009. Even though KEK stated that it no longer wishes to be KEK's collection agency, however, a public broadcaster fee revenue through KEK is still being considered as a potential option for two main reasons. Firstly, RTK was in a good financial situation when KEK collected the broadcaster fee revenue, collecting averagely 8 million Euros per year. Secondly, KEK has a better geographical coverage of Kosovo's territory and also better capacities to collect the fee. However in order to implement this, it is important to review the previous contract between RTK and KEK, and also to analyse carefully the reasons provided by KEK in not resuming the contract so that the same problems are avoided in the new contract. Especially if the contract was terminated due to political reasons not the economic ones, then this issue can resolved. Such a potential model might include that KEK collects the broadcaster fee revenue for RTK not through the 3,5 Euros model but through a progressive tax. For instance, the KEK bill from 0 to 15 Euros would contain the RTK broadcaster fee for RTK in the amount of 1,5 Euros; bills from 16 to 30 Euros, 3 Euros, 31 -50 Euros, 4,5 Euros, and so on. KEK currently has 400 000 consumers and covers all of Kosovo's territory. Certainly, the new contract with KEK would be entered into with the new owners of distribution and supply because this KEK division is in the process of privatization. The license fee revenue for the public broadcaster is being applied in other countries, like Albania, through CEZ Distribution, Macedonia, Greece, etc.

- b) **Through landline or mobile telephone service** - Another alternative of license fee revenue for RTK is through telephone service bills. The total number of the users of landline telephone service in Kosovo is 88 377 in 2010.²² Even though in 2010 the number of active landline users marked an increase of 5,8% compared to the number of users last year, the coverage of the population is not at the adequate level in order to ensure a fair participation of the population for RTK financing. In some rural areas, there is no adequate coverage with landline telephone service, and in addition to this, a vast number of landline telephone service includes central and local level institutions. The mobile telephone service may be a good alternative for the RTK license fee revenue collection. According to TRA, the number of mobile telephone users in 2010 was 1 438 475, which marks an increase of 19% compared to 2009. The revenues of mobile telephone service in 2010 were 182 million Euros. If we opt for RTK broadcaster fee revenue to be collected through the users of mobile telephone service, then in order to secure an average funding of 10 million Euros per year for RTK, 1,45 million users would have to pay 7 Euros per year, or 1.7 Euros for every three months. This amount, identical to the fee bank clients pay to maintain their cards, would be charged to the users of the mobile telephone service during the process of refilling their mobile phone with credit. This method of financing RTK requires an agreement between the RTK and all mobile telephone operators in the country, including the new owner of VALA following privatization. This method of broadcaster fee revenue for the public broadcaster is applied in Montenegro, Bosnia and Herzegovina.
- c) **Through Trust** - Kosovo Pension Savings Trust (the Trust), an institution that administers and manages the mandatory pension contributions of all employees in Kosovo, may act as an agent of broadcaster fee revenue for RTK. The advantage of the Trust is that it has access to the majority of employed individuals in Kosovo i.e. in the private and public sector, who on the monthly basis pay their pension savings. According to the annual report of the Trust in 2010, the number of contributors in 2010 was 234 729. Due to high informality in Kosovo, we cannot state that the figure presents the real numbers of employed persons in Kosovo. However there is a positive tendency in this respect because the number of contributors is increasing on yearly basis, i.e. either as a consequence of their employment, or because they are declared for the first time in the formal economy.

²² TRA Annual Report 2010

Thus, for instance, in 2010 the employers included in their reports 23.782²³ individuals whom do not appear in the Trust records for the previous years. If Trust were to act as collection agent of broadcaster fee revenues for RTK, the 234 729 Trust contributors would have to pay 3,55 Euros per month in order to collect an average budget of 10 million per year.

- d) **Through vehicle registration** – another alternative to collect the RTK fee would be through vehicle registration, which takes place once a year and thus citizens pay the license fee for the public broadcaster. The advantage of this method is that the network of subscribers would cover Kosovo's territory and the majority of those who own vehicles pay for their registration. In 2010, there were 398 215 registered vehicles in Kosovo's territory and in order to secure 10 million Euros for RTK, the vehicle registration would cost citizens 25 Euros per year. The monthly average would be 2.1 Euros per month. This would also include the payment of the fee for the vehicle's radio.
- e) **Through VAT** - this would be another method of financing of RTK, which differs from other methods and is very much similar to the financing of RTK from the state budget. According to this method, a percentage of general revenues from VAT would be transferred directly to a bank account of RTK, without being firstly transferred into the state budget. In this way, the present method of financing would not be considered as state financing. The advantage of this method is that citizens would not be charged with an additional annual tax, dedicated especially for RTK. The revenues from VAT in 2010 were 114 million Euros. This is equivalent to circa 9% of the general revenues from VAT in order to allocate 10 million Euros budget for the RTK.
- f) **Through cables operators** – an unusual but possible alternative is for the RTK broadcaster fee revenue to be paid by cable service operators in Kosovo. Currently, the companies that have extensive television cable coverage are Ipko, Kujtesa and TIK (PTK). Taking into account that RTK is a public broadcaster, these companies would necessarily include the RTK among their TV channels and they would allocate a percentage for the public broadcaster from their annual revenues. Therefore by paying the companies for the cable service, citizens would indirectly pay for the public broadcaster too. This, of course, would not be sufficient to secure the RTK an adequate annual budget, but it remains an alternative if it is decided that RTK is to be funded through a combined method. Moreover, the current system of cable service operators would not terminate the RTK signal even when the client's subscription expires.

²³ Kosovo Pension Savings Trust, Annual Report 2010

- g) **Broadcaster fee revenue by the RTK itself** – according to the present method, RTK would establish its agency for the license fee revenue. Similar to the payment of other public utilities, citizens would also pay for the RTK fee. This revenue method is practiced in Germany. The German public broadcaster established the GEZ agency, which is a joint organization of Germany’s public broadcasters ARD, ZDF and Deutschlandradio for the license fee revenue.

Table 2: Alternative forms of financing for RTK

Cashing agency	Operator’s network coverage	Individual fee per month	Revenues for RTK
KEK	400.000 consumers	3 euro *	€14.400.000
KPST (Trust)	234.729 contributors	3.55 euro	€9.999.455
Mobile telephone services	1.438.475 users	1.7 euro/ every three months	€ 9.781.630
Vehicle registration	398.215 registered vehicles in 2010	2.1 Euros per month (25 Euros per year)	€9.955.375 million
VAT	114 million revenues in 2010	9% of revenues from VAT	€10.260.000 million

*In the present analysis, GAP Institute has proposed the progressive fee method.

Financing of public broadcasters in the region

In order to reflect better the situation of the public broadcaster, the GAP Institute conducted a secondary research on public broadcasters in the region. This reflection assisted the research in order to better understand the trends of financing methods of public broadcasters in the region. This research included the legal aspect and the financing method of public broadcasters in Albania, Montenegro, Croatia, Serbia and Macedonia. In all these countries, the state is the founding body of the public broadcasters.

Albania - Albanian Radio Television (RTSH) was established in 1999. RTSH must cover at least 9% of Albania's territory, whilst at least 50% of the programs in RTSH must be of their own production. As with the majority of public broadcaster, in RTSH as well the political propaganda is prohibited, excluding election periods, but even during the election period any message that damages the policy of RTSH is banned. Advertisements are used as a method of financing, and in addition to advertisements RTSH is also funded by license fee revenues. The fee for radio-television devices is 600 lekë per year (4, 25 Euros). This fee is calculated and paid by family users only for one TV receiver, regardless the number of devices within a family. The Electric Energy Payment Office is charged with the fee revenue. The fee revenue must be collected within the first quarter of each year.²⁴ Electric energy bills, together with the license fee revenue, are collected by the CEZ Distribution Company²⁵, which benefits 10% calculated commissions based on the level of fees for the service provided.²⁶ The state budget funds the television and radio services outside Albania's borders, the radio service for the foreign audience, important technical projects including new technologies for production and broadcasting, major nationwide film projects, as well as the RTSH symphonic orchestra. The measures of financing are provided by the annual law on the state budget.²⁷

Croatia - Croatian Public Radio Television was established in 1991 and was named Hrvatska Radiotelevizija and bears the HRT acronym. Based on the principles of programme broadcasting, HRT must inform the public about political, economic, social, cultural, health, education, scientific, and religious questions, as well as it must provide open discussions on all questions of interest for the state. HRT must outsource at least 10% of the broadcasted programmes to independent production companies, excluding news programmes, sports manifestation, games and advertisements. HRT is funded from the license fee revenue of radio and television, advertisements, production and sale of audio-programmes, tele-text, organization of concerts and other manifestations.²⁸ In addition to this, citizens are obliged

²⁴ Instruction no 1, dated 8.1.2009, on the fee of services to use television devices.

<http://www.qpz.gov.al/doc.jsp?doc=docs/Udhezim%20Nr%201%20Dat%C3%AB%2008-01-2009.htm>

²⁵ More on CEZ Group at <http://www.cez.al>

²⁶ <http://www.qpz.gov.al/doc.jsp?doc=docs/Udhezim%20Nr%2010%20Dat%C3%AB%2023-03-2010.htm>

²⁷ Law no. 8410, dated 30.9.1998 / Article 117/ RTSH

²⁸ Law on HRT/ Law on the Croatian Radio-Television/ <http://media.parlament.org.ua>

to pay a fee to HRT, which is 1.5% of the average monthly salary of employees in Croatia on the basis of the statistical data of the previous year.

Montenegro – Montenegrin Radio Television was established in 2001 and its original title is Televizija Crne Gore and bears the RTCG acronym. RTCG assets are state property and the state possesses property rights and obligations, sources of financing, security and all new developments in relation to production and ownership. RTCG cannot be privatized without the consent of the Montenegrin Parliament. Business operations, apart from production, broadcasting and sale of programmes, movies, etc, include the production and broadcasting of advertisement and sponsorships. Pursuant to the Law on Broadcasting, any private household or legal entity in the territory of Montenegro that accepts the broadcasting of at least one radio is obliged to pay a monthly fee of 3, 5 Euros per month for broadcasting; a fee paid through the electric energy bill.²⁹ If the amount donated by the state budget is insufficient to realize obligations of the RTCG, then the RTCG Council may seek compensation from the state on the condition that the deficit is not caused by the misuse of the RTCG funds.

Serbia – Radio Television of Serbia was established in 2001 in its original name Radio Televizija Srbije and RTS acronym. RTS is broadcasted in cable and satellite 24 hours a day, in order to reach the widest public possible. RTS financing is done through the fee revenue from the citizens of the Republic of Serbia, which is carried out through electric energy bills.³⁰ The amount of the fee and the method of collection are provided by the Law on Radio-Diffusion.

Macedonia – Macedonian Radio Television (RTM) is a public enterprise, established by the Parliament of the Republic of Macedonia. Its activities, defined by law, are composed of production and broadcasting of radio and television in all genres which must fulfil news, cultural, educational and recreational needs of citizens of the Republic of Macedonia.³¹ RTM financing is done through broadcaster fee revenues, whereby anyone who own a radio or TV must pay the fee. Households pay a single fee, irrespective of the number of devices owned. The fee is paid each month and its amount is 2, 5% of the gross average salary in the Republic of Macedonia for the last three months.³² The license fee revenue is paid through the electric energy bill, excluding those who state that they do not own any device. A fee must be paid even for radio devices installed in vehicles, which occurs once a year i.e. upon the vehicle registration.

²⁹ Law on RTCG/ LAW ON PUBLIC BROADCASTING SERVICES"RADIO OF MONTENEGRO" AND "TELEVISION OF MONTENEGRO "http://www.osce.org/montenegro/19726

³⁰http://media.parlament.org.ua

³¹http://www.mrt.com.mk/al/AL

³²Law on Public Broadcaster of Macedonia /<http://www.mlrc.org.mk/law/l021.htm>

Table 3: Financing of public broadcaster in the region

Country	Name	Method of financing	Cashing agency	Fee for citizen
Albania	TVSH	Broadcaster fee revenue	Fee for TV device/electric energy bill	600 lekë (2,5 Euros)
Montenegro	RTCG	Broadcaster fee revenue	Electric energy bill	3,5 Euros per month
Croatia	HRT	Wage tax	Tax administration	1,5% of the average monthly salary
Macedonia	RTM	Broadcaster fee revenue	Electric energy bill	2,5% of the average monthly salary
Serbia	RTS	Broadcaster fee revenue	Electric energy bill	-----

Conclusions and recommendations

Since its establishment, Kosovo's public broadcaster did not enjoy an appropriate financing method. This doesn't necessarily mean that RTK didn't have a good budget for its functioning rather, it was quite the opposite. However, financing methods were contradictory. The method of license fee revenue through KEK has agitated many citizens, particularly those who had to pay even without any television signal, or those who owned two or more electricity meters in their homes. The collection agent itself was dissatisfied with the agreement. On the other hand, financing from the state budget from end 2009 to this day, has allowed space for interference with the institutional and editorial independence of the public broadcaster. The Kosovo public broadcaster must find an appropriate method to ensure adequate financing in the future. RTK financing method must guarantee its institutional and editorial independence, bearing in mind that it is a public broadcaster established to correctly serve all citizens. The draft law on the public broadcaster provides adequate financing only for the next three years, thus in the meantime a method for further financing of RTK must be found. For these reasons, GAP Institute recommends the following:

- Public broadcaster fees payable by citizens appears to be the best possible method for RTK financing. It would guarantee editorial independence, and as revenues can be forecasted, RTK may develop long-term plans.

- RTK must find the appropriate model of public broadcaster fee revenues and the collection agent, and submit its proposals to the Assembly for adoption. The amount of the fee must be proposed by the RTK and adopted by the Assembly. The contract with the collection agent must be concluded as soon as possible so that an awareness campaign for citizens is initiated immediately, and so that RTK is not left without financing when funding from the state budget ends.
- RTK must reconsider the option of collecting public broadcaster fee revenues through KEK. In the past, this method has proven efficient for the RTK. However, a good formula for the calculation of the fee must be found. A progressive fee would be the most acceptable option, rather than a fixed fee for all.
- The Assembly is responsible to ensure the coverage of Kosovo's territory with the public broadcaster's signal. The Assembly must assist RTK in improving its infrastructure to broadcast and cover at least 85% of Kosovo's territory, respectively 90% of the population as provided by law.
- RTK must request from the cable television providers that RTK's signal is not terminated even when their clients' subscription expire.
- By 2015, RTK must alternate from the analogue to the digital system, and this transition requires additional budgetary funds. These funds can be secured by the Government of Kosovo, i.e. through the allocation of a special fund and in order not to spend instantly the RTK budget allocated from the state budget.
- The Assembly must amend the respective Article which allows RTK advertisements up to 20% of the time. The Independent Media Commission must enjoy the authority to determine the period of advertisements for the public and commercial televisions.

Annex I: Coverage with TV land signal in Kosovo municipalities

Municipality	No of inhabitants ³³	Coverage (%) ³⁴
1. Artanë	6 720	80%
2. Besianë	87 933	95%
3. Burim	39 294	90%
4. Dardanë	35 600	80%
5. Decan	38 984	90%
6. Dragash	33 584	5%
7. Drenas	58 579	10%
8. Ferizaj	108 690	60%
9. Fushë Kosovë	34 718	100%
10. Gjakovë	94 158	95%
11. Gjilan	90 015	95%
12. Kaçanik	33 454	5%
13. Klinë	37 585	70%
14. Leposavic	-	5%
15. Lipjan	57 474	100%
16. Malishevë	54 664	80%
17. Mitrovicë*	71 601	95%
18. Kastriot	21 548	100%
19. Pejë	95 723	90%
20. Prishtinë	198 214	90%
21. Prizren	178 112	90%
22. Rahovec	55 053	90%
23. Shtërpce	6 913	5%
24. Shtime	27 288	85%
25. Skenderaj	51 317	5%
26. Therandë	59 702	15%
27. Viti	46 959	90%
28. Vushtri	69 881	95%
29. Zubin Potok	-	5%
30. Zveqan	-	80%
Total	1.733.872	77.73%

³³ Preliminary results of the census/ Statistical Office of Kosovo/
<http://esk.rks-gov.net/rekos2011>

*Only part of the municipality was not included in the 2011 census *

³⁴ Percentage on coverage obtained from the report: "Fees for the Public broadcasters service" RTK March 2008

The Institute for Advanced Studies GAP is a leading Kosovo Think Tank, established in October 2007 in Kosovo. GAP's main purpose is to attract professionals by creating a professional research and development environment commonly found in similar institutions in Western countries. This will include providing Kosovars with an opportunity to research develop and implement projects that would strengthen Kosovo society. A priority of the Institute is to mobilize professionals to address the country's pressing economic, political and social challenges. GAP's main objectives are to bridge the gap between government and people, and to bridge the gap between problems and solutions.

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