THE MEDIA IN MONTENEGRO

The analysis of business conditions and business barriers of the media industry in Montenegro

MAJE

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Podgorica, September 2020

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Editor:

Vuk Maraš

Authors:

Ana Nenezić
Miloš Vuković

Design and production:

Medijska asocijacija Jugoistočne Evrope (MAJE)
Media Association of South-East Europe (MASEE)

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INTRODUCTION

I INTRODUCTION

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For several years, the media in Montenegro have been faced with serious challenges, which are reflected in political and economic influence and dependence, thereby directly threatening the sustainability of the current level of media pluralism and future development thereof. Media able to operate in a free market, without the direct influence of the government, with the full compliance with the law and regulations which prevent political pressures and influence over the media and reporting is not only the minimum prerequisite for the functioning and operations of all media in Montenegro but also expectations in regard to progress towards the EU membership.

The viability of the media businesses without direct pressures and influences on reporting coming from different influential groups within the society is at risk. The process of finding an adequate business model that would enable business sustainability, preserve media independence, and ensure unbiased reporting is a challenge present in many developed democracies. The need to protect traditional media is of special importance in the light of the challenges arising in the era of digital development including increasingly popular internet media and social media that act as intermediaries in information transmission, which do not create the information but distribute different and often untrustworthy sources and information. The fact that the broad audience is reached by the new forms of media – both internet portals and information intermediaries (i.e. social media) represents a great potential for advertising to the targeted audience, which increasingly directs marketing budget towards these new forms of media, consequently threatening the viability of traditional media. The lack of regulations in this area deepens the problem and poses a threat to the functioning of traditional medial, which is why the government ought to strategically design measures and directly help to preserve and developing media pluralism.

However, unlike Montenegro, other countries have identified these challenges and committedly work on developing models and strategies to prevent potential challenges regarding traditional media occurring in the future, and to ensure media pluralism, using positive actions of the government through direct or indirect subsidies, while keeping a neutral and balanced approach to different media.

This report aims to contribute in this direction. The report systematically inspects the media market in Montenegro and their individual positions in the economic environment. It demonstrates concerns regarding the largest economic challenges faced by the media and provides suggestions for overcoming them.

The fact that television[1] in Montenegro is still the primary and dominant source of information for 63% of the population, and that citizens have the highest degree in this media type, indicates that it is not too late to strategically approach the issue of sustainability of traditional media and strengthening media pluralism. On the other hand, as a primary source of information 16% of citizens of Montenegro chose the Internet (not including social networks), 12% marked social networks, 3% chose print media, 2% chose radio stations, while the rest of the respondents either declined to respond or do not use media as a source of information.

[1] International Republican Institute-IRI, Western Balkan survey conducted between February 2 and March 6, 2020, https://www.iri.org/resource/western-balkans-poll-shows-strong-support-eu

While 25% of respondents marked RTCG as the most reliable and trusted media outlet, when it comes to political information i.e. their news program, Vijesti took first place with 33% of those who marked this television as the most reliable.

On the other hand, the collected data indicates that findings do not correspond with the business success and performance of the media. For instance, findings suggest that in terms of generated revenue print media are performing significantly better than electronic media, which does not make economic sense but confirms the thesis that the part of the marketing share is being lost in regional countries.

The present unfair competition raises concerns it could additionally threaten the sustainability of the fragile media market in Montenegro. According to the collected data, it is necessary to undertake activities aimed at protecting domestic traditional media thereby providing them with the opportunity to survive within the market in Montenegro.

The attempts of the Government of Montenegro to support the media industry and encourage pluralism through Fund for the stimulation of media pluralism are meaningless when considering that the planned annual budget of around 1 million euros is to be used for support of all traditional media which means that more than fifty media outlets (TV and radio) will share the support of 500,000 euros per annum, while the print media – four daily newspapers, one weekly newspaper, and over 70 electronic publications, will be sharing the support of 300,000 euros.

The facts that the Government of Montenegro allocates around 14 million euros on average for RTCG (operating under the same conditions in the market as commercial media) which is more than the entire annual support directed at the other 100 media outlets through the Fund; that local public broadcasters receive more than 3 million euros from the budgets of local self-governments, while regularly operating in the market and averagely generating half a million euros in annual revenues, imply that the proposal for overcoming these chronic problems should be seriously considered.

Montenegro needs an independent, objective, and professional media as one of the pillars of democracy. It is only financially independent media that can be truly independent in their operations and reporting. Without these, it is difficult to perceive Montenegro as a developed democracy and a potential member of the European family of nations.

II

METHODOLOGY

II METHODOLOGY

Aiming to produce the analysis of business conditions and business barriers of the media industry in Montenegro, the research team of MASEE implemented the combination of two methods of research – qualitative and quantitative. The former, besides desk research (secondary research) including analysis of key legal, strategic, and other related documents, international and domestic NGO reports, provided the basis for the quantitative research. The quantitative method – by collecting numerical data and analyzing the current context – provided us with an overview of the financial position of the media through:

The examination of the current legal incentives for the local and national-level media through:

1) The analysis of positive-law regulations and strategic documents and other relevant documents at the national- and local-level and mapping of the various subsidies and incentives for the media;
2) The analysis of the criteria defined and impact of incentives on media so far, at the national and local level;
3) Detailed tabular report of available data on different forms of incentives for the media;
4) Collecting data on different forms of the support provided by the government, local self-government, and other governmental institutions
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7) Overview of the latest available financial statements of the companies whose economic activities are classified under the following classification codes: 5813 (newspaper publishing), 6020 (Television broadcasting and production), 6312 (web portals), 6010 (Radio broadcasting and production);
8) Total revenue generated, number of employees and profit of companies from each of the aforementioned activity categories; Comparative analysis of the financial statements of the 5 largest companies in each of the aforementioned activity categories
9) Mapping of the business barriers which hinder the business operations of the media, as well as the effectiveness of incentives at the national and local level.

In order to analyze the business environment of the media market, several relevant segments have been assessed:

1) The legal and institutional framework of the business environment of the media market;
2) The macroeconomic situation in Montenegro with reference to the media industry (the latest available data – domestic data sources);
3) The analysis of the Doing business report (the most representative report on the business environment, The World Bank);
4) The analysis of the business environment in Montenegro with reference to the findings of reports of relevant international institutions and organizations (The EU's Progress Report for Montenegro, EBRD, IMF, The World Bank, Montenegrin Foreign Investors Council, American Chamber of Commerce);
5) Overview of the latest available financial statements of the companies whose economic activities are classified under the following classification codes: 5813 (newspaper publishing), 6020 (Television broadcasting and production), 6312 (web portals), 6010 (Radio broadcasting and production);

6) Total revenue generated, number of employees, and profit of companies from each of the aforementioned activity categories;
7) Comparative analysis of the financial statements of the 5 largest companies in each of the aforementioned activity categories with a focus on the following criteria: Fixed assets, accounts receivable (A/R), equity, loans, operating liabilities, revenues, cost of goods sold (COGS), material costs, wage expenses, depreciation, other operating revenue, financial expenses, other expenses, operating cash flow (OCF).
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14) The financial statement analysis of media buying companies operating in Montenegro: Direct media, Universal media, MAPA, McCann Podgorica, and the Media publikum[2] company.

Based on the collected and analyzed data, this report provides an overview of findings and recommendations for improvement. The recommendations defined, along with the assessment of anticipated expenses, will be sent to competent institutions in charge of their implementation.

Note:
1. The financial statement analysis of the companies is based on the data collected from the Tax Administration website and the software created by Binfo.me. It is possible that companies have revised their financial statements in the meantime, however, such changes are not recorded in this analysis.
2. In the process of analyzing, we have identified particular companies registered under the classification codes not included in the previously defined methodology. Considering that they are recognized in the media industry as relevant - they were included in this analysis.

[2] The Media Public company operates under different classification code - 7312 (media presentation)

III

THE MEDIA MARKET IN MONTENEGRO

III THE MEDIA MARKET IN MONTENEGRO

Ana Nenezić

3.1. Overview of the media market in Montenegro

There are slightly more than 150 media outlets operating in Montenegro, in the market of 640,000 citizens and with an estimated total marketing budget of 11 million euros[3]. According to the latest data from the Agency for electronic media of Montenegro, there are 75 electronic media outlets, out of which 22 TVs and 53 radios, while the number of registered electronic publications i.e. web portals is 70. Besides, there are also four daily newspapers, one weekly newspaper, and one news agency.

As per the ownership structure, 8 out of 22 TV stations are public broadcasters. Radio and Television of Montenegro (RTCG) at the national level, and local public broadcasters in the municipalities of Niksic, Pljevlja, Budva, Herceg Novi, and Rozaje. There are three commercial TV stations: TV Vijesti, TV Prva, and TV Nova M. When it comes to the 53 radio stations operating in Montenegro, there are 35 commercial and 16 public radio[4] broadcasters, while two operate as non-profit stations.[5]

There are significant discrepancies in public registers data and the data obtained when analyzing the performance of the companies registered with the Central Register of Business Entities (CRPS) under the following classification codes: 5813 (newspaper publishing), 6020 (Television broadcasting and production), 6312 (web portals), 6010 (Radio broadcasting and production).

The figures show that the number of active media companies are as follows: 11 newspaper publishers, 12 TV broadcasters, 40 web portals, and 25 radio broadcasters, totaling 88. It might be argued that some of the causes of these discrepancies could be that some media outlets are registered under different classification codes, such as Prva TV, which is registered under the classification code 5920 (recording and publishing of music and sound), but also the cause may be the fact that a considerable number of media outlets is not registered with the CRPS, this applies particularly to web portals. According to the above mentioned criteria, 88 media companies registered with the CRPS, employ nearly 1,000 people and generate 22.2 million euros in revenue. It is estimated that, despite the official number of registered electronic publications (i.e. web portals) being 70, the real number of these is notably larger; however, due to the imoproper implementation of the legislation which allowed web portal owners to avoid registration. According to the current Electronic Media Law, the owners of electronic publications are legally bound to register with Agency for Electronic Media before they start publishing, however considering the lack of penalty provisions for the violation of the law, the implementation of the Law is inadequate and the registration process is left up to the owner's willingness to perform it.

Electronic Media Law defines **electronic publications** as editorially shaped web pages and/or portals containing electronic versions of print media and/or information from the media in a way accessible to a wider public regardless of their scope. The obligation to register electronic publication before starting to publish is derived from Article 126 which states: "*A natural and a legal*

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[3] IREX, Media Sustainability Index for 2019, available on: https://www.irex.org/sites/default/files/pdf/media-sustainability-index-europe-eurasia-2019-full.pdf
[4] Andrijevica, Berane, Bijelo Polje, Budva, Cetinje, Danilograd, Herceg Novi, Kotor, Niksic, Pljevlja, Tivat, Ulcinj, Bar and Rozaje.
[5] The Register of the Agency for Electronic Media of Montenegro available on: https://aemcg.org/emiteri-operatori-i-publikacije/

person is obliged, before starting publishing an electronic publication, to apply with the Agency for entry into the register of electronic publication service providers." Nevertheless, in reality, this is not enforced. The Agency for Electronic Media's Rulebook on electronic publications came into force in 2016 with the aim of regulating this area. After the Rulebook has come into effect, the number of registered electronic publications has increased from 15 (2016) to 70 (now).

Based on the insight in the contents of the Register it is not difficult to find that there is a significant number of electronic publications actively operating in the market which are not registered. Law on Media does not recognize web portals as media which eliminates the responsibility of the owners of these publications and they operate dominantly outside the boundaries of the current legal framework. The Draft Law on Media, which has been under the consideration by the Parliament since 2019, for the first time legally defines the publications as media and proposes penalty provisions for missing to promptly register in the Register, which according to the Draft becomes the responsibility of CRPS.

The analysis of the Trade Union of Media of Montenegro (SMCG) published in 2019, indicates that, according to the financial statements obtained from the website of Tax Administration of Montenegro, the largest 70 media outlet which generates 95% of the total media industry's revenues, earned circa **35.7 million euros** in total. Their findings suggest that the expenses of this industry totaled 35.4 million euros, which implicates that the profits were somewhat more than 300 thousand euros. It is emphasized that almost one-half of the total revenue i.e. 16.5 million euros, came from the public sources, which is the Government or the budget of local self-governments, whereas 19.5 million euros came from the following revenue streams: marketing, other services, and the media owners' donations.

The financial data presented analyzed in-depth later in the report corroborate these findings.

3.2. Overview of the media outlets and media market in Montenegro in reference to international and domestic reports

Ana Nenezić

European Commission in the Report on Montenegro in 2019, mentions that Montenegro made no progress in the area of freedom of expression. Besides highlighting problematic areas that chronically burden the media industry, in regard to the economic factors - the Report finds the following: *"Concerns about transparency and non-discrimination in state advertising persist. The fact that many media outlets are not financially sustainable has a negative impact on the quality of reporting and professionalism. Montenegro should ensure that informal pressure on editorial policy is not exerted through the distribution of advertising funds, including from public companies, as well as through project co-funding from local budgets. The sustainability of media should be addressed in the forthcoming media law. "*

Following the findings of The Press Freedom Index published by the international non-governmental organization Reporters Without Borders in 2019, Montenegro ranked 104th among 180 countries.

On the other hand, the IREX report, which assesses the media sustainability index[6] across different MSI objectives, reports a score of 2.19 for the Business Management objective for Montenegro, claiming that the majority of Montenegrin media struggle to survive financially. In addition, it is stated in the index that Montenegrin media outlets survive not due to their primary activity and corresponding commercial income, but due to "*other sources of revenue such as domestic and foreign grants, recapitalizations, or loans from their owners."* The Media Sector Inquiry for Harmonization with the Council of Europe and European Union Standards, drafted under the Council of Europe's JUFREX project, provides a systematic overview of media policies in Montenegro. Within the project of "Reinforcing Judicial Expertise on Freedom of Expression and the Media in South East Europe", the experts from the EU and Council of Europe followed the recommendation of the European Commission, thus conducted an analysis of the media sector in Montenegro in the period August 2017 - January 2018. In Chapter 5 – Support Scheme and State Aid, there are multiple concerns addressed in regard to financing the media. Primarily, the report addresses the lack of transparency in State advertising and its strong influence on the media market and refers to the data of Center for Civic Education: "*As far as State advertising is concerned, the issue is well documented, and the problem has persisted for years. This calls for legislative action with a view to ensure not only full transparency but first and foremost impartiality in the allocation of such advertising to all print, audiovisual and electronic media by all state bodies (both at the national and local level) as well as by institutions and companies owned wholly or partly by the State, including those that perform industrial and commercial activities.*"

Moreover, the allocation of state aid is problematized, and it is suggested that the process of allocating state aid to private broadcasters needs to be transparent and directed to sustainable market actors.

[6] https://www.irex.org/sites/default/files/pdf/media-sustainability-index-europe-eurasia-2019-full.pdf

3.3. Media pluralism between EU regulations and practice in Montenegro

Ana Nenezić

The media pluralism, in its essence, implies a wide range of different information from various topics being provided to the users of the media services, along with the diversity of political, economic, social, and cultural stances, opinions, positions, and analyses which offer the general public an opportunity to obtain unbiased and complete information, and thus form an attituded based on fact. Within the framework as one previously mentioned, the media have a significant role and act as a controlling mechanism of public policies. Accordingly, the media pluralism as one of the key goals of the media policy in developed democracies does not only refer to the number of media outlets present in the market, since there is not a correlation between a large number of media outlets and a functional media pluralism, but it rather refers to other numerous factors including the variety of media offer and media content of public interest. Contrary to this one, there is a concept that directly threatens media pluralism through high media and media ownership concentration, along with the media market being under government and political pressure (selective state advertising in commercial media), hence disregarding free-market principles and equal conditions.

The government has an important role in the development of media pluralism as a condition for the actualization of the public interest in media. This role is particularly relevant in undeveloped and limited media markets as is Montenegrin, where the private media outlets are often oriented toward the production of entertaining commercial content which attracts audience attention, despite lacking informative and education functions which are of essential importance.

Transparency of the media ownership and of the sources of financial influence on media, positive activities of the government through direct or indirect subsidies, allocated with the neutral and equal approach to all media outlets are the preconditions for media pluralism.

Since the European Commission has published the Green Paper on the Media Pluralism[7], which sketched out three potential scenarios pertaining to the media concentration and pluralism: 1) acting without intentions to regulate; 2) acting through regulating the transparency; 3) acting through harmonization of the legislation; the question of attaining standards of media pluralism, accompanied by freedom of expression, has taken the central place in the European media policy and regulations.

The need to protect traditional media is of special importance in the light of the challenges arising in the era of digital development including increasingly popular internet media and social media that act as intermediaries in information transmission, which do not create the information but distribute different and often untrustworthy sources and information. The fact that the broad audience is reached by the new forms of media – both internet portals and information intermediaries (i.e. social media) represents a great potential for advertising to the targeted audience, which increasingly directs marketing budget towards these new forms of media, consequently threatening the viability of traditional media. The lack of regulations in this area deepens the problem and poses a threat to the functioning of traditional medial, which is why the government ought to strategically design measures and directly help to preserve and developing media pluralism.

[7] More on the Paper available on: https://ec.europa.eu/commission/presscorner/detail/en/P_92_68

Numerous European documents have been adopted to this end, including the Declaration on the Freedom of Expression and Information adopted by the Council of Europe (1982), the EU's 2007 Audiovisual Media Services Directive – AVMSD (2007), Conclusions of the Council and of the Representatives of the Governments of the Member States, meeting within the Council, on media freedom and pluralism in the digital environment (2014)[8], and the set of recommendations elaborated by the Council of Europe.

The recommendation CM/Rec(2007)2[9] of the Committee of Ministers to member states on media pluralism and diversity of media content which reminds that: "*pluralism of information and diversity of media content will not be automatically guaranteed by the multiplication of the means of communication offered to the public " and that "the transnational media concentration phenomena can have a negative impact on the diversity of content "*. In reference to the editorial independence of newsroom, the Recommendation mentions that *„member states should pay particular attention to the need for effective and manifest separation between the exercise of political authority or influence and control of the media or decision making as regards media content. "*

The Recommendation (2007)[10] and Resolution 1636 (2008)[11] indicate the tendency of the European Union and the Council of Europe to reconcile the idea of internal pluralism with the conflict between the concept of the neoliberal media and media content pluralism. **Internal pluralism** insists on a variety of media content, without necessarily interfering with external pluralism – ownership and the number of operating media outlets.[12]

On the same line is Recommendation No. R (99) 1 on measures to promote media pluralism, which in Recommended measures part states the following: *„The Member States could consider the possibility of introducing, with a view to enhancing media pluralism and diversity, direct or indirect financial support schemes for both the print and broadcast media."* Furthermore, it is pointed out that: "*...support measures could also be considered by member States to promote the creation of new media undertakings or to assist media entities which are faced with difficulties or are obliged to adapt to structural or technological changes.*"

Moreover, in 2018, the Council of Europe has adopted two Recommendations (2018/1 and 2018/2), which focus on media pluralism and transparency of media ownership, as well as on the roles and responsibilities of the internet intermediaries. Recommendation CM/REC (2018)1[13] of the Committee of Ministers to member States on media pluralism and transparency of media ownership specifies guidelines on media pluralism and transparency of media ownership. The document contains a set of recommendations on the creation of incentives for sustaining business operations of the media outlets serving the public interest, the sustainability of the media market, provision of resources to media to fulfill their task of providing accurate and reliable reporting on matters of public interest, and other incentive measures that empower the public function of media.

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[8] (2014/C 32/04) https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2014:032:0006:0007:EN:PDF
[9] Recommendation CM/Rec(2007)https://search.coe.int/cm/Pages/result_details.aspx?ObjectID=09000016805d6be3
[10] The recommendation CM/Rec(2007)2[10] of the Committee of Ministers to member states on media pluralism and diversity of media content, https://search.coe.int/cm/Pages/result_details.aspx?ObjectID=09000016805d6be3
[11] PACE Resolution 1636 (2008) https://assembly.coe.int/nw/xml/XRef/Xref-DocDetails-en.asp?FileID=17684&lang=en
[12] Prof. dr Dubravka Valić Nedeljković, Media industry
[13] https://rm.coe.int/ser-cm-rec-2018-1-media-pluralism-and-transparency-pdf/16809371eb

3.4. Media pluralism through practice in Montenegro

Ana Nenezić

As a signatory country, Montenegro is obliged to fulfill suggested recommendations and to enhance the media sector in the direction indicated. One of the forms of government intervention is direct and indirect subsidies as a particular instrument that leads to stimulating media pluralism.

Indirect measures include fiscal reliefs, such as VAT cuts on paper or newspaper, while direct measures refer to direct funding – through open competition for grants, or direct financial aid where part of the debt of a particular media outlet (that would be at risk if they were to pay off these liabilities) is being taken-over by the Government.

The competent authorities, however, even when referring to the legislation on media, tend to minimize the significance of the empowerment of media and the media pluralism, through different forms of support. This is reflected in the Draft Law on Media[14] which introduces novelties in the part relating to the establishment of the Fund for the stimulation of media pluralism and media variety, as a form of direct support. The line Ministry explained the solution incorporated in the beforementioned Law as follows: "*In the light of Recommendation CM/Rec(2018)1of the Committee of Ministers to member States on media pluralism and transparency of media ownership, that recommends providing media with resources to enable them to fulfill their task of providing accurate and reliable reporting on matters of public interest, in particular concerning vital democratic processes and activities.*"

The planned funding of the Fund coming from the current budget is stipulated by the annual Law on Budget that stipulates the amount of at least 0.09% for the financing of commercial audiovisual media, print media, non-profit media, and internet publications, where the funding amount is divided into two parts – 60% for the Subfund for commercial audiovisual media and non-profit media and 40% for the Subfund for commercial print media and internet publications. In addition, the operating expenses of two bodies that redistribute the money received from the Fund (Council of Agency for audiovisual media services and an independent commission of Ministry of Culture for print media and internet publications) are covered by the 5% of funds of each of the two subfunds. Moreover, an additional 5% is used to finance operating expenses of self-regulatory bodies. According to the Law on Budget of Montenegro, the current budget for 2020 totals 1.32 billion euros. Therefore, the 0.09% received by the Fund is, in fact, **1,188,000** euros per annum.

When the funds planned to cover the operating expenses of decision-makers and of self-regulatory bodies are deducted, the electronic media actually receive 50%, while print media and electronic publications receive 30%.

In absolute terms, this implies that through the Fund the government will support more than **50 electronic media outlets (TV and radio) with approximately 500,000 euros annually**, while the print media: **four dailies, one weekly, and 70 registered electronic publications, will have more than 300,000 euros at their disposal.**

For comparison, RTCG receives more than 13 million euros annually (see Figure 1), while a single local public broadcaster RTV Budva receives an equal amount annually! The planned amount of the funds accurately indicates the extent of the planned support of the development of media pluralism in Montenegro. It is clear that the concept promoted at the EU level i.e. internal pluralism without necessarily interfering with external pluralism is not the one enforced by the Government

14 Draft Law on Media, the act proposal No. 10-3/19-2, in the procedure before Parliament since 18.12.2018, available on http://skupstina.me/index.php/me/sjednice/zakoni-i-drugi-akti

of Montenegro. Furthermore, for the Fund to be able to realize the objectives stipulated by the Law, the proposed annual amount must be substantially increased. If not, the attempt to boost media pluralism and variety will remain limited and within the boundaries of the formal compliance with the requirements of the international community and media, but with no effect in reality.

In the past, with the aim of protecting media pluralism, the Government provided other forms of direct and indirect support to media, by debt write-off and through lower VAT rates for the print media (7%, as opposed to the general VAT of 21%). Besides, the Government ad-hoc wrote off broadcasters' debt owed to the Broadcasting Centre (RDC), without establishing a strategy or conducting a systematic assessment of the market beforehand.

3.5 The National public broadcaster (RTCG) funding and its financial operations

Ana Nenezić

Article 76 of the Electronic Media Law[15] defines the method of financing of public broadcasters. Amendments on the Law adopted in 2017 conditioned financing on the conclusion of the contract by the Government of Montenegro and RTCG at the national level, and between local self-governments and local public broadcasters at the local level.

The Government of Montenegro and RTCG concluded the contract for service provision for the period of January 2018 – December 2020, in accordance with Article 9A of the Law on the national public broadcaster (RTCG). The contract incorporated planned funding of 12.577 million euros (2018, 14.567 million euros (2016), and 15.129 million euros (2020), which totals more than **42 million euros** for a period of three years.

The Law on the national public broadcaster Radio and Television of Montenegro (RTCG)[16] stipulates that RTCG is allowed to generate revenues by performing commercial audio-visual services.

The financial plan of RTCG for 2020 estimates the total revenue of 19,065,300 euros for the year, while the planned revenues generated by commercial activities performed totals 1,400,000 euros for 2020. Below is the overview of RTCG's business performance by the set criteria.

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15 " The Official Gazette of Montenegro", No. 046/10 of 06.08.2010, 040/11 of 08.08.2011, 053/11 of 11.11.2011, 006/13 of 31.01.2013, 055/16 of 17.08.2016, 092/17 of 30.12.2017

16 ("The Official Gazette of Montenegro", No. 079/08 of 23.12.2008, 045/12 of 17.08.2012, 043/16 of 20.07.2016, 054/16 of 15.08.2016

17 " The Official Gazette of Montenegro", No. 046/10 of 06.08.2010, 040/11 of 08.08.2011, 053/11 of 11.11.2011, 006/13 of 31.01.2013, 055/16 of 17.08.2016, 092/17 of 30.12.2017

The Law on the national public broadcaster Radio and Television of Montenegro (RTCG)[18] stipulates that RTCG is allowed to generate revenues by performing commercial audio-visual services. For the period of 2017-2019, RTCG derived revenue of **2,632,484 euros** solely from commercial advertising.

Additionally, it has been determined that RTCG is responsible for preparing financial reports and publishing them on their website. More precisely, it is defined that a director-general must submit a financial report for the previous year, while the Council of RTCG adopts the statements and publish them on the website.[19]

The data contained in the published financial reports are shown in the Figure 1 below and they refer to the financial years of 2017, 2018 and 2019.

	2019[20]	2018[21]	2017[22]	Total
Public funds revenue[23]	13,822,200	12,577,200	11,511,000	37,910,400
Commercial revenue	1,110,000	1,174,752	1,212,610	3,487,362
Total	**14,932,200**	**13,751,952**	**12,723,610**	**41,397,762**
Direct and Indirect Expenses	5,210,800	4,390,715	4,143,230	13,744,745
Personal incomes	8,460,000	7,843,847	7,798,740	24,102,587
Net income/loss	**50,000**	**651,957**	**12,986**	**714,943**

Figure 1 – Partial overview of the RTCG's revenues and expenses

Considering that these financial reports failed to show details, below the financial statements submitted to the Tax Administration are analyzed, along with the data contained in the „Notes To The Financial Statements (Footnote Disclosures)" and in management reports for the three previous years.

The detailed analysis allowed for the identification of discrepancies between the data shown in financial reports on the website of RTCG and the official financial statements data. The two categories: **personal incomes** (financial report available on the website) and **salary expenses** (contained in the income statement) serve as illustrative examples of these discrepancies.

Namely, personal incomes for 2019 amounted to **8,460,000 euros**, whereas the amount of **9,679,243 euros** was assigned to salary expenses.

The salary expenses category is shown individually in a tabular form to specify all annual expenses that come under this category.

[18] ("The Official Gazette of Montenegro", No. 079/08 of 23.12.2008, 045/12 of 17.08.2012, 043/16 of 20.07.2016, 054/16 of 15.08.2016

[19] The Law on the national public broadcaster Radio and Television of Montenegro (RTCG), " The Official Gazette of Montenegro", No. 079/08 of 23.12.2008, 045/12 of 17.08.2012, 043/16 of 20.07.2016, 054/16 of 15.08.2016, Article 22, 23 and 49.

[20] The financial plan of RTCG for 2019, available on http://www.rtcg.me/rtcg/poslovanje.html. The financial report for 2019 is not published.

[21] The Financial report of RTCG for 2018, No. 01-3819/1 in Podgorica, on 17.06.2019, available on http://www.rtcg.me/rtcg/poslovanje.html

[22] The Financial report of RTCG for 2018, No. 01- 2928, 26.06.2018, available on http://www.rtcg.me/rtcg/poslovanje.html

[23] Funding from the State Budget

In order to review the overall business performance, the figure below contains data from financial statements and footnote disclosures submitted to the Tax Administration of Montenegro, regarding the three previous years.

Figure 2 – Comparative overview of the fragment of operating revenues and expenses of RTCG in 2017, 2018 and 2019.

[24] RTCG	2019	2018	2017	Total (2017, 2018 and 2019)
Operating revenue	↑ **16,283,616**	↑ **13,893,434**	**12,837,744**	**43,014,794**
Revenue from public services, donations, and other revenue	↑ 14,813,614	↑ 12,704,154	11,613,728	39,131,496
Revenue from the budget	↑ 13,822,200	↑ 12,577,200	11,511,000	37,910,400
Revenue from the expiry of deferred revenue for donated equipment	956,454	53,947	/	1,010,401
Donations received	32,794	63,129	73,612	169,535
Commercial revenue	↑ 1,470,002	↓ 1,189,280	1,224,016	**3,883,298**
Advertising revenue	↑ 922,556	847,900	862,028	2,632,484
[25]**Revenues from technical services, rebroadcasting**	527,894	326,852	350,582	1,205,328
Operating expenses	**15,599,872**	**13,116,091**	**12,585,027**	**41,300,990**
Cost of salaries and other personal expenses and the average number of employees[26]	↑ 9,679,243 **719**	↑ 8,562,711 **719**	8,530,452 **731**	26,772,406
Material cost	705,565	623,020	653,481	1,982,066
Cost of depreciation and provisions	2,442,680	877,465	705,575	4,025,720
Other operating expenses	2,759,576	3,044,682	2,691,400	8,495,658
Net income/loss	↓ **435,018**	↑ **651,957**	**12,986**	/

The financial statements indicate that RTCG allocated 6,719,297 euros for the costs of salaries, fringe benefits, and other personal expenses for 719 employees in 2019, implying it is a significant factor among total costs of RTCG accounting for more than 60%. Yet despite this, it is found that

[24] Data from financial statements, footnote disclosures, shown in EUR and available on the Tax Administration's platform Eprijava: https://eprijava.tax.gov.me/TaxisPortal

[25] Razlika od ukupnih prihoda od prodaje odnose se na prihode iz bifea RTCG-a

[26] The total number of employees at the end of each month divided by the number of months – as indicated in the Statistical Annex which is a part of financial statements submitted to the Tax Administration

these costs increased over the period 2017-2019, and comparative data demonstrated that the increase in these costs amounts to one million euros!

[27]	2019	2018	Total
Gross salary expenses	↑ 6,719,297	6,333,506	**13,052,083**
Contributions paid by employer	788,721	810,164	1,598,885
RTCG Council members remuneration	91,230	91,284	182,514
Service Contracts and royalties	↑ 42,530	16,276	58,806
Professional Engagement Contracts	↑ 592,291	336,227	928,518
Agreement on Supplementary Work	↑ 49,232	19,456	68,688
Severance payments	↑ 238,383	145,149	383,532
Daily Allowance (accommodation and transport expenses)	↑ 494,365	360,037	854,402
Employee transportation costs	375,019	377,091	752,110
Winter bonuses	↑ 107,613	0	107,613
Field accommodation	↑ 26,673	4,821	31,494
Financial assistance for employees	↑ 64,948	47,809	112,757
Litigation and settlement costs	4,195	4,463	8,658
Other personal expenses and remunerations	↑ 84,746	16,428	101,174
TOTAL	↑ **9,679,243**	**8,562,711**	**18,241,954**

Figure 3 – Comparative overview of salaries, remunerations and other personal expenses for 2018 and 2019 with trend arrows

As shown above, the costs that come under the category of Other personal expenses and remunerations saw an increase in 2019. The comparative data from 2017 is not shown due to the differences in methodology which instead of showing all subcategories individually, presented only two following categories: Salaries and contributions costs in the amount of 7,185,859 euros and Other personal expenses which totaled 1,344,592 euros (this includes royalties, Agreement on supplementary work, daily allowances and travel expenses, employee transportation costs, cost of the Employee termination agreements, financial assistance for employees, costs of employee recognition awards and other personal expenses).

[27] The Footnote Disclosures report, is available on the Tax Administration's platform Eprijava on: https://eprijava.tax.gov.me/TaxisPortal and the annual report of RTCG management. All amounts are in EUR.

It is interesting that RTCG, despite being heavily financed from the State Budget and generating revenues from commercial activities, is an indebted company. Their long-term liabilities include the three loans:

[28]RTCG long-term liabilities	2019	2018	2017
Loan with Prva bank	0	30,341	117,101
Loan with Prva bank	240,103	348,570	450,000[29]
Equipment loan (foreign debt)	35,554	53,331	71,109
Total:	**275,657**	**432,242**	**638,210**

Figure 4 – Overview of the long-term liabilities of RTCG in 2017, 2018 and 2019

[30]RTCG short-term liabilities	2019	2018	2017
Loan with Societe Generale bank	0	0	487,295
Loan with Prva bank	30,341	86,761	80,708
Loan with Prva bank	0	0	20,000
Loan with Prva bank	108,467	101,430	0
Total	**138,808**	**188,191**	**588,003**

Figure 5 – Overview of the short-term liabilities of RTCG in 2017, 2018 and 2019

Total loan liabilities, including the short-term and the long-term ones, of RTCG in 2017 amounts to over one million euros. In the subsequent years, this amount is reduced to 620,433 euros and 396,465 euros in 2018 and 2019, respectively.

RTCG generates about one million euros of advertising revenue. More precisely, within the period of the three examined years, the revenue generated was ***2,632,484 euros***. Taking into account the limitations of the marketing-media market in Montenegro, considerable government intervention in the market (financing particular media outlets through advertising and other types of promotion, unfair (disloyal) competition, and other obstacles, it is argued that the RTCG enjoys a very privileged position compared to the commercial media outlets in Montenegro.

[28] RTCG's Footnote Disclosures report, is available on the Tax Administration's platform Eprijava on: https://eprijava.tax.gov.me/TaxisPortal

[29] At the end of 2017, RTCG has made an agreement (No. 01-6636 of 11.12.2017) with a commercial bank for a long-term loan of 45.000 EUR with an annual interest rate of 6.95% and a 5-years repayment schedule. The loan was secured by the collateral of specified real estate property registered under No. LN 822 in cadastral records of Podgorica.

[30] RTCG's Footnote Disclosures report, is available on the Tax Administration's platform Eprijava on: https://eprijava.tax.gov.me/TaxisPortal

3.6. Local public broadcasters funding

Ana Nenezić

Apart from the national public broadcaster (RTCG), there are also local public broadcasters in the Montenegrin media market which besides generating income from their commercial activities, receive funding from the State budget. There are 14 local self-governments that founded 17 local public broadcasters – 5 TV stations: Niksic, Pljevlja, Budva, Herceg Novi, and Rozaje; and 14 radio stations: Andrijevica, Berane, Bijelo Polje, Budva, Cetinje, Danilograd, Herceg Novi, Kotor, Niksic, Pljevlja, Tivat, Ulcinj, Bar, and Rozaje.

According to the decisions on the budget of 14 local self-governments, the total planned amount of funding to be received by TV and radio stations is 3,608,074 euros.[31]

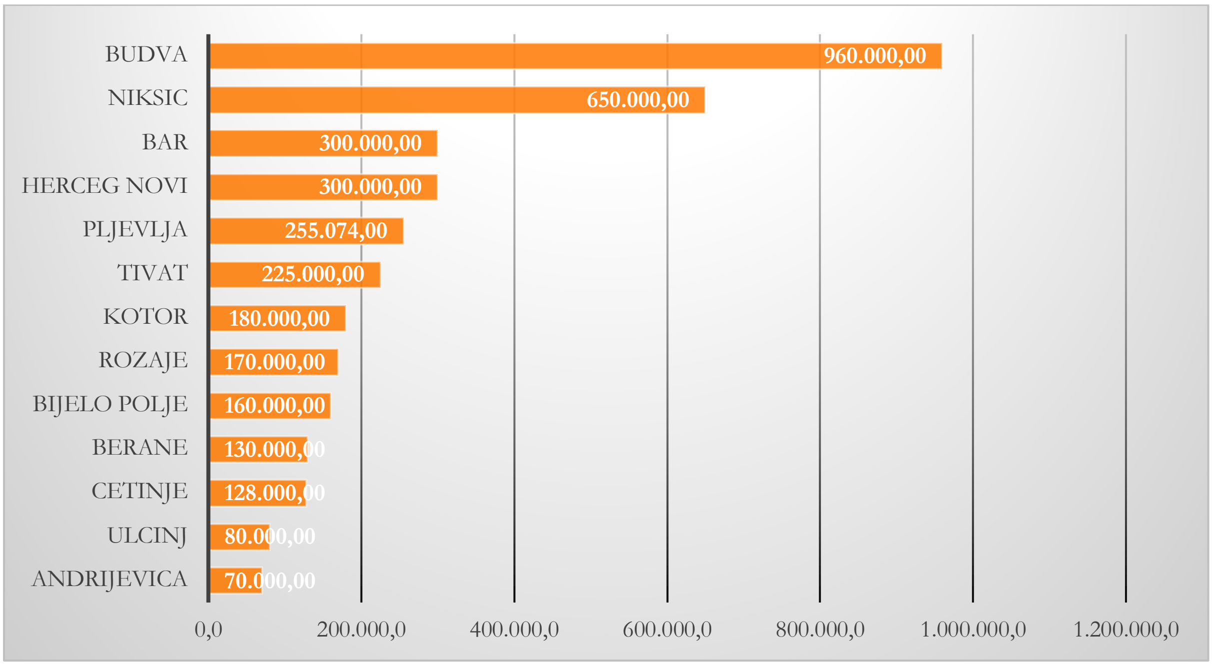


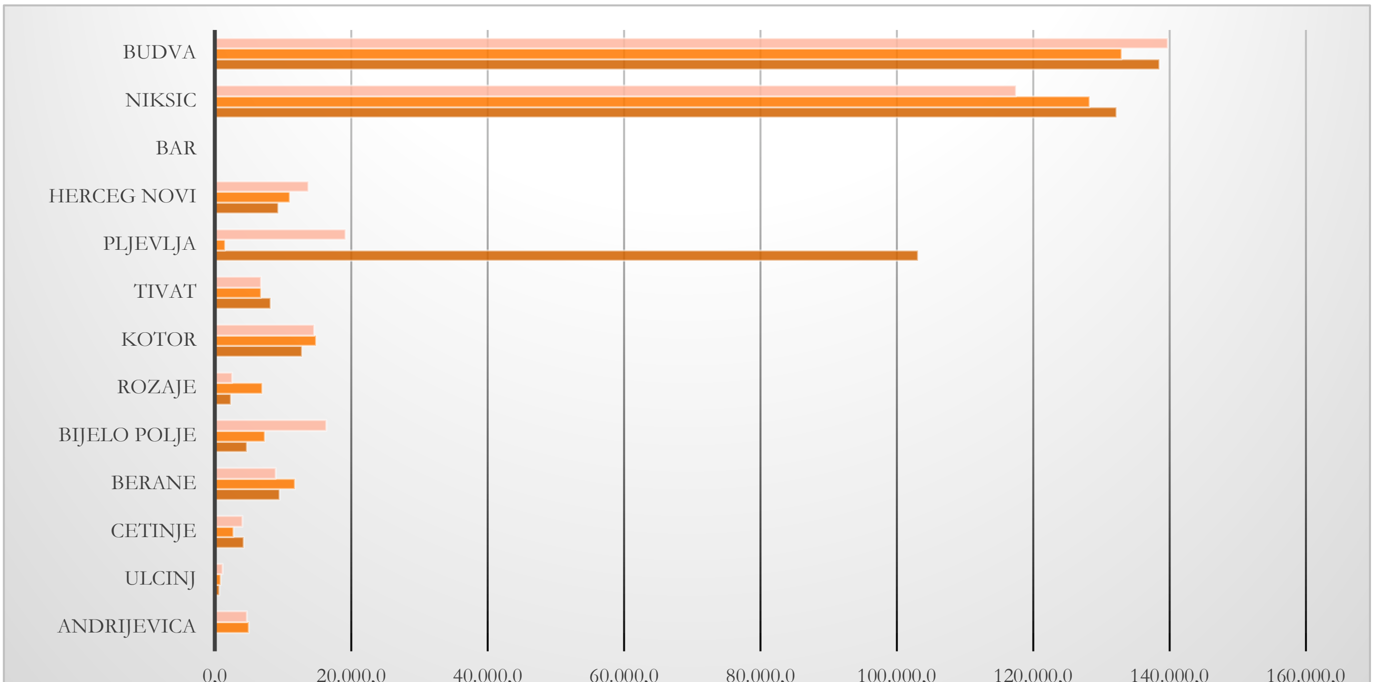
Chart 1 – The overview of the total planned amount of the local public broadcasters funding as per local governments budget decisions in 2020

The amounts stated refer only to the funding received from the local budgets, they do not include the commercial activities revenue.

Examination of the financial statements i.e. the income statement of the local public broadcasters provides a broad view of their business performance, or specifically – provides insight into the size of the portion of sales revenue in total revenue, where the sales revenue is generated by market activities regardless of the funding received from the local budgets annually.

In total, all local public broadcasters have achieved the following amounts in sales revenue: 425,719 euros (2019), 329,900 in 2018, and 349.165 euros in 2017. Within the three-year period, generated **1,704,784 euros** of sales revenue. A detailed overview of these revenues per each local public broadcaster is shown in Chart 2 below.

[31] The amount stated does not include the local self-government of Danilovgrad. Its 2020 Budget is not available on its official website.



	Andrijevica	Ulcinj	Cetinje	Berane	Bijelo Polje	Rozaje	Kotor	Tivat	Pljevlja	Herceg Novi	Bar	Niksic	Budva
2017	4677	1100	4087	8899	16370	2528	14544	6776	19176	13740	0	117489	139779
2018	4961	865	2753	11706	7344	6940	14821	6767	1500	11037	0	128235	132971
2019	0	635	4253	9524	4686	2400	12819	8198	103103	9348	0	132269	138484

Chart 2 – Overview of the sales revenue of the local public broadcasters in 2017, 2018 and 2019

The Figure below aside from the sales revenue, also shows the overview of total revenue, material cost, salary expenses, and other personal expenses in order to give insight into the amount of required funding of local public broadcaster for their regular operations, as well as to show the net result of their business operations. The data is obtained from the financial statements i.e. income statements of the local public broadcasters for 2017, 2018, and 2019, and is systematized in accordance with the previously mentioned indicators.

The figure reveals that four local public broadcasters which receive the largest amount of the funding from the budget, solely have the total annual revenue in the range between 2 and 2.5 million euros, that is, altogether they made more than 6,748,827 euros of revenues in 3 years, out of which 947,131 euros is sales revenue for that time period. It is evident that 90% of the total revenue is used to cover only salary expenses.

[32]		RTV Budva	RTV Niksic	RTV Pljevlja	RTV Herceg Novi	Total
Operating revenue	2019	1,013,658	758,800	396,751	259,273	2,428,482
	2018	945,264	740,545	301,009	248,529	2,244,347
	2017	820,459	728,604	263,474	243,461	2,075,988
Total in 2017-2019		**2,779,381**	**2,227,949**	**961,234**	**751,263**	**6,748,827**
Sales revenue	2019	138,484	132,269	103,103[33]	9,348	383,204
	2018	132,971	128,235	1,500	11,037	273,743
	2017	139,779	117,489	19,176	13,740	290,184
Total in 2017-2019		**411,234**	**377,993**	**123,779**	**34,125**	**947,131**
Material cost	2019	34,251	31,823	16,782	3,298	86,154
	2018	36,096	32,854	8,993	2,325	80,268
	2017	36,099	27,917	14,664	3,593	82,273
Total in 2017-2019		**106,446**	**92,594**	**40,439**	**9,216**	**248,695**
Cost of salaries and the average number of employees [34]	2019	701,840 **54**	607,444 **64**	314,378 **33**	246,208 **20**	1,869,870 **171**
	2018	660,053 **53**	621,294 **69**	306,647 **32**	218,354 **20**	1,806,348 **174**
	2017	611,111 **49**	594,235 **68**	297,130 **32**	227,915 **21**	1,729,830 **170**
Total in 2017-2019		**1,973,004**	**1,822,973**	**918,155**	**692,477**	**5,406,609**
Net income/loss	2019	117,857	18,498	-9,369	-2,549	/
	2018	95,269	11,152	-68,747	15,179	/
	2017	61,130	19,757	-94,721	-588	/
Total in 2017-2019		**274,256**	**49,407**	**-172,837**	**12,042**	**/**

Figure 6 –The overview of the disclosed financial statements of the local public broadcasters for the fiscal years of 2017, 2018 and 2019

[32] The data obtained from the financial statements (amounts shown in EUR) available on the Tax Administration's platform Eprijava on: https://eprijava.tax.gov.me/TaxisPortal
[33] The local public broadcaster Pljevlja d.o.o., in its income statement showed funding received from the local budget as part of the sales revenue, while its actual sales revenue is shown under the 'other revenues' section, which is not a practice applied by other local public broadcasters. Therefore, the amounts from the 'other revenues' section are shown here, in order to allow for comparison
[34] The total number of employees at the end of each month divided by the number of months – as indicated in the Statistical Annex which is a part of financial statements submitted to the Tax Administration.

[35]		Radio Bar	Radio Tivat	Radio Kotor	RTV Rozaje	Total
Operating revenue	2019	354.264	254,403	177,642	251,523	1,037,832
	2018	344,715	253,276	179,460	199,315	976,766
	2017	349,288	253,168	161,532	243,842	1,007,830
Total in 2017-2019		**1,048,267**	**760,847**	**518,634**	**694,410**	**3,022,158**
Sales revenue	2019	0	8,198	12,819	2,400	23,417
	2018	0	6,767	14,281	6,940	27,988
	2017	0	6,776	14,544	2,528	23,848
Total in 2017-2019		**0**	**21,741**	**41,654**	**11,868**	**75,269**
Material cost	2019	12,955	10,694	1,938	4,992	30,579
	2018	12,552	10,560	4,269	7,675	35,056
	2017	21,741	11,528	3,404	4,685	41,358
Total in 2017-2019		**47,248**	**32,782**	**9,656**	**17,334**	**106,993**
Cost of salaries and the average number of employees [36]	2019	303,178 **23**	210,234 **16**	161,530 **12**	223,628 **24**	898,570 **75**
	2018	302,781 **25**	213,078 **16**	153,563 **13**	257,190 **25**	926,612 **79**
	2017	299,725 **26**	209,124 **16**	134,927 **13**	209,088 **19**	852,864 **74**
Total in 2017-2019		**905,628**	**632,436**	**450,020**	**689,906**	**2,67,046**
Net income/loss	2019	4,124	1,523	390	-7,854	/
	2018	1,298	-1,289	6,639	-91,634	/
	2017	2,903	-7,385	14,557	-17,416	/
Total in 2017-2019		**8,325**	**-7,151**	**21,586**	**-116,904**	**/**

Figure 7 – The overview of the disclosed financial statements of the local public broadcasters for the fiscal years of 2017, 2018 and 2019

[35] The data obtained from the financial statements (amounts shown in EUR) available on the Tax Administration's platform Eprijava on: https://eprijava.tax.gov.me/TaxisPortal
[36] The total number of employees at the end of each month divided by the number of months – as indicated in the Statistical Annex which is a part of financial statements submitted to the Tax Administration.

3,7. Commercial media outlets

Ana Nenezić

3.7.1 Print Media

There are four daily newspapers operating in Montenegro: Vijesti, Dan, Nova Pobjeda, and Dnevne novine. The three of them – Vijesti, Dan, and Nova Pobjeda – operate profitably, despite numerous market challenges, in other words, they all had a positive net result in the last three years. Unlike these three, Dnevne Novine incurred a net loss of circa 100,000 in 2018 and 2019.

The four print media outlets had a revenue of more than 9 million euros in one of the observed years, whereas within the period of three years they together generated **28,176,602 euros** in total.

The number of employees in the print media outlets is 350 on average, which substantially exceeds the number of employees in the electronic media with the national media coverage.

In Figure 8 below, along with the total revenue, there are material costs and salary expenses, as to show how significant these two costs are relative to the earnings they make.

The presented data are contained in the financial statements (i.e. income statements) which are available to the general public on the website of the Tax Administration of Montenegro.[37]

The overview in a tabular form below, shows the data for each print media outlet, for 2017, 2018 and 2019 and the cumulative data for the three indicated years, per each media outlet individually and cumulatively for all four.

[37] The statements available on: https://eprijava.tax.gov.me/TaxisPortal

[38]		Jumediamont (Dnevne novine DAN)	Daily Press (Nezavisni dnevnik Vijesti)	Nova Pobjeda (Dnevni list Pobjeda)	Dnevne novine	Total
Operating revenue	2019	3,258,273	2,778,585	2,705,174	613,022	9,355,054
	2018	3,479,827	3,089,609	2,425,348	695,715	9,690,499
	2017	3,783,252	3,111,267	2,211,810	24,720	9,131,049
Total in 2017-2019		**10,521,352**	**8,979,461**	**7,342,332**	**1,333,457**	**28,176,602**
Sales revenue	2019	3,227,407	2,618,995	2,647,559	607,657	9,101,636
	2018	3,452,667	2,939,616	2,387,633	692,906	9,472,822
	2017	3,743,575	3,033,424	2,161,692	24,720	8,963,411
Total in 2017-2019		**10,423,649**	**8,592,035**	**7,196,884**	**1,325,283**	**27,537,851**
Material cost	2019	636,101	791,719	511,490	7,625	1,946,935
	2018	167,656	857,911	497,961	12,677	1,536,205
	2017	792,137	922,774	458,740	23	2,173,674
Total in 2017-2019		**1,595,895**	**2,572,404**	**1,468,191**	**20,325**	**5,656,814**
Cost of salaries and the average number of employees [39]	2019	1,274,762 **83**	1,475,949 **106**	1,528,316 **120**	487,628 **40**	4,766,655 **349**
	2018	1,295,838 **87**	1,582,539 **118**	1,463,218 **114**	543,325 **45**	4,884,920 **364**
	2017	1,327,223 **93**	1,495,509 **127**	1,374,306 **80**	8,474 **40**	4,205,512 **340**
Total in 2017-2019		**3,897,823**	**4,553,997**	**4,365,840**	**1,039,427**	**13,857,087**
Net income/loss	2019	70,620	14,948	52,614	-112,620	/
	2018	108,188	164,729	102,901	-95,450	/
	2017	78,819	189,953	63,465	9,523	/
Total in 2017-2019		**257,625**	**369,630**	**218,980**	**-198,547**	**/**

Figure 8 – The overview of the disclosed financial statements of print media outlets for the fiscal years of 2017, 2018 and 2019

[38] The data obtained from the financial statements (amounts shown in EUR) available on the Tax Administration's platform Eprijava on: https://eprijava.tax.gov.me/TaxisPortal
[39] The total number of employees at the end of each month divided by the number of months – as indicated in the Statistical Annex which is a part of financial statements submitted to the Tax Administration.

3.7.2 Electronic media

There are 14 commercial TV stations[40] operating in Montenegro, out of which three are national broadcasters (terrestrial channels): Vijesti TV, Prva TV, and Nova M TV.

The founder of Vijesti TV is "Televizija Vijesti" d.o.o which was issued the broadcasting license by the Agency for Electronic Media (AEM) on 21.07.2011. Prva TV was founded by "AST" d.o.o on 9.10.2018 in Podgorica, Montenegro. The Council of AEM has issued permission for the change in the Pink M Company's ownership structure, which allowed a Serbian company Direct Media (owned by the United Media Group) to acquire 100% ownership. Before this acquisition, Pink M TV station was owned by the Pink Media Group.

In view of the fact that the Pink M TV has been acquired by the Nova TV, in the overview of the financial operations, the data shown will examine both companies, since the 3-year-period analyzed is 2017-2019.

Only one of the three mentioned TV stations is a profitable company – Vijesti TV, on the other hand, Nova M TV and Prva TV operated at loss, according to the net result in the income statement for 2017, 2018, and 2019. The three national broadcasters (terrestrial channels) have on average 170 employees in total.

It is important to point out the fact that the three national broadcasters have cumulatively generated less revenue than the four print media outlets in the three-year period. Namely, within the period the print media outlets had operating revenues of 28,176,602 euros, whereas the three TV stations' total operating revenue totaled 15,530,654 euros.

Furthermore, it may be concluded that TV stations are less successful in making revenue compared to the print media outlets, considering that operating revenues of the latter were 9,355,051 euros in 2019, while the total operating revenue of three TV stations broadcasting nationally, amounted to 5,062,249 euros.

There are multiple causes of what could be described as an untypical distribution of revenues within one media market. These causes will be assessed individually in the chapters to follow.

Below is a Figure summarizing individual and cumulative data from the financial statements of the TV stations in regard to the fiscal years of 2017, 2018, and 2019. The overview includes operating revenue, sales revenue, material cost, salary expenses, and the net result.

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[40] AEM https://aemcg.org/emiteri-operatori-i-publikacije/?title=&select-emiter_kategorija%5B%5D=komercijalni-tv-emiteri

[41]		Vijesti TV	Nova M TV (previously Pink M[42])	Prva TV	Total
Operating revenue	2019	2,304,685	1,493,219	1,264,345	5,062,249
	2018	2,108,143	1,943,333	1,451,004	5,502,480
	2017	1,696,471	2,037,932	1,231,522	4,965,925
Total in 2017-2019		**6,109,299**	**5,474,484**	**3,946,901**	**15,530,654**
Sales revenue	2019	2,191,710	1,491,426	1,228,277	4,911,413
	2018	1,991,038	1,943,333	1,444,038	5,378,409
	2017	1,551,654	1,979,775	1,224,779	4,756,208
Total in 2017-2019		**5,743,402**	**5,414,534**	**3,897,094**	**15,055,030**
Material cost	2019	54,970	950,723	71,097	1,076,790
	2018	55,721	504,875	63,126	623,722
	2017	58,180	31,325	71,014	160,519
Total in 2017-2019		**168,871**	**1,486,923**	**205,237**	**1,861,031**
Cost of salaries and the average number of employees[43]	2019	1,047,254 **70**	767,676 **61**	618,618 **39**	2,433,548 **170**
	2018	946,189 **68**	906,869 **67**	655,191 **41**	2,508,249 **176**
	2017	867,418 **69**	946,137 **69**	576,413 **41**	2,389,968 **179**
Total in 2017-2019		**2,860,861**	**2,620,862**	**1,850,222**	**7,331,945**
Net income/loss	2019	552,748	-792,614	-295,282	/
	2018	392,570	-773,629	9,921	/
	2017	160,641	313,437	-140,911	/
Total in 2017-2019		**1,105,959**	**-1,252,806**	**-426,272**	**/**

Figure 9 – The overview of the disclosed financial statements of the national broadcasters for the fiscal years of 2017, 2018 and 2019

[41] The data obtained from the financial statements (amounts shown in EUR) available on the Tax Administration's platform Eprijava on: https://eprijava.tax.gov.me/TaxisPortal

[42] The data referring to Pink M TV is shown under 2017, while the data pertaining to Nova M is shown under 2018 and 2019.

[43] The total number of employees at the end of each month divided by the number of months – as indicated in the Statistical Annex which is a part of financial statements submitted to the Tax Administration.

IV

THE BUSINESS PERFORMANCE OF THE MEDIA INDUSTRY

IV THE BUSINESS PERFORMANCE OF THE MEDIA INDUSTRY

Miloš Vuković

4.1. The overview of the media outlets' financial statements

The analyzed companies are those registered with CRPS under the following classification codes: 5813 (newspaper publishing), 6020 (Television broadcasting and production), 6312 (web portals), 6010 (Radio broadcasting and production), and those making more than 1 euro in revenues and have the status of being active. Additionally, the analysis studied the "AST" d.o.o. Podgorica company (i.e. Prva TV), which is separately analyzed due to operating under the classification code that doesn't correspond with the national broadcaster (terrestrial channels) activities. Prva TV is registered under the classification code of 5920.

Total revenue, number of employees and profit made by the active companies per each classification code category.

Activity	Number of active companies	Number of employees	Revenue	Profit
Newspaper publishing	11	376	10,476,348	132,305
Television broadcasting and production *	12	340	7,233,976	-103,274
Web portals	40	77	1,698,398	142,321
Radio broadcasting and production	25	164	2,861,681	-32,013
AST (Prva TV)	1	39	1,339,283	-295,282
Total	89	996	23,609,686	-155,943

Figure 10 – Total revenue, number of employees and profit made by the active companies per each classification code category

It is deduced from Figure above that the companies with these classification codes, in terms of the cumulative result, operate at a loss. In total, 90 companies and institutions with 1715 employees generate 38.4 million euros of revenue.

Comparison of the RTCG's revenues from the public budget and all the companies classified under the category of Television broadcasting and production.

	Revenue 2019	Number of employees
RTCG*	14,811,448	719
Television broadcasting and production + AST (Prva TV)	8,573,259	340

*Subsidies, grant and donations revenue

Figure 11 – Comparison of the RTCG's revenues from the public budget and all the companies classified under the category of Television broadcasting and production

With 719 employees, RTCG received 14,811,488 euros in subsidies, grants and donations revenue. All other companies that produce TV broadcasts (including Prva TV) raise the revenue of 8,573,259 with 340 employees.

4.2. Comparative analysis of the financial statements of the 5 largest companies and their performance indicators per each economic activity classification code [44]

4.2.1. Activity: Television broadcasting and production

COMPANY NAME	VIJESTI TV	NOVA M	MIR &TEUTA	LOCAL PUBLIC BROADCASTER RT PLJEVLJA D.O.O. PLJEVLJA	AST
TAX IDENTIFICATION NUMBER	02678918	02369249	02385350	02908522	02650860
SALES REVENUE	2,191,710	1,491,426	574,763	293,648	1,228,277
NUMBER OF EMPLOYEES	70	61	15	33	39
Gross average monthly wage	1,247	1,049	672	794	1,322

BALANCE SHEET – ASSETS					
NONCURRENT ASSETS	140,688	165,488	38,897	4,929	808,981
- Goodwill and intangible assets	48	0	0	0	621,723
- Property, plants and equipment	140,640	165,488	38,897	4,929	187,258
CURRENT ASSETS	1,453,890	935,360	282,850	69,748	515,261
- Inventories	0	188,113	2,916	0	0
- Short-term receivables, investments and cash	1,453,890	747,247	279,934	69,748	515,261
- Account receivables	1,089,316	538,516	262,485	40,451	384,695
- Cash and cash equivalents	149,214	207,635	17,449	29,297	0
- Other current assets	215,360	1,096	0	0	125,416
OTHER ASSETS	0	0	0	0	5,150
TOTAL ASSETS	1,594,578	1,100,848	321,747	74,677	4,912

BALANCE SHEET – EQUITY AND LIABILITIES					
EQUITY	656,019	-887,755	242,644	-884,747	-3,623,415
- Capital stock	7,904,970	31,000	256,266	6,258	5,011,773
- Retained earnings	945,317	647,487	276,116	0	280,799

[44] The data collected from the Tax Administration website and the software created by Binfo.me

- Revaluation and other reserves and other capital	0	0	0	0	0
- Loss	-8,194,268	-1,566,242	-289,738	-891,005	-8,915,987
LONG-TERM LIABILITIES AND PROVISIONS	73,961	668,136	0	0	868,444
- Long-term loans	73,961	650,000	0	0	0
- Other long-term liabilities and provisions	0	18,136	0	0	868,444
DEFERRED TAX LIABILITY	0	0	0	0	0
SHORT-TERM LIABILITIES AND PROVISIONS	864,598	1,320,467	79,103	959,424	4,084,125
- Short-term loans	103,829	120,000	0	14,850	0
- Suppliers	485,281	1,109,022	45,421	37,345	3,998,745
- Other short-term liabilities	275,488	91,445	33,682	907,229	85,380
TOTAL EQUITY AND LIABILITIES	1,594,578	1,100,848	321,747	74,677	1,329,154
INCOME STATEMENT					
SALES REVENUE	2,191,710	1,491,426	574,763	293,648	1,228,277
OPERATING REVENUE	112,975	1,793	11,252	103,103	36,068
OPERATING EXPENSES	1,752,196	-2,246,095	506,802	-410,732	1,615,710
- Cost of goods sold	0	0	0	0	0
- Material cost	54,970	-950,723	8,337	-16,782	71,097
- Salary expenses	1,047,254	-767,676	120,962	-314,378	618,618
- Depreciation expense	13,884	-54,694	14,144	-641	43,643
OTHER OPERATING EXPENSES	636,088	-473,002	363,359	-78,931	882,352
EARNINGS BEFORE INTEREST AND TAXES	552,489	-752,876	79,213	-13,981	-351,365
FINANCIAL RESULT	-4,214	-19,988	-43	0	-7,294
- Financial income	266	149	0	0	0
- Financial expenses	4,480	-20,137	43	0	7,294
OTHER REVENUE	12,541	95,771	0	5,670	74,938
OTHER EXPENSES	8,068	-115,521	0	-1,058	8,873
NET PROFIT/LOSS FROM REGULAR OPERATIONS BEFORE TAX	552,748	-792,614	79,170	-9,369	-292,594

NET PROFIT/LOSS BEFORE TAX	552,748	-792,614	79,170	-9,369	-292,594
TAX EXPENSES	0	0	-8,064	0	-2,688
NET INCOME	552,748	-792,614	71,106	-9,369	-295,282
CASH FLOW STATEMENT					
CASH FLOW FROM OPERATIONS	149,985	-360,825	19,882	18,749	113,729
CASH FLOW FROM INVESTING	-11,942	-16,305	-5,062	-4,582	-64,957
CASH FLOW FROM FINANCING	-222,576	500,001	0	14,850	1
NET CHANGE IN CASH	-84,533	122,871	14,820	29,017	48,773
CASH AT THE BEGINNING OF THE PERIOD	233,747	84,764	2,629	281	76,643
CASH AT THE END OF THE PERIOD	149,214	207,635	17,449	29,298	125,416
LIQUIDITY INDICATORS					
Current ratio	1.68	0.71	3.58	0.07	0.13
Cash ratio	0.17	0.16	0.22	0.03	0.03
EFFICIENCY INDICATORS					
Receivables turnover in days	181.41	131.79	166.69	50.28	114.32
Material cost/revenue	2.51%	63.75%	1.45%	5.72%	5.79%
Non-current assets turnover ratio	15.58	9.01	14.78	59.58	1.52
SOLVENCY INDICATORS					
Capital adequacy ratio (CAR)	41.14%	-79.00%	75.41%	-1184.77%	-272.61%
Net Debt-to-EBITDA ratio	0.05	EBITDA is negative	The incurred debt can be paid off with the available cash	EBITDA negative, but the incurred debt can be paid off with the available cash	EBITDA negative, but the incurred debt can be paid off with the available cash
PROFITABILITY INDICATORS					
EBITDA	566,373	-698,182	93,357	-13,340	-307,722.00
	0.84	Operating at a loss and deficit equity.	0.29	Operating at a loss and deficit equity.	Operating at a loss and deficit equity.

Return on Equity (ROE)[45]					
Return on Assets (ROA)[46]	34.66%	Operating at a loss	22.10%	Operating at a loss	Operating at a loss

Figure 12: The financial statement analysis of the companies classified under the category of "Television broadcasting and production"

4.2.2. Ranking companies according to various criteria

The overview of the financial performance indicators of the companies

	VIJESTI TV	NOVA M TV	MIR &TEU TA	LOCAL PUBLIC BROADCASTER RTV PLJEVLJA D.O.O. PLJEVLJA	AST (PRVA TV)
Revenue per employee	32,924	24,479	39,068	12,023	32,419
Profit per employee	7,896	-12,994	4,740	-284	-7,571
Operating cash flow per employee	2,143	-5,915	1,325	568	2,916
Net profit margin	23.98%	-53.08%	12.13%	-2.36%	-23.35%

Figure 13: The overview of the key financial performance indicators of the companies classified under the category of "Television broadcasting and production"

Ranking methodology

The companies are ranked by the previously mentioned criteria i.e. indicators presented in the figure above. The more favorable the value of the indicator, the better the company is ranked. The company with the most favorable value of an indicator is assigned a score of 1, while the company with the least favorable value of an indicator is assigned a score of 5. This methodology is used for the analysis of the companies operating in a particular industry. Therefore, it is impossible to compare the rankings across different industries. The final ranking of the companies is based on the average value of all scores of indicators.

Ranking according to the criteria

To get the idea of how well these companies operate, the average of the four ratios is calculated – the lower the ratio value, the better the company's financial performance.

[45] It is calculated by dividing net income by average equity. This indicator is considered a measure of a firm's ability to turn equity investments into profits. Different industries tend to have different ROE. The use of industry-level benchmarking allows for insight into the profitability of the processes in the company and which company may be a profit creator for an investor.

[46] It is calculated by dividing net income by average total assets. This indicator is considered a measure of how efficiently a company's management is generating earnings from its assets. Different industries tend to have different ROA. The use of industry-level benchmarking allows for insight into the extent of the use of the company's resources and assets and the profitability of the processes in the company.

	VIJESTI TV	NOVA M TV	MIR &TEUTA	LOCAL PUBLIC BROADCASTER RTV PLJEVLJA D.O.O. PLJEVLJA	AST (PRVA TV)
Revenue per employee	2	1	3	5.00	4
Profit per employee	1	2	4	3.00	5
Operating cash flow per employee	2	3	1	4.00	5
Net profit margin	1	2	3	4.00	5
Ranking	1.5	2	2.75	4.00	4.75

Figure 14: Ranking of the companies classified under the category of "Television broadcasting and production"

According to the previously defined criteria, Vijesti TV is the best-ranked company. It is followed by Teuta TV, AST, RTV Pljevlja, and the worst-ranked is Nova M TV.

4.2.3. Activity: Radio broadcasting and production

COMPANY NAME	RADIO BAR	ANTENA M	MEDIA INTERNATIONAL CORPORATION (DRS)	LOCAL PUBLIC BROADCASTER RADIO AND TELEVISION HERCEG NOVI D.O.O.	RADIO TIVAT
TAX IDENTIFICATION NUMBER	02002523	02373211	02421682	02033429	02368811
SALES REVENUE	0	283,303	228,064	9,348	8,198
NUMBER OF EMPLOYEES	23	14	6	20	16
Gross average monthly wage	**1098**	**1277**	**1621**	**1026**	**1095**

BALANCE SHEET - ASSETS					
NONCURRENT ASSETS	170,282	107,300	83,521	3,829	7,230
- Goodwill and intangible assets	0	0	0	0	0
- Property, plants and equipment	170,282	107,300	35,830	3,829	7,230
- Investment properties	0	0	47,691	0	0
CURRENT ASSETS	46,709	77,035	155,580	11,178	5,079
- Short-term receivables, investments and cash	46,709	77,035	155,580	11,178	5,079
- Account Receivables	17,745	43,154	90,472	5,744	3,880
- Short-term financial investments	0	1,106	0	0	0
- Cash and cash equivalents	28,964	2,265	45,815	4,148	899
- Other current assets	0	30,510	19,293	1,286	300
OTHER ASSETS	0	0	0	464	0
TOTAL ASSETS	216,991	184,335	239,101	15,471	12,309
BALANCE SHEET – EQUITY AND LIABILITIES					

EQUITY	212,621	-197,881	232,278	-17,313	-31,089
- Capital stock	184,092	0	0	22,347	21,824
- Retained earnings	26,845	1,811	233,298	26,315	39,393
- Revaluation and other reserves and other capital	1,684	0	0	0	0
- Loss	0	-199,692	-1,020	-65,975	-92,306
LONG-TERM LIABILITIES AND PROVISIONS	0	65,217	0	0	0
- Long-term loans	0	65,217	0	0	0
- Other long-term liabilities and provisions	0	0	0	0	0
SHORT-TERM LIABILITIES AND PROVISIONS	4,370	316,999	6,823	32,784	43,081
- Short-term loans	5,490	4,222	0	0	0
- Suppliers	3,790	218,579	1,257	11,078	14,449
- Other short-term liabilities	-4,910	94,198	5,566	21,706	28,949
TOTAL EQUITY AND LIABILITIES	216,991	184,335	239,101	15,471	12,309
INCOME STATEMENT					
SALES REVENUE	0	283,303	228,064	9,348	8,198
OTHER OPERATING REVENUE	354,264	44,037	42,188	249,925	246,397
OPERATING EXPENSES	349,732	-319,611	225,098	-261,819	-252,571
- Cost of goods sold	0	0	0	0	0
- Material cost	12,955	-12,079	24,095	-3,298	-10,894
- Salaries expense	303,178	-214,598	116,704	-246,208	-210,234
- Depreciation expense	961	-8,325	9,114	-679	-2,920
OTHER OPERATING EXPENSES	32,638	-84,609	75,185	-11,634	-28,523

EARNINGS BEFORE INTEREST AND TAXES	4,532	7,729	45,154	-2,546	2,024
FINANCIAL RESULT	0	-4,362	-365	-3	-18
- Financial revenue	0	0	485	0	0
- Financial expenses	0	-4,362	850	-3	-18
OTHER EXPENSES	0	-1,556	258	0	-1,129
NET PROFIT/LOSS FROM REGULAR OPERATIONS BEFORE TAX	4,532	1,811	44,531	-2,549	996
NET PROFIT/LOSS BEFORE TAX	4,532	1,811	44,531	-2,549	996
TAX EXPENSES	408	0	3,983	0	-66
NET INCOME	4,124	1,811	40,548	-2,549	930
CASH FLOW STATEMENT					
CASH FLOW FROM OPERATIONS	-3,610	371,127	-300,981	-6,452	2,195
CASH FLOW FROM INVESTING	-4,182	-53,278	21,387	-2,801	-1,779
CASH FLOW FROM FINANCING	5,490	-387,078	323,906	1	0
NET CHANGE IN CASH	-2,302	-69,229	44,312	-9,252	416
CASH AT THE BEGINNING OF THE PERIOD	31,266	71,494	1,503	13,400	483
CASH AT THE END OF THE PERIOD	28,964	2,265	45,815	4,148	899
LIQUIDITY INDICATORS					
Current ratio	10.69	0.24	22.80	0.34	0.12
Cash ratio	6.63	0.01	6.71	0.13	0.02
EFFICIENCY INDICATORS					
Receivables turnover in days		55.60	144.79	224.28	172.75

Material cost/revenue		4.26%	10.57%	35.28%	132.89%
Non-current assets turnover ratio	0.00	2.64	2.73	2.44	1.13
SOLVENCY INDICATORS					
Capital adequacy ratio (CAR)	97.99%	-107.35%	97.15%	-111.91%	-252.57%
Net Debt-to-EBITDA ratio	The incurred debt can be paid off with the available cash	4.18	The incurred debt can be paid off with the available cash	EBITDA is negative, but the incurred debt can be paid off with the available cash	The incurred debt can be paid off with the available cash
PROFITABILITY INDICATORS					
EBITDA	5,493.00	16,054.00	54,268.00	-1,867.00	4,944.00
Return on Equity (ROE)	0.02	Deficit equity	0.17	Operating at a loss and deficit equity.	Deficit equity
Return on Assets (ROA)	1.90%	0.98%	16.96%	Operating at a loss.	7.56%

Figure 15: The financial statement analysis of the companies classified under the category of “Radio broadcasting and production”

4.2.4. Ranking companies according to various criteria

The overview of the financial performance indicators of the companies

	RADIO BAR	ANTENA M	MEDIA INTERNATIONAL CORPORATION	LOCAL PUBLIC BROADCASTER RADIO AND TELEVISION HERCEG NOVI D.O.O.	RADIO TIVAT
Revenue per employee	15,403	23,381	45,042	12,964	15,912
Profit per employee	179	129	6,758	-127	58
Operating cash flow per employee	-157	26,509	-50,164	-323	137
Net profit margin	1.16%	0.55%	15.00%	-0.98%	0.37%

Figure 16: The overview of the key financial performance indicators of the companies classified under the category of "Radio broadcasting and production"

Ranking according to the criteria

To get the idea of how well these companies operate, the average of the three ratios is calculated – the lower the ratio value, the better the company's financial performance.

	MEDIA INTERNATIONAL CORPORATION	ANTENA M	RADIO BAR	RADIO TIVAT	LOCAL PUBLIC BROADCASTER RADIO AND TELEVISION HERCEG NOVI D.O.O.
Revenue per employee	1	2	4	3	5
Profit per employee	1	4	2	3	5
Operating cash flow per employee	5	1	3	2	4
Net profit margin	1	3	2	4	5
Ranking	**2**	**2.5**	**2.75**	**3.00**	**4.75**

Figure 17: Ranking of the companies classified under the category of "Radio broadcasting and production"

According to the previously defined criteria, Media international corporation is the best-ranked company. It is followed by Antena M and the three local public radio broadcasters.

4.2.5. Activity: web portals

Note that some portals are not shown because they are owned by previously analyzed companies (e.g. Daily press owns the portal Vijesti, hence it was not analyzed in this section to avoid repetition).

TAX IDENTIFICATION NUMBER	03083195	02882957	03074897	02770237	03140555
COMPANY NAME	MANIX	CDM	SOLVENT RATING	PORTAL PRESS (Portal Analitika)	STANDARD MEDIA
SALES REVENUE	265,463	234,857	227,340	198,536	127,083
NUMBER OF EMPLOYEES	4	10	1	11	5
Gross average monthly wage	2664	781	457	1108	1848

BALANCE SHEET - ASSETS					
NONCURRENT ASSETS	536,086	114,131	0	46,385	0
- Goodwill and intangible assets	0	0	0	36,304	0
- Property, plants and equipment	536,086	114,131	0	10,081	0
CURRENT ASSETS	73,135	147,659	102,975	73,261	40,292
- Inventories	1,703	1,085	0	12,620	0
- Short-term receivables, investments and cash	71,432	146,574	102,975	60,641	40,292
- Account Receivables	13,855	84,168	23,469	50,934	16,802
- Short-term financial investments	0	0	30,000	0	23,010
- Cash and cash equivalents	57,577	62,406	49,506	9,707	480
TOTAL ASSETS	609,221	261,790	102,975	119,646	40,292
BALANCE SHEET – EQUITY AND LIABILITIES					
EQUITY	105,572	100,919	66,615	49,313	21,139
- Capital stock	0	1	0	5,000	1
- Retained earnings	105,572	100,918	66,615	44,313	29,938

- Loss	0	0	0	0	-8,800
LONG-TERM LIABILITIES AND PROVISIONS	11,512	146,109	0	11	0
- Long-term loans	11,512	80,419	0	0	0
- Other long-term liabilities and provisions	0	65,690	0	11	0
DEFERRED TAX LIABILITY	0	0	0	0	0
SHORT-TERM LIABILITIES AND PROVISIONS	492,137	14,762	36,360	70,322	19,153
- Short-term loans	70,424	0	0	40,000	0
- Suppliers	402,734	8,950	29,113	13,993	371
- Other short-term liabilities	18,979	5,812	7,247	16,329	18,782
TOTAL EQUITY AND LIABILITIES	609,221	261,790	102,975	119,646	40,292
INCOME STATEMENT					
SALES REVENUE	265,463	234,857	227,340	198,536	127,083
OTHER OPERATING REVENUES	0	0	0	0	14,932
OPERATING EXPENSES	-240,458	-207,969	196,132	196,380	119,645
- Cost of goods sold	0	0	0	0	0
- Material cost	-162	-4,387	410	5,142	250
- Salary expenses	-127,884	-93,818	5,485	146,315	110,929
- Depreciation expense	-108,158	-9,085	0	3,691	0
OTHER OPERATING EXPENSES	-4,254	-100,679	190,237	41,232	8,466
EARNINGS BEFORE INTEREST AND TAXES	25,005	26,888	31,208	2,156	22,370
FINANCIAL RESULT	-3,209	-2,387	1	-21	0
- Financial revenue	10	0	1	233	0
- Financial expenses	-3,219	-2,387	0	254	0
OTHER REVENUE	0	6,554	194	0	0
OTHER EXPENSES	0	-696	0	0	0

NET PROFIT/LOSS FROM REGULAR OPERATIONS BEFORE TAX	21,796	30,359	31,403	2,135	22,370
NET INCOME FROM DISCONTINUED OPERATIONS	0	0	0	0	0
NET PROFIT/LOSS BEFORE TAX	21,796	30,359	31,403	2,135	22,370
TAX EXPENSES	-1,962	-1,758	-2,973	0	2,851
NET INCOME	19,834	28,601	28,430	2,135	19,519
CASH FLOW STATEMENT					
CASH FLOW FROM OPERATIONS	285,073	31,275	48,184	-14,478	-9,577
CASH FLOW FROM INVESTING	-261,706	-90,191	13,701	-50,076	0
Purchase / Sale of fixed assets	-261,706	-90,191	13,701	-50,076	0
CASH FLOW FROM FINANCING	22,546	111,447	-13,036	49,004	0
NET CHANGE IN CASH	45,913	52,531	48,849	-15,550	-9,577
CASH AT THE BEGINNING OF THE PERIOD	11,664	9,875	657	25,257	10,057
CASH AT THE END OF THE PERIOD	57,577	62,406	49,506	9,707	480
LIQUIDITY INDICATORS					
Current ratio	0.15	10.00	2.83	1.04	2.10
Cash ratio	0.12	4.23	1.36	0.14	0.03
EFFICIENCY INDICATORS					
Receivables turnover in days	19.05	130.81	37.68	93.64	48.26
Material cost/revenue	0.06%	1.87%	0.18%	2.59%	0.20%
Non-current assets turnover ratio	0.50	2.06	No non-current assets	4.28	No non-current assets
SOLVENCY INDICATORS					
Capital adequacy ratio (CAR)	17.33%	38.55%	64.69%	41.22%	52.46%

Net Debt-to-EBITDA ratio	0.18	0.50	The incurred debt can be paid off with the available cash	5.18	The incurred debt can be paid off with the available cash
PROFITABILITY INDICATORS					
EBITDA	133,163.00	35,973.00	31,208.00	5,847.00	22,370.00
Return on Equity (ROE)	0.19	0.28	0.43	0.04	0.92
Return on Assets (ROA)	3.26%	10.93%	27.61%	1.78%	48.44%

Figure 18: The financial statement analysis of the companies classified under the category of "Web portals"

4.2.6. Ranking companies according to various criteria

The overview of the financial performance indicators of the companies

	MANIX	CDM	SOLVENT RATING	PORTAL PRESS	STANDARD MEDIA
Revenue per employee	66,366	23,486	227,340	18,049	28,403
Profit per employee	4,959	2,860	28,430	194	3,904
Operating cash flow per employee	71,268	3,128	48,184	-1,316	-1,915
Net profit margin	7.47%	12.18%	12.51%	1.08%	15.36%

Figure 19: The overview of the key financial performance indicators of the companies classified under the category of "Web portals"

Ranking according to the criteria

To get the idea of how well these companies operate, the average of the three ratios is calculated – the lower the ratio value, the better the company's financial performance.

	SOLVENT RATING	MANIX	STANDARD MEDIA	CDM	PORTAL PRESS
Revenue per employee	1	2	3	4	5
Profit per employee	1	2	3	4	5
Operating cash flow per employee	2	1	5	3	4
Net profit margin	2	4	1	3	5
Ranking	**1.5**	**2.25**	**3**	**3.5**	**4.75**

Figure 20: Ranking of the companies classified under the category of "Web portals"

According to the previously defined criteria, Solvent rating is the best-ranked company. It is followed by Manix, Standard, CDM and Portal press, respectively.

4.2.7. Activity: Newspaper publishing

COMPANY NAME	JUMEDIA MONT (DAN)	NOVA POBJEDA	DAILY PRESS (Vijesti)	DNEVNE NOVINE
TAX IDENTIFICATION NUMBER	02266148	03022480	02255383	03168069
SALES REVENUE	3,227,407	2,647,559	2,618,995	607,657
NUMBER OF EMPLOYEES	83	120	106	40
Gross average monthly wage	1280	1061	1160	1016

BALANCE SHEET - ASSETS				
NONCURRENT ASSETS	865,599	1,731,223	2,813,768	3,930
- Goodwill and intangible assets	0	355,340	158,081	992
- Property, plants and equipment	865,599	1,375,881	2,655,687	2,938
- Long-term financial investments	0	2	0	0
- Equity investments	0	2	0	0
CURRENT ASSETS	1,735,410	796,981	683,720	176,934
- Inventories	157,412	153,825	121,405	16,475
- Short-term receivables, investments and cash	1,577,998	643,156	562,315	160,459
- Account Receivables	1,344,063	453,054	497,197	144,669
- Short-term financial investments	0	0	0	0
- Cash and cash equivalents	229,223	188,620	58,968	13,938
- Other current assets	4,712	1,482	6,150	1,852
OTHER ASSETS	1,476	0	0	0
TOTAL ASSETS	2,602,485	2,528,204	3,497,488	180,864
BALANCE SHEET – EQUITY AND LIABILITIES				
EQUITY	2,187,941	1,724,076	1,413,154	-198,545
- Capital stock	221,706	707,035	7,562	1

- Retained earnings	1,646,670	566,454	179,677	0
- Revaluation and other reserves and other capital	319,565	450,587	1,422,192	0
- Loss	0	0	-196,277	-198,546
LONG-TERM LIABILITIES AND PROVISIONS	22,878	431,236	708,878	0
- Long-term loans	0	65,852	699,059	0
- Other long-term liabilities and provisions	22,878	365,384	9,819	0
DEFERRED TAX LIABILITY	0	37,856	37,206	42
SHORT-TERM LIABILITIES AND PROVISIONS	391,666	335,036	1,338,250	379,367
- Short-term loans	0	51,079	181,900	0
- Suppliers	313,340	180,717	332,054	370,270
- Other short-term liabilities	78,326	141,096	861,502	9,139
TOTAL EQUITY AND LIABILITIES	2,602,485	2,528,204	3,497,488	180,864
INCOME STATEMENT				
SALES REVENUE	3,227,407	2,647,559	2,618,995	607,657
OTHER OPERATING REVENUES	30,866	57,615	159,590	5,365
OPERATING EXPENSES	3,098,159	2,601,110	2,680,181	731,899
- Cost of goods sold	73,090	37,454	50,781	22,790
- Material cost	636,101	511,490	791,719	7,625
- Salaries expenses	1,274,762	1,528,316	1,475,949	487,628
- Depreciation expense	79,640	57,723	42,172	1,005
OTHER OPERATING EXPENSES	1,034,566	466,127	319,560	212,851
EARNINGS BEFORE INTEREST AND TAXES	160,114	104,064	98,404	-118,877
FINANCIAL RESULT	-80,309	-17,120	-34,059	-9
- Financial revenue	11,113	0	6,057	0
- Financial expenses	91,422	17,120	40,116	9

OTHER REVENUE	12,664	57,253	12,923	7,115
OTHER EXPENSES	14,949	19,492	54,969	857
NET PROFIT/LOSS FROM REGULAR OPERATIONS BEFORE TAX	77,520	124,705	22,299	-112,628
NET PROFIT/LOSS BEFORE TAX	77,520	124,705	22,299	-112,628
TAX EXPENSES	6,900	-72,091	-7,351	8
NET INCOME	70,620	52,614	14,948	-112,620
CASH FLOW STATEMENT				
CASH FLOW FROM OPERATIONS	50,468	-528,051	1,157,817	497,667
CASH FLOW FROM INVESTING	-70,244	1,015,678	-1,523,529	244,884
CASH FLOW FROM FINANCING	703	-345,777	416,422	-1,145,828
NET CHANGE IN CASH	-19,073	141,850	50,710	-403,277
CASH AT THE BEGINNING OF THE PERIOD	248,296	46,770	8,258	417,215
CASH AT THE END OF THE PERIOD	229,223	188,620	58,968	13,938
LIQUIDITY INDICATORS				
Current ratio	4.43	2.38	0.51	0.47
Cash ratio	0.59	0.56	0.04	0.04
EFFICIENCY INDICATORS				
Receivables turnover in days	152.01	62.46	69.29	86.90
Material cost/revenue	19.71%	19.32%	30.23%	1.25%
Non-current assets turnover ratio	3.73	1.53	0.93	154.62
SOLVENCY INDICATORS				
Capital adequacy ratio (CAR)	84.95%	68.19%	40.69%	-109.78%

Net Debt-to-EBITDA ratio	The incurred debt can be paid off with the available cash	The incurred debt can be paid off with the available cash	5.85	EBITDA is negative. but the incurred debt can be paid off with the available cash
PROFITABILITY INDICATORS				
EBITDA	239,754.00	161,787.00	140,576.00	-117,872.00
Return on Equity (ROE)	0.03	0.03	0.01	Operating at a loss. deficit equity.
Return on Assets (ROA)	2.71%	2.08%	0.43%	Operating at a loss.

Figure 21: The financial statement analysis of the companies classified under the category of “Newspaper publishing”

4.2.8. Ranking companies according to various criteria

The overview of the financial performance indicators of the companies

	JUMEDIA MONT	NOVA POBJEDA	DAILY PRESS	DNEVNE NOVINE
Revenue per employee	39,256	22,543	26,213	15,326
Profit per employee	851	438	141	-2816
Operating cash flow per employee	608	-4,400	10,923	12,442
Net profit margin	2.19%	1.99%	0.57%	-18.53%

Figure 22: The overview of the key financial performance indicators of the companies classified under the category of "Newspaper publishing"

Ranking according to the criteria

To get the idea of how well these companies operate, the average of the three ratios is calculated – the lower the ratio value, the better the company's financial performance.

	JUMEDIA MONT	NOVA POBJEDA	DAILY PRESS	DNEVNE NOVINE
Revenue per employee	2	3	4	5
Profit per employee	2	3	4	5
Operating cash flow per employee	3	4	2	1
Net profit margin	2	3	4	5
Ranking	**2.25**	**3.25**	**3.5**	**4**

Figure 23: Ranking of the companies classified under the category of "Newspaper publishing"

According to the previously defined criteria, Jumedia mont is the best-ranked company. It is followed by Nova Pobjeda, Daily press and Dnevne novine, respectively.

V

THE OVERVIEW OF BURDENS IMPOSED ON THE MEDIA

V THE OVERVIEW OF BURDENS IMPOSED ON THE MEDIA

Ana Nenezić

5.1 The costs of services of the Broadcasting Centre (Radio difuzni centar) as a significant financial burden on the operations of electronic media

The Broadcasting center of Montenegro provides services pertaining to radio-communication and telecommunication, thereby providing the service of broadcasting of radio and transmission of television, image, sound and data, collocation, and other modern-day multimedia services. The founder of the Broadcasting center (RDC) is the Government of Montenegro. RDC has the statutory duty to enable the broadcasting of the programming to the national public broadcaster Radio and Television of Montenegro and other media in Montenegro.

RDC's service users at the end of 2018 were the following media companies: 16 local public radio and TV stations, 10 commercial TV stations, 38 commercial radio stations; however a somewhat larger number of those were present in 2017: 15 local public radio and TV stations, 11 commercial TV stations, 31 commercial radio stations.

The obligatory fee paid to the RDC represents a substantial burden on operations of electronic media in Montenegro and results in the accumulation of debt for some media outlets which due to weak media market and unfair competition cannot make enough earnings, thus lacking the capacity to service the debts on time. Moreover, one may wonder if it makes sense to pay fees to the RDC in the age of digitalization, and whether the fee is too expensive which has been claimed by media companies for several years already. This results in TV stations broadcasting nationally to shift towards cable television.

Below is the overview of the debts owed to the RDC in 2016, 2017, and 2018 as shown in the corresponding invoices, per category of companies. The annual report of RDC for 2019 is not available and still is not adopted by the Government of Montenegro.

The Broadcasting Center of Montenegro (RDC)[47]	2018	2017	2016	Total
Debt owed by 10 commercial TV stations	594,584.54	699,258.52	1,037,159	2,331,002
Debt owed by 4 local public TV stations	100,954.56	114,131	127,301.62	342,387.18
Debt owed by 12 local public radio stations	83,202.46	93,523.16	140,770.54	317,496.16
Debt owed by 38 commercial radio stations	283,404.98	295,982.50	399,888.09	979,275.57
Total	**1,062,146.54**	**1,202,895.18**	**1,705,119.25**	**3,970,160.97**

Figure 24 – The overview of the debts owed to the RDC in 2016, 2017, and 2018

[47] The report on the operations of RDC for 2016, 2017, and 2018

When it comes to the RTCG's debt owed to RDC, in 2018 it amounted to 808,450.05 euros, out of which 788,876.05 was collected. RTCG is obliged to pay an annual fee of 900,000 euros to RDC, for their services regarding the technical maintenance and broadcast of their radio and television programming. Having refused to pay for this fee, RTCG has appealed to the Constitutional Court to review the provision binding them to pay the fee, which was consequently partially repealed.

To enable the operations of media and prevent them from closing, the Government of Montenegro in 2017 decided to take over part of the debts of the media companies in the amount of 1,847,189.16 euros. Theretofore, only 30% of the broadcasters were paying off their debts to RDC on time. After the provision on this financial support had come into effect, 85% of broadcasters paid off their current financial obligations of 2017 on time, which qualified them to receive this form of financial support in 2018, as well.[48]

As stated by the annual report of RDC, out of the total receivables of 1,728,460.62, the amount of 1,197,000.00 refers to the debt owed by radio and TV broadcasters which will be paid off by the Government of Montenegro i.e. from its financial support funding as follows: 397,000.00 euros in 2019, 400,000 euros in 2020 and 400,000 euros in 2021.

The described model of the Government's continued financial support to electronic media, with the aim of assisting them in paying off the financial obligations to RDC, is not an appropriate model as it doesn't provide a long-term solution and it allows for the Government to influence the operations and reporting of the electronic media whose viability of operations is conditioned on the Government paying off their obligations to RDC which cannot be paid off by the media outlets themselves, thus there should be efforts invested in developing another model, such as a significant reduction in the RDC's fee.

5.2 The annual fees for the broadcasting approvals (broadcasting fee) charged by the Agency for electronic media of Montenegro (AEM)

Article 44 of the Electronic Media Law[49] stipulates that the providers of AMV (audio-visual media) services, radio and TV stations are obliged to pay the following:
- Non-recurrent charge for registration
- The annual broadcasting fee
- The annual fee for the provision of on-demand AVM services.

The annual fees can be paid in four installments, while the size of the fee depends on various factors. The size of the annual broadcasting fee is determined by:
1) size of the coverage zone judged by total population covered;
2) attractiveness of areas within the coverage zone;
3) type of electronic media (radio or television broadcasting);
4) transmission platform (terrestrial broadcasting systems, cable and MMDS systems, public land or mobile telecommunication networks, satellite distribution systems and other electronic communication networks).

[48] The annual report on granted state aid for 2017, State Aid Control Commission
[49] Electronic media law ("The Official Gazette of Montenegro", No. 046/10 of 06.08.2010, 040/11 of 08.08.2011, 053/11 of 11.11.2011, 006/13 of 31.01.2013, 055/16 of 17.08.2016, 092/17 of 30.12.2017)

The annual fee for the provision of on-demand AVM service shall be determined based on:
1) The fixed amount determined by the size of the area of service provision for the period until the end of the calendar year in which the operations commenced, provided that the fee amount may not exceed the amount of the broadcasting fee for the same area and using the same platform (terrestrial broadcasting systems, cable and MMDS systems, public land or mobile telecommunication networks, satellite distribution systems and other electronic communications networks);
2) The annual revenues of service provider accrued on that ground over the previous calendar year for the current year, provided that the fee amount may not exceed 5% of such revenues.

In mid-2016, the Parliament of Montenegro adopted the amendments to the Electronic Media Law, which came into force on 1.9.2017. The novelty in amendments adopted stipulates that the public broadcasters are exempt from paying the part of the broadcasting fee associated with public activities, thus making the amount of the fee paid by RTCG considerably lower than the ones paid by the commercial TV stations. The public broadcasters are obliged to pay the part of the fee that charges for the commercial activities performed.

The total broadcasting fee revenue of AEM's in 2019 was 318,520.53 euros, representing 30.23% of the total revenue, while the on-demand AVM services fee revenue amounted to 681,329.67 euros accounting for 64.66% of the total AEM's revenue.[50] After examining the financial statements of AEM, it is concluded that there are significant multi-year delays in payments of the fees by AMV service providers. Accordingly, AEM proposed the Agreement on debt restructuring protocol. According to the protocol proposed, the debt should be paid off in multiple monthly payments. Besides, the protocol specified that the part of the debt that is due after the protocol conclusion should be paid normally as per the initial plan defined by the on-demand AVM services permit.

The conditions of the protocol were accepted by 14 broadcasters and they concluded the Agreement on debt restructuring protocol with AEM. The level of debt collection on grounds of the Agreement was at 90% in 2016, according to the AEM's financial report. Taking into account all annual financial obligations of the AVM service providers, it is evident that allocating resources to pay for the fee or corresponding debt is greatly burdensome, hence, it comes as no surprise that they fail to meet their financial obligations on time.

AEM/ TV STATIONS51	2019	2018	2017
Nova M TV	25,658.68	26,401.87	/
Prva TV	25,658.68	26,401.87	26,401.87
Vijesti TV	25,658.68	26,401.87	26,401.87
TVCG	7,697.60	/	/
TVCG2	7,697.60	/	/
TVCG SAT	1,976.69	/	/

Figure 25 –The overview of the debt owed to the AEM by commercial TV stations and RTCG in 2017, 2018 and 2019

AEM/ RADIO STATIONS	2019	2018	2017
Radio S	12,748.77	13,277.28	13,641.24

[50] Financial Performance Report of the AEM for 2019, available on: https://aemcg.org/obavjestenje/finansijski-planovi-i-izvjestaji/
[51] Financial Performance Reports of the AEM for 2019, 2018 and 2017.

Radio Play Montenegro	11,901.25	12,404.30	/
Radio D+	9,595.54	10,203.68	10,936.47
Radio Elmag	8,588.42	8,786.51	9,150.90
Radio Svetigora	8,881.43	9,082.85	7,482.09
Radio D	6,345.85	6,987.67	6,575.84
Radio Antena M	5,647.71	6,278.41	7,033.90

Figure 26 – The overview of the largest debts owed to AEM by radio broadcasters in 2017, 2018 and 2019

In the view of a large amount of revenue made by AEM on grounds of issuing permits for on-demand AVM services (Telemach, Crnogorski Telekom, M-Tel, etc.) which totals 600,000 euros, on average annually, we suggest for the reduction of the broadcasting fee to be put into consideration. The broadcasting fee accounts for 250,000 euros of the AEM's revenue.

In terms of the reduced revenue, the operations of the AEM would not be significantly affected by the 50% cut of the broadcasting fee, but it would, on the other hand, relieve the media, facilitate their business operations and enhance media pluralism in the long-term.

5.3 The overview and the effects of the fiscal and other types of burdens on the operations of all the type of media and comparative overview of regional countries

Miloš Vuković

The regional media outlets, like all the other business entities, face extremely high rates of taxes and income-related contributions. It is worth mentioning that Montenegro has the lowest corporate income tax rate (9%), followed by Bosnia and Herzegovina (10%), Serbia (15%), and Croatia (18%, for taxpayers who realize HRK 7.5 million or more in revenues).

The general VAT rate is highest in Croatia (25%), followed by Montenegro (21%), Serbia (20%), and Bosnia and Herzegovina (17%).

	VAT	Corporate income tax (CIT)
Montenegro	21%	9%
Serbia	20%	15%
Bosnia and Herzegovina	17%	10%
Croatia	25%	12% - 18%
Kosovo	18%	10%
Albania	20%	15%

Figure 27: The overview of the VAT and CIT rates

A reduced VAT rate of 7% is applicable for print media in Montenegro.

5.4 Simulation of a 50% reduction of taxes and social security contributions

We have provided a simulation of a 50% reduction of taxes and social security contributions for the largest company in reference to the most recent financial statements and the analysis of how it would affect profitability.

	Vijesti TV	Antena M	Nova M	Daily press	CDM	JU media mont	Nova Pobjeda	Portal press
Net salaries (FI 2020)	1,047,254	214,598	767,676	1,475,949	93,818	1,274,762	1,528,316	146,315
Net salaries with simulated 50% reduction of taxes and social security contributions	691,188	141,635	506,666	974,126	61,920	841,343	1,008,689	96,568
Reduced taxes and contributions	**178,033**	**36,482**	**130,505**	**250,911**	**15,949**	**216,710**	**259,814**	**24,874**
Net profit (FI 2020)	552,748	1,811	-792,614	14,948	28,601	70,620	52,614	2,135
Net profit with simulated 50% reduction of taxes and social security contributions	**714,758**	**35,009**	**-673,855**	**243,277**	**43,115**	**267,826**	**289,044**	**24,770**

Total new funds that can be used for other purposes	**178,033**	**36,482**	**130,505**	**250,911**	**15,949**	**216,710**	**259,814**	**24,874**

Figure 28: Simulation of a 50% reduction of taxes and social security contributions

If the taxes and social security contributions were to be reduced by 50%, this would lead to a decrease in tax and contributions-related costs of 1,113,277 euros, which is an amount that could be allocated for necessary investments, improvements of journalists' working condition or their education, and other crucial activities.

For instance, if this amount was used for the employment of additional journalists and other media workers, who would earn an average gross salary of 10,000 euros annually, there would 110 new employees in this sector.

This depicts a method to drastically advance quality and scale of reporting, while simultaneously generating additional revenue for the government budget through the payment of taxes and contributions for a larger number of employees, leading to positive implications for the Montenegrin economy.

5.5 Simulation of the VAT cut

Below we prepared a simple simulation of the 50% VAT cut through the example of one million euros VAT amount payable. Once the VAT rate is halved, an extra amount of 500,000 euros would be available to the media outlets for financing other operational costs and new investments.

Description	Amount (EUR)
VAT amount payable with the current VAT rate	1,000,000
VAT rate cut by 50%	500,000
Extra amount available to media	**500,000**

Figure 29: Simulation of the 50% VAT cut

Bearing in mind how small Montenegrin media outlets are and their exposure to the strong competition from the region, this extra amount would allow for drastic technical enhancement through investments in equipment, innovative software solutions, and other tools. This is how the productivity of the media could expand, thereby improving their competitiveness in the regional market, which would facilitate additional revenue generation.

VI

MEDIA BUYING IN MONTENEGRO

VI MEDIA BUYING IN MONTENEGRO

Ana Nenezić

6.1 Media buying in Montenegro

Media buying refers to the purchase of ad space on local, national, or regional TV and radio stations, or advertisement in print media facilitated via specialized agencies. These specialized agencies offer media buying services within their general marketing services offer.

This service represents a key revenue source of media outlets in the media market. When deciding where to deliver the media campaign, the media buying agency assesses the media outlets based on criteria of their viewership, readership, and influence, because under the regular circumstances the goal is to ensure large audience reach and influence over the targeted audience. However, this is often not the case in Montenegro. The media market is not based on an open and competitive concept but is exposed to major external influences. The government's influence on the media market has been hindering free competition for years through either a form of illegal competition or through selective government advertising in particular media outlets which consequently advertising agencies prefer as media buying platforms in order to maintain smooth business operations in such marketplace. This brought about the disruption of the free-market system and increasingly challenging business conditions for the media who already operate with financial struggles under the circumstances of unfair competition.

An illustrative example would be the operations of marketing agency Pink Media M, which was registered on 4.9.2018 in Podgorica, following the acquisition of Pink M TV by Direct Media in August 2019. Direct Media registered Pink M with the Central Register of Business Entities under the category "*Television broadcasting and productio*n". Today the full form of the company is Enterprise for informing and marketing "Pink M Company" LLC, fully owned by Direct Media (Belgrade).

On the other hand, Pink Media M is registered as a marketing agency whose founder is Pink International Company, while Goran Radenović, former Director-General of Pink M TV, is at the head of the company. In 2019[52] this marketing agency realized operating revenue in the amount of 919,892 euros, where sales marketing accounts for 655,358, after only one year in business. Nevertheless, this company has only three employees and rental costs of 782,294 euros. This marketing agency does not even have an official website or use any other form of promotion of their services.

Preceding the launch of this agency, the ad space i.e. *minutes* in Montenegro were being sold by TV stations with nationally broadcasted programming (terrestrial channels), not the cable TV channels. There was a competition among TV stations in the market based on the audience measurements performed by Telekom and Ipsos on grounds of the agreement they concluded with the TV stations that broadcast and produce programming in Montenegro.

By launching Pink M marketing agency, Pink M TV becomes included in the audience measurement, despite the fact it does not produce its programming in Montenegro but is a cable TV channel. This has, for the first time, allowed the sale of ad space to the media outlet that operates outside Montenegro, produces programming outside the borders of the country in which it sells its ad space under the same conditions as national broadcasters.

[52] The financial statement No. 65782/2019 available on the Tax Administration's portal: https://eprijava.tax.gov.me/TaxisPortal

This situation violated the concept of competitiveness of domestic broadcaster in the Montenegrin media market to a large extent and violated Article 7 of Law on Protection of Competition.

This has resulted in the request of the three TV stations with nationally broadcasted programming: Prva TV, Vijesti, and Nova M, in which they require the AEM to adopt the conditions under which only those who produce television programming in Montenegro in the same amount (percentage) as required for the issuance of the broadcasting license, will be allowed to sell ad space in Montenegro, but the AEM did not react.

This enabled the participation in television audience measurement and the sales of ad spaces and minutes for all TV stations that are not national broadcasters, do not produce programming in Montenegro, but broadcast through cable TV. In fact, this arguably implies an expectation that the marketing funding will be reallocated to the large media companies that broadcast programming through cable TV, and are in a similar position as Pink TV. The presence of media conglomerates like FOX, in audience measurement systems and ad sales in the Montenegrin market, would certainly represent an obstacle that national broadcasters would not be able to overcome. All the limitations of media operations, and their unenviable financial position faced by almost all Montenegrin media, highlights the need for competent authorities to undertake actions to protect the media and domestic production, in order to enable fair competition under equal conditions in the Montenegrin media market.

The analysis of the market shows that the gross value of TV advertisement in Montenegro, in 2019, accounted for 10.760 million euros.[53] The total number of shown advertisements in 2019 per each TV station is presented below:

2019	Number advertisements sold (Specialized agencies)	Sales revenue[54]	Number of advertisements sold (Direct ad sales)
Prva TV	91,712	1,264,345	62,736
Pink TV	66,470	655,358	53,190
Vijesti TV	35,374	2,191,710	19,309
Nova M	33,032	1,491,426	22,681
RTCG	14,420	922,556	9,153

Figure 30 – The overview of the total number of shown advertisements, sales revenue and the number of advertisements sold through direct sales

The evident difference between the numbers of sold advertisements shown i.e. minutes of television programming, along with the sales revenue realized may indicate types of activities that harm the competitiveness of the market of media advertising. The fact that the sales revenue of Vijesti TV is some 3.5 times higher than that of Pink M despite having half as many advertisements, cannot be justified by their price differences.

The representatives of these companies have put a spotlight on the sales of advertisement packages outside the borders of Montenegro, which cover the regional market in which Pink broadcasts its

[53] AGB Nielsen TG ALL 01.01-31.12.2019
[54] Data from financial statements, income statement, shown in EUR and available on the Tax Administration's platform Eprijava: https://eprijava.tax.gov.me/TaxisPortal

programming, where the access to the Montenegrin market is sold as part of the regional package. Such opportunity is not available to national broadcasters that operate, produce programming, and broadcast within the borders of Montenegro, which they have been allocated a frequency for. The analysis of the number of sold advertisement through direct ad sales in comparison to those sold through specialized agencies reveals the data which imply that Pink TV (80%) and Prva TV (68.41%) dominantly perform direct ad sales, which is significantly cheaper given the per ad price when compared to other TV stations. The representatives of TV stations often call attention to dumping practices, and collected data corroborate these claims.

Authorities in Montenegro must undertake particular actions to protect the operations of national broadcasters and enable fair competition under equal conditions in the media's advertising market. If the current trends remain, and ad space is sold through direct sales to buyers abroad, i.e. if the access to the Montenegrin media market continues to be sold as part of a regional marketing package, it is arguably expected that media will face difficulties possibly resulting in the closure of domestic TVs with nationally broadcasted programming which meet the predefined quota of produced programming.

To that end, the Agency for Electronic Media (AEM) must precise and clearly define conditions to determine which TV stations and how they can sell ad space, that is, advertisement. The conditions must predominantly rely on the production of domestic programming in the percentage that is not lower than the minimum amount (%) required for the issuance of the broadcasting license.

Besides direct ad sales, the most prominent agency specialized in media buying, as part of wider marketing activities are the following: Direct Media[55], Universal media[56], Media publikum[57], Pink Media M[58] and McCann Podgorica[59] which will be the subject of analysis later.

The analysis suggests that the Montenegrin media buying market is dominated by foreign agencies, more precisely – subsidiaries of Serbian companies. Taking a look at the client list, it is noticeable that these companies are mostly international i.e. agencies that operate in the Western Balkan market from abroad, with Montenegro being included in this regional package due to the size of the audience. Such market arrangement, however, put Serbian media operating in Montenegro in a privileged position, given the existing business relationships in their primary market (Serbia), where the advertisement services are negotiated in one package, which cannot be offered by national broadcasters and other electronic media, thus unable to be competitive.

The beforementioned agencies generated 7,333,055 euros in sales revenue and had 31 employees whose gross salaries amounted to 397,229 in 2019

Below is the comparative overview of the key indicators of business performance for 2017, 2018, and 2019.

[55] https://directmedia.biz/me/
[56] https://www.universalmedia.me
[57] http://www.mediapublikum.org/#onama
[58] No official website, no presence on social networks or any other form of promotion in Montenegro
[59] https://www.mccann.co.me/

[60]		Direct media	Universal media	Media publikum	Pink Media M	McCann Podgorica	Total
Operating revenue	2019	3.365,438	2,245,400	1,169,077	919,892	81,588	**7,781,395**
	2018	4,075,997	1,541,076	988,176	25,805	872,725	**7,476,779**
	2017	3,447,080	1,781,531	1,017,509	/	495,792	**6,741,912**
Total in 2017-2019		**10,888,515**	**5,568,007**	**3,174,762**	**945,697**	**1,405,105**	
Sales revenue	2019	3,353,614	2,073,418	1,169,077	655,358	81,588	**7,333,055**
	2018	4,075,997	1,291,859	988,176	20,219	872,725	**7,248,976**
	2017	3,438,147	1,556,161	1,017,509	/	495,792	**6,507,609**
Total in 2017-2019		**10,867,758**	**4,921,438**	**3,174,762**	**675,577**	**1,405,105**	
Cost of salaries and the average number of employees [61]	2019	161,730 **13**	126,450 **8**	7,814 **3**	41,460 **3**	59,775 **4**	**397,229** **31**
	2018	111,291 **11**	101,036 **7**	7,433 **2**	/ **0**	143,826 **12**	**363,586** **32**
	2017	107,826 **11**	124,227 **8**	6,282 **2**	/	97,171 **11**	**335,506** **32**
Total in 2017-2019		**380,847**	**351,713**	**21,529**	**41,460**	**300,772**	
Net income/loss	2019	234,272	110,381	-8,919	6,969	-3,688	/
	2018	299,354	90,097	3,682	-26,243	-49,716	/
	2017	180,925	31,371	1,514	/	-47,757	/
Total in 2017-2019		**714,551**	**231,849**	**-3,723**	**-19,274**	**-101,161**	**/**

Figure 31 – The overview of the disclosed financial statements for 2017, 2018 and 2019

[60] Data from financial statements, footnote disclosures, shown in EUR and available on the Tax Administration's platform Eprijava: https://eprijava.tax.gov.me/TaxisPortal
[61] Gross salary expenses, and the total number of employees at the end of each month divided by the number of months – as indicated in the Statistical Annex which is a part of financial statements submitted to the Tax Administration

6.2 The financial statement analysis of media buying companies operating in Montenegro

Miloš Vuković

The analysis studied the following companies: Direct media, Media publikum, Universal media, MAPA and McCann Podgorica.

COMPANY NAME	DIRECT MEDIA D.O.O.	MEDIA PUBLIKUM D.O.O.	MONTENEGRO ADVERTISING AND PRODUCTION AGENCY	MCCANN PODGORICA	UNIVERSAL MEDIA PODGORICA
TAX IDENTIFICATION NUMBER	02350394	02814889	02321360	02430428	02980169
SALES REVENUE	3,353,614	1,169,077	412,229	81,588	1,291,859
NUMBER OF EMPLOYEES	13	3	3	4	7

BALANCE SHEET - ASSETS					
NONCURRENT ASSETS	40,453	0	154,491	3.293	8,223
CURRENT ASSETS	1,690,450	1,020,587	342,091	28,252	533,760
- Inventories	180,289	25,823	20,694	1,598	1,667
- Short-term receivables, investments and cash	1,510,161	994,764	321,397	26,654	532,093
- Account Receivables	1,426,514	532,565	162,753	16,295	444,721
- Short-term financial investments	0	16,200	0	0	0
- Cash and cash equivalents	63,129	701	157,119	1,701	14,794
- Other current assets	20,518	445,298	1,525	8,658	72,578
OTHER ASSETS	0	1	0	0	0
TOTAL ASSETS	1,730,903	1,020,588	496,582	31,545	541,983
BALANCE SHEET – EQUITY AND LIABILITIES					
EQUITY	1,126,344	-8,106	456,985	-40,849	157,074
LONG-TERM LIABILITIES AND PROVISIONS	0	0	0	0	0
DEFERRED TAX LIABILITY	0	0	250	0	0

SHORT-TERM LIABILITIES AND PROVISIONS	604,559	1,028,694	39,347	72,394	384,909
TOTAL EQUITY AND LIABILITIES	1,730,903	1,020,588	496,582	31,545	541,983
INCOME STATEMENT					
SALES REVENUE	3,353,614	1,169,077	412,229	81,588	1,291,859
OTHER OPERATING REVENUE	11,824	0	0	0	249,217
OPERATING EXPENSES	-3,100,820	-1,175,848	378,987	135,627	1,452,090
- Cost of goods sold	0	0	61,989	0	0
- Material cost	-9,407	-40	40,780	575	3,580
- Salary expenses	-328,519	-8,673	122,485	69,387	139,854
- Depreciation expense	-20,120	-307	17,719	2,466	3,003
OTHER OPERATING EXPENSES	-2,742,774	-1,166,828	136,014	63,199	1,305,653
EARNINGS BEFORE INTEREST AND TAXES	264,618	-6,771	33,242	-54,039	88,986
FINANCIAL RESULT	6	-1,131	1	-1,145	-5,871
OTHER REVENUE	2,463	0	288	54,703	31,564
OTHER EXPENSES	-9,233	-687	18,254	3,207	14,444
NET PROFIT/LOSS FROM REGULAR OPERATIONS BEFORE TAX	257,854	-8,769	15,277	-3,688	100,235
NET PROFIT/LOSS BEFORE TAX	257,854	-8,769	15,277	-3,688	100,235
TAX EXPENSES	-23,582	-8,919	-3,074	0	10,138
NET INCOME	234,272	-8,919	12,203	-3,688	90,097
CASH FLOW STATEMENT					
CASH FLOW FROM OPERATIONS	-54,762	462,414	75,794	-2,536	66,733
LIQUIDITY INDICATORS					
Current ratio	2.80	0.99	8.69	0.39	1.39
Cash ratio	0.10	0.00	3.99	0.02	0.04

EFFICIENCY INDICATORS					
Receivables turnover in days	155.26	166	144.11	73	125.65
Material cost/revenue	0.28%	0.00%	9.89%	0.70%	0.28%
Non-current assets turnover ratio	82.90	No noncurrent assets	2.67	24.78	157.10
SOLVENCY INDICATORS					
Capital adequacy ratio (CAR)	65.07%	-0.79%	92.03%	-129.49%	28.98%
Net Debt-to-EBITDA ratio	The incurred debt can be paid off with the available cash.	EBITDA is negative	The incurred debt can be paid off with the available cash.	EBITDA is negative, but the incurred debt can be paid off with the available cash.	0.17
PROFITABILITY INDICATORS					
EBITDA	284,738.00	-6,464.00	50,961.00	-51,573.00	91,989.00
Return on Equity (ROE)	0.21	Operating at a loss, deficit equity.	0.03	Operating at a loss, deficit equity.	0.57
Return on Assets (ROA)	13.53%	Operating at a loss.	2.46%	Operating at a loss.	16.62%

Figure 28: The financial statement analysis of the media buying companies

Note: This figure includes Media publicum company which operates under the classification code - 7312 (media presentation)

6.3 Ranking companies according to various criteria

The overview of the financial performance indicators of the companies

	DIRECT MEDIA D.O.O.	Media publikum	UNIVERSAL MEDIA PODGORICA	MAPA	MCCANN PODGORICA
Revenue per employee	258,880	389,692	280,675	137,410	20,397
Profit per employee	18,021	-2,973	13,798	4,068	-922
Operating cash flow per employee	-4,212	154,138	5,014	-54,203	58,967
Net profit margin	6.96%	-0.76%	4.92%	2.96%	-4.52%

Figure 32: The overview of the financial performance indicators of the media buying companies

Ranking according to the criteria

To get the idea of how well these companies operate, the average of the three ratios is calculated – the lower the ratio value, the better the company's financial performance.

	DIRECT MEDIA D.O.O.	UNIVERSAL MEDIA PODGORICA	Media publikum	MAPA	MCCANN PODGORICA
Revenue per employee	3	2	1	4	5
Profit per employee	1	2	5	3	4
Operating cash flow per employee	4	3	1	5	2
Net profit margin	1	2	4	3	5
Ranking	**2.25**	**2.25**	**2.75**	**3.75**	**4**

Figure 33: Ranking of the media buying companies

According to the previously defined criteria, Direct Media and Universal Media Podgorica are the best-ranked companies. They are followed by Media publicum, MAPA and McCann Podgorica, respectively.

6.4 The case study of PINK M

In the report, Pink M company was additionally studied because of its specific position in the marketplace.

TAX IDENTIFICATION NUMBER	03214389
COMPANY NAME	PINK MEDIA M
SALES REVENUE	655,358
NUMBER OF EMPLOYEES	3
Revenue per employee	218,452

BALANCE SHEET - ASSETS	
NONCURRENT ASSETS	5,007
- Property, plants and equipment	5,007
CURRENT ASSETS	538,557
- Inventories	0
- Short-term receivables, investments and cash	538,557
- Account Receivables	508,529
- Cash and cash equivalents	30,028
TOTAL ASSETS	543,564
BALANCE SHEET – EQUITY AND LIABILITIES	
EQUITY	-16,274
- Capital stock	3,000
- Retained earnings	6,970
- Loss	-26,244
LONG-TERM LIABILITIES AND PROVISIONS	0
DEFERRED TAX LIABILITY	0
SHORT-TERM LIABILITIES AND PROVISIONS	559,838
- Short-term loans	3,018
- Suppliers	367,755
- Other short-term liabilities	189,065
TOTAL EQUITY AND LIABILITIES	543,564
INCOME STATEMENT	
SALES REVENUE	655,358
OTHER OPERATING REVENUE	264,534
OPERATING EXPENSES	-979,699
- Cost of goods sold	0
- Material cost	-4,419
- Salary expenses	-136,141
- Depreciation expense	-1,512
OTHER OPERATING EXPENSES	-837,627
EARNINGS BEFORE INTEREST AND TAXES	-59,807
FINANCIAL RESULT	66,776
- Financial revenue	66,776

- Financial expenses	0
OTHER REVENUE	0
OTHER EXPENSES	0
NET PROFIT/LOSS FROM REGULAR OPERATIONS BEFORE TAX	6,969
NET INCOME FROM DISCONTINUED OPERATIONS	0
NET PROFIT/LOSS BEFORE TAX	6,969
OTHER PROFIT/LOSS RELATED ITEMS ASSOCIATED WITH CAPITAL	0
TAX EXPENSES	0
NET INCOME	6,969
CASH FLOW STATEMENT	
CASH FLOW FROM OPERATIONS	23,462
LIQUIDITY INDICATORS	
Current ratio	0.96
Cash ratio	0.05
EFFICIENCY INDICATORS	
Receivables turnover in days	283.22
Material cost/revenue	0.67%
SOLVENCY INDICATORS	
Capital adequacy ratio (CAR)	-2.99%
PROFITABILITY INDICATORS	
EBITDA	-58,295.00
Return on Equity (ROE)	Deficit equity.
Return on Assets (ROA)	1.28%

Figure 34: The financial statement analysis of Pink Media M d.o.o company

VII

THE MACROECONOMIC SITUATION IN MONTENEGRO WITH REFERENCE TO THE MEDIA INDUSTRY

VII THE MACROECONOMIC SITUATION IN MONTENEGRO WITH REFERENCE TO THE MEDIA INDUSTRY

7.1 The macroeconomic environment in Montenegro in the third quarter of 2019[62]

The economy of Montenegro recorded a high rate of growth of 5.1% in 2018 and these positive developments continued throughout 2019. According to preliminary Monstat data, the year-on-year GDP growth in Q1 and Q2 of the current year reached 3.0% and 3.2%, respectively, compared to the corresponding period in 2018.

In September 2019, the CPI inflation in Montenegro was negative in relation to the same month in 2018, and it amounted to -0.2%.

Industrial production dropped 8.1% in the first nine months this year in relation to the comparative period in 2018. Production decreased in the sector of manufacturing industry: 5%, and 16.8% in electricity, gas and steam supply, whereas the mining and quarrying sector output rose 16.1%.

During the reporting period, the construction industry recorded a year-on-year increase in the value of executed construction works of 18.7% and a 6.2% increase in the effective working hours in relation to the corresponding periods in 2018.

Forestry, in the first nine months of 2019, saw a production decline of 16.3% year-on-year.

The number of tourist arrivals in collective accommodation establishments was 1.1 million, which is a year-on-year increase of 16.4%. In total, 4.2 million tourist overnights were recorded, which was 9.5% more than a year ago.

Preliminary Monstat data reveals that in the first nine months of 2018, air passenger transport recorded a year-on-year growth of 7% in the number of passengers at airports, while air freight transport decreased by 8.9%. Over the same period, railway passenger transport decreased by 0.1% while railway freight transport rose by 10.5%. Road passenger transport grew by 1%, while road cargo transport was 10.2% higher year-on-year.

The banking sector was sound and stable, with banks recording profit, high liquidity, and solvency. At end-September 2019, non-performing loans (excluding interests and prepayments and accruals) amounted to 141.8 million euros and accounted for 4.7% of total loans. The weighted average lending interest rate on total loans continued its downtrend from September 2014 (9.57%), dropping down to 6.17% in September 2019.

The fiscal deficit in the January-September 2019 amounted to 38.4 million euros or 0.8% of GDP. According to the Ministry of Finance data, at the end of September 2019, the (gross) government debt of Montenegro amounted to 3,127.9 million euros or 64.9% of GDP. Of this amount, domestic debt

[62] MACROECONOMIC REPORT of the Central Bank Of Montenegro Q3 2019

accounted for 504.5 million euros or 10.5% of GDP, while external debt accounted for 2,623.4 million euros or 54.4% of GDP. Net government debt amounted to 61.6% of GDP.
Total visible exports amounted to 336.2 million euros, showing an increase of 6.5% y-o-y. Total visible imports amounted to 1.9 billion euros and it was 3.1% higher than in the comparative period last year, primarily due to an increase in the import of electricity, medical and pharmaceutical products, furniture and parts, machinery specialized for particular industries, and general industrial machinery and equipment.

Net FDI inflow reached 266.7 million euros in the reporting period, which is a 22.5% increase year-on-year. Total FDI inflow amounted to 591.7 million euros, being almost at the same level as in the comparative period last year, but FDI outflow recorded a decline of 12.3%

The average number of employees amounted to 205,650 in September 2019, which is 5% more year-on-year and 6% more compared to December 2018. At the same time, the number of unemployed people stood at 33,675, which represents a 15.6% decline year-on-year and an 18.6% decrease compared to the same month a year ago. According to the Employment Agency, the unemployment rate amounted to 14.51% which is 2.69 percentage points lower than the rate recorded in September 2018. An average gross salary amounted to 771 euros in the first nine months of the current year, while an average disposable income (without taxes and contributions) totaled 514 euros or 0.8% more than the averages recorded in the comparative period last year.

7.2 Analysis of the Doing business report

The World Bank's Doing Business report provides objective measures of business regulations and their enforcement across 190 economies and selected cities at the subnational and regional level.
By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages economies to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers, and others interested in the business climate of each economy.

The first Doing Business study, published in 2003, covered 5 indicator sets and 133 economies. Today, the study covers 12 indicator sets and 190 economies. Ten of these indicator sets—starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

Montenegro's ranking in the Doing Business report

Montenegro is ranked 50 among 190 economies, with an overall score of 73.8.
The ranking and scoring per indicator sets are as follows:

Indicator set	World rank	Score
Starting a business	101	86.7
Construction permits	40	76.1
Getting electricity	134	61.2
Registering property	83	65.8
Getting credit	15	85
Protecting minority investors	61	62
Paying taxes	75	76.7
Trading across borders	41	91.9
Enforcing contracts	44	66.8
Resolving insolvency	43	66.1
Total	50	73.8

Figure 35: The overview of the Doing Business report ranking

Montenegro stagnates in regard to improving Doing Business report ranking; the worst scored indicators are getting electricity and starting a business, whereas Montenegro is ranked 15 in getting credit.

7.3 Analysis of the business environment in Montenegro with reference to the findings of reports of relevant international institutions and organizations

7.3.1. EU progress report of 2019[63]

As regards the economic criteria, Montenegro has made some progress and is moderately prepared in developing a functioning market economy. The economy continued expanding at a robust pace, improving labor market outcomes even though the unemployment rate remained high. Despite positive export dynamics, the current account deficit, fueled by strong domestic demand, remained very large and was only partially financed by net inflows of foreign direct investment.

Financial sector solvency and liquidity ratios improved, but access to finance for small companies remains hampered by tight lending conditions. Fiscal consolidation efforts continued through 2018, but the budget deficit target was missed while public debt reached a new record, partly due to financing needs for a large highway project, financed by a Chinese loan.

Private sector development remained constrained by weaknesses in the business environment, the judiciary, and a high prevalence of informality, reflecting poor implementation capacity in key state institutions responsible to enforce the rule of law and market competition.

Montenegro has made some progress and is moderately prepared in its capacity to cope with competitive pressures and market forces within the Union. The development of infrastructure in a number of areas is gradually setting the preconditions for improved economic competitiveness. However, further efforts are needed to enhance human capital development and to reduce the mismatch between education outcomes and labor market needs. Local companies need to grow and step up efforts to increase international competitiveness.

Concerns about transparency and non-discrimination in state advertising persist. The fact that many media outlets are not financially sustainable has a negative impact on the quality of reporting and professionalism. Montenegro should ensure that informal pressure on editorial policy is not exerted through the distribution of advertising funds, including from public companies, as well as through project co-funding from local budgets. The sustainability of media should be addressed in the forthcoming media law.

The implementation of economic and fiscal policy objectives has been delayed. The debt management and fiscal strategies, adopted as a response to rising public debt, are the cornerstones for strengthened economic governance. However, despite some positive results, such as reduced refinancing risks and higher budget revenues, the 2018 budget deficit turned out to be higher than the revised deficit target. his delayed – once again – the objective of reaching a balanced budget.

Important reforms like those of the public administration, the labor law and the pension system were also delayed. The reform of the tax administration advanced slowly, while the restructuring of the indebted national air carrier stalled. Delays in implementing large infrastructure projects reveal absorption capacity constraints. The policy guidance jointly adopted in May 2018 in the context of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey was implemented to a limited extent.

[63] European Commission's Montenegro 2019 Report

7.3.2. EBRD transition report 2019 / 2020

Every year, EBRD produces a plethora of publications that address various aspects of economies in which EBRD operates.

EBRD Transition report 2019/2020 deals with the governance, which is extremely important not only for the wellbeing of people who live in a country, but also for the economic growth, quality of life and environment.

Highlights[64]

• Growth surprised on the upside in 2018 but has slowed in 2019. GDP growth rose to 5.1 percent in 2018 on the back of strong domestic demand. However, it slowed to 3.1 percent year-on-year in the first half of 2019 as a consequence of the slowdown in investments.
• Public debt has increased further from already elevated levels. At the end of 2018, public debt, including guarantees, reached almost 75.0 percent of GDP. This is mainly due to the large highway project, which is financed by a Chinese loan.
• Two non-systemic banks went bankrupt over the past year. The banking sector, however, remained stable, while the non-performing loan (NPL) ratio has dropped to 5.3 percent.

Macroeconomic performance

Growth stepped up to 5.1 percent in 2018. The economy expanded strongly on the back of the highway construction, some coastal flagship real estate projects, an exceptionally strong tourism season and a further rise in private consumption. However, strong domestic demand and consequently higher imports caused the current account deficit to widen further, to over 17.0 percent of GDP. In the first half of 2019 GDP growth slowed to 3.1 percent year-on-year, primarily due to large investment projects (the Bar-Boljare highway and the power link to Italy) approaching completion. The first half of 2019 was also marked by poor industrial performance, due to declines in electricity production and manufacturing sector output.

The first half of 2019 was also marked by poor industrial performance, due to declines in electricity production and manufacturing sector output. On the other hand, the tourism sector has continued to perform well, and inflation has trended down. Price growth has slowed since the second half of 2018, primarily on the back of falling tobacco, clothing and footwear prices, but also due to decreasing transport prices, which is related to oil prices. As a consequence, the average inflation rate decreased from 2.6 percent in 2018 to 0.3 percent in the first nine months of 2019. The period from June to September 2019 has been marked by deflation (-0.2 percent monthly on average). Gradual fiscal consolidation has started to yield results.

The budget deficit narrowed to 3.5 percent of GDP in 2018 (from 5.5 percent in 2017), but was above the target of 1.6 percent in the original budget (2.2 percent in the revised budget), and the public debt, including guarantees, reached close to 75.0 percent of GDP by the end of 2018. The debt, which is expected to start declining in 2020, is also helped by phasing out highway-related spending. However, contingent liabilities and spending overruns may threaten the results. Further necessary fiscal reforms are planned, such as optimizing public administration, introducing medium-term budgeting, improving tax administration and conducting the pension reform. Growth is likely to slow down in the short term. With the completion of large investment projects, growth is projected to moderate

[64] EBRD Transition report

significantly, to 2.8 percent in 2019 and 2.6 percent in 2020. Still, private investment in tourism and energy is expected to stay high. The risks to the projections mainly relate to weaker growth in the European Union. Besides improving public finance management, growth risks could be mitigated by reforming the labor market and public administration, as well as by strengthening economic institutions.

Business conditions have improved somewhat. An action plan for the implementation of the 2018-22 strategy for the development of micro, small and medium-sized enterprises, envisaging over 200 activities, was adopted in December 2018. However, there is still room for improvement, especially in the area of getting electricity (as suggested by World Bank's Doing Business 2020 report, where the country ranks 134th among 190 countries) and with regard to infrastructure (as suggested by the World Economic Forum's 2019 Global Competitiveness Index, where Montenegro ranks 83rd out of 141 countries).

Public administration reform is advancing slowly and with some setbacks. The public service in Montenegro is relatively large and often politicized. In November 2018, a new Law on State Administration was adopted, rationalizing its organization and addressing the main issues related to accountability lines between institutions. However, it was followed by a very rapid reorganization of many bodies, without sufficient transition or enough time for stakeholders to adequately prepare for changes. Also, before the optimization plan 2018-20 was adopted in July 2018, additional staff were hired, which partly undermined the reform results. Important infrastructure concessions have been granted, while further legal changes are envisaged.

In November 2018, a 30-year concession for the bankrupt shipyard, Bijela Adriatic, was approved. Also, in July 2019, following a delay, the government adopted a plan to award 30-year concessions for the country's two main airports (in Podgorica and Tivat). Besides these, work is ongoing for concessions on a ski resort, public forests and agricultural land. However, in order to align the legislation with EU rules and comply with principles of transparency, competition, equal treatment and non-discrimination, amendments to the law on public procurement and new public-private partnership law are under consideration. Their adoption was envisaged by mid-2019 but faces delays. On the privatization side, there has been some progress in 2019. negotiations to sell the health institute in Igalo have started, and the asset restructuring (prior to the sale) of the hotel group Budvanska Rivijera has been completed.

In addition, calls for privatization have been published for another two companies from the 2019 privatization plan. Conversely, the government proceeded with the buy-back of shares of the power utility (EPCG) from the minority Italian shareholder (A2A), raising its stake to close to 77 percent in July 2019. The national flag carrier (Montenegro Airlines) and the national railway operator (ZPCG) continue to face financial issues due to accumulated debt. Works on the transport and energy infrastructure continue, albeit sometimes with delays. The two big investments in recent years have been the construction of the Bar-Boljare highway, and the power link to Italy. The third large investment planned (the construction of the second unit of the Pljevlja thermal power plant) was canceled in September 2019 due to environmental concerns.

The first section of the highway, which was supposed to have been completed by the end of May 2019, is now planned for completion in September 2020 and will cost 10 percent more than initially planned. The latter is also due to the unfavorable US dollar-euro exchange rate developments, as the loan is US dollar-denominated.

The government and the EPCG have committed to increasing the share of renewables in the energy portfolio, as indicated by the recent approval of several large-scale solar and wind projects.

The banking sector remains stable despite two banks going bankrupt. In 2018, three out of 15 banks had operational problems, two of which closed due to bankruptcy, while the third has been recovering. Despite the freeze on deposit withdrawals from the two bankrupt banks, there was no negative spillover to the banking sector as a whole. The majority of the guaranteed deposits from the bankrupted banks have returned to the system. The sector remains liquid and well-capitalized, with the capital adequacy ratio in June 2019 at 19.5 percent. NPLs kept trending down to 5.3 percent in June 2019. In July 2019, Montenegrin Commercial Bank (CKB), owned by Hungarian OTP Bank, completed the purchase of 90.6 percent of the local unit of Société Générale, and the Azerbaijani-backed Nova Banka was sold.

7.3.3. White book of the Montenegrin Foreign Investors Council (MFIC)[65]

After three years of a quite insignificant Index growth (from 6.4 to 6.5), the year 2019 brought the increase which confirms the progress, with great expectations and optimism of the MFIC members. It can also be interpreted as feedback to the reforms initiated in the previous period which gave certain results. By comparing the indices for all nine years, this is the first time that the Index has approached 7 – the average rating for eight years ranged from 5.8 to 6.5 (maximum rating 10).

The MFIC repeating message remains essential: serious reform processes should be continually implemented within the analyzed sectors in order to further improve the business environment, to attract foreign investment and increase economic standard of all the citizens in Montenegro. When we talk about the evaluation of key sectors in 2019, the highest index is observed with the ICT and Telecommunications sector. The sectors of Tourism, Banking/Finance and transportation/logistics record an increase compared to 2018, while the energy sector remained at the same level as last year.

The largest increase is observed in Telecommunications and ICT (+0.8) and Banking/Finance (+0,6). Despite the increase in the rating for 5 out of 6 industries, only the sector of banking/finance record the highest score for 2019 compared to previous years. To rate the individual focus areas, our members considered to what extent each of the categories listed below impacts positively or negatively their business: labor market and employment, property development, taxation/contributions, corporate governance and rule of law.

These areas were analyzed by the MFIC members since 2011, therefore we can easily notice how the perception has changed and what the trends in each category are. In general, the ratings for 2019 have increased and they explain the total increase of the MFIC Index. The increase in property development (+0,6) and labor market and employment (+0,4) are evident. These ratings still vary around 6.4 out of 10 and bring to a conclusion that these areas are, repeatedly, recognized as a priority since they require a systematic approach and a reform agenda

The results for 2019 indicate moderate progress in most of the categories. Like in previous years, according to the MFIC members the rule of law should be stressed out as an area of key importance for evaluation and further improvement of the business environment. Having analyzed prior ratings and after three consecutive years being rated 5.6, there is a slight increase at 5.7 this year. Bearing in mind that 2011 rating was 4.8 the rating increase indicates a continuous improvement in this area. The rule of law will remain at the top of the MFIC priorities in the following period as well.

65 White Book MFIC 2020

In 2018 and 2019, the labor market and employment were quite a popular topic and the rating shows that the foreign investors believe this area requires a systemic reform to harmonize the regulations with the EU standards. The rating of 5.7 for 2019 (5.3 in 2018) shows that there was a slight increase but also indicates that further improvements are needed as well as the implementation of reform processes. The year 2019 was marked by the adoption of the Labor Law. The new Labor Law is a step forward compared to the current solutions in a part regarding prevention of grey economy and protection of the employees' rights. On the other hand, when it comes to the labor market flexibility, our proposals for improving specific provisions in order to simplify business conditions and eliminate business barriers prepared jointly with other associations in Montenegro, were not accepted by the drafter. The Labor Law should provide fairness and protection of the employees with the promotion of health competition by increasing flexibility and labor force mobility for further development, increased productivity and investment attraction. Its implementation will be evaluated in the next edition of the White Book.

With the view to take into account the priorities of the MFIC members and in order to have more detailed analyses of the business environment, six new categories have been introduced since 2016 which the MFIC members recognized as important areas that need to be in focus of the state authorities, since they are representing the existing or potential barriers to businesses. These are: Human Capital, Black Market and Inspections, Regulations for Public-Private Partnership, Public Procurement, Digitalization of Public Services, Regulations on Personal Data Protection.

Out of six analyzed areas, we observe the rating increase in three areas and a decrease in the remaining three in 2019 compared to 2018. The minimum increase was recorded for public procurement and black market and inspection while the increase of +0,2 was observed for human capital. The decrease is observed in the public and private partnership, digitization of public services and regulations on personal data protection. To better present the overall business environment in Montenegro, we dedicated the White Book's section "Montenegro Overview" to present important conclusions from international reports. Generally observed in international frameworks, Montenegro has dropped in 4 out of 5 most important international reports. Thus, Montenegro has to invest new efforts to improve the position on the international stage.

The following recommendations are given to target specific improvements:

- more efficient reform implementation when registering a company (numerous procedures to start a business;
- relatively high costs to start a business;
- relatively high costs to start a business, the impossibility of e-registration and no connection among software and impossibility to share the data among all relevant bodies for company registration);
- more efficient reform implementation and further steps to improve tax procedures (paying surtax to the income tax is a special procedure which is implemented 12 times per year;
- no system connection and data share between Tax Administration, local self-government units and funds;
- a complicated system of tax returns and requests with mandatory books which is time-consuming in terms of data collection to fill in the tax return form;
- relatively high contribution rates impacting total tax burden; long and not enough automatized procedures of VAT return);
- significant modernization of the work of cadastral and notary services, especially when it comes to the respect of deadlines in the procedures, costs reduction and introduction of modern,

electronic systems that would shorten the registration procedure (software connection of the notaries with the Land Administration to increase legal security – this would help simplify the procedure of property registration for end-users;

- impossibility to submit the documentation online; impossibility to pay taxes online;
- necessity to respect deadlines defined under the Law on State Surveying and Cadaster of Immovable Property); creation of foundation for further infrastructure investments, both traffic and communal infrastructure, but also implementation of intensive measures for future investments in key sectors of tourism and agricultural production;
- keeping up with the measures of labor market flexibility and freedom growth, improvement of education and healthcare policy with the creation of investments opportunities;
- to continue with the policy of improving the work of the administration and raising efficiency at all levels, especially in the part of greater consistency in the implementation of policies at local and state levels;
- to create grounds for improved public finance policy with a special focus on new investments that may contribute to the stabilization of public finance with the reduction of deficit and maintenance of public debt.

7.3.4. American Chamber of Commerce - Business Climate Report 2017-2018.[66]

The most attractive elements of doing business in Montenegro as assessed by AmCham members are the EU accession process pursued by Montenegro, Montenegrin climate, tourism, its geographic location, favorable tax system and stable currency. On the scale ranging from 1 to 10 (whereby 1 means very poor results and 10 means very good results) AmCham members assessed general conditions in their respective industries. The overall average grade of the business climate in Montenegro is 6.29, which represents an improvement compared to the assessment from the previous Business Climate Report for the period 2015-2016 when it was 5.57.

The sectors that have been assessed as the most favorable for doing business are the energy sector, construction, real estate/tourism, legal services and retail/trade. Advertising sector. i.e. media still remains the sector with the lowest mark of 4. Almost all sectors were assessed by our members as being better than presented in the Report for the period 2015-2016.

Half of the surveyed member companies believe that the business climate in their industry improved in the past two years. About 30% of our members did not see any improvement in the business climate while about 20% of AmCham members believe that the business climate worsened in the previous two-year period.

The business community in Montenegro still strongly supports Montenegrin EU membership and believes that conditions for doing business will be improved once Montenegro becomes a member of the EU. As Montenegro became a NATO member state, 44% of the surveyed members believe that, as a consequence of Montenegrin NATO membership, the business environment is to become better, while 32% of them already see some improvements, whereby 15% of the surveyed company members have not seen any improvements whatsoever.

[66] AmCham Business report climate 2017 - 2018

AmCham surveyed member companies have given their assessment of the results achieved by their company during 2017, as well as projected results for 2018 and 2019. When speaking about company's profit, 85% of the surveyed companies assessed 2017 as either good or very good, while 93% of the surveyed companies did the same for 2018 and 2019. Approximately the same number of companies expect similar results when it comes to the company's growth and human resources management. The growth trend is evident when it comes to investments, as well as research and development, when comparing 2018 and 2019 with values from 2017. In addition, a growing number of companies recognize social responsibility as one of the important segments of doing business, which we are especially pleased with.

When it comes to the estimates of the business perspective for a five-year period, AmCham members gave very interesting answers. About 39% of them were very optimistic, 42% were somewhat optimistic while 12% of them were pessimistic. The main reasons for optimism of AmCham members are NATO and EU memberships, tourism growth, stable political situation as well as favorable taxation climate. The main reasons for being pessimistic, however, are the lack of rule of law and strong influence of politics on business. The main risks causing concern when doing business are unfair competition, frequent change and lack of transparency when adopting regulations, risk associated with the increase of tax and interest rates, inefficiency and lack of knowledge on the part of the administration, lack of qualified personnel, as well as slow development of the IT market and digital services.

VIII

EXTRAORDINARY EVENT – COVID 19

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Ana Nenezić, Miloš Vuković

The coronavirus pandemic will cause colossal changes on the global level. No country, business, or person will remain unaffected by the global pandemic, which will to the highest degree affect independent commercial media outlets which realize their revenue through operations in the market, because the significant portion of economic sectors, which allocate their advertising budgets to media outlets, have either ceased or scaled down operations, with a high level of uncertainty regarding the duration of the pandemic.

The weak economic activity will reflect on disrupted operations of commercial media in terms of falling behind with their tax payments, failure to pay employees, suppliers, and bank loans. Unfortunately, it is very likely that the corona crisis will not end very soon, thus asserting long-term pressure on media. It is assumed that many media outlets will, unfortunately, fail to cope with the financial pressure in the long run.

The support of the Investment and Development Fund of Montenegro to media

Investment and Development Fund, following the measures adopted by the Government of Montenegro, developed a new credit line intended to help media to mitigate or reduce the impacts of the coronavirus pandemic. The credit funds are aimed at sustaining the liquidity of electronic and print media registered in Montenegro and operate in accordance with the Law on Media.

This credit line will address solely the needs to alleviate the liquidity difficulties that emerged as a direct consequence of the entire situation faced by our country and the whole world.

The maximum amount the loan is 600,000 euros, the annual interest rate is 2%, with the repayment term of 8 years which includes 2 years of a grace period.

The allocated funds are allowed to be used for: current expenses (costs of materials, raw materials, and production services), payment of salary expenses accrued during the period of the implementation of the measures (the period of three months), and rental costs accrued during the period of the implementation of the measures (the period of three months).

The support of the Government of Montenegro to media

As a means of enabling the recovery from the impact on the media operations, the Government of Montenegro has provided the direct financial support of over 310,000 euros for all the print media (Pobjeda, Vijesti, Dan, Dnevne Novine), commercial nationally-broadcasted TV stations (Vijesti TV, Prva TV, and Nova M TV), the most visited web portals (Vijesti, CdM, Analitika, FOS, Antena M), as well as for 14 local public broadcasters, and an additional 300,000 euros is the value of obligations the media were exempt from paying or their payment was postponed, and they had the option of deferring taxes and contributions for 90 days.

The allocated financial aid is part of the set of urgent measures of the Government aimed at facilitating the lives of citizens and assisting the economy during the coronavirus pandemic, stipulated in the decisions adopted on the government session held on 19.3.2020. [67]

Ministry of Culture, to that end, published a public competition[68] to provide 150,000 euros for the creation and production of content in daily print media.

The one-off financial assistance for 14 local public broadcasters was also allocated, in the amount of 35,000 euros.

In addition, the Agency for Electronic Media has accepted the recommendation to completely free the electronic media from the obligation of paying the mandatory fee, which cumulatively totaled 80,000 euros, to the Agency over the period of three months, while the Broadcasting Centre (RDC) announced the postponement of payment for the obligations of broadcasters for 90 days.

This one-off assistance, although substantial, will not enable overcoming the challenging circumstances under which the media outlets operate. Thus, it is necessary to design a long-term program that will effectively allow media to tackle the corona crisis consequences and survive on the market.

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[67] Government of Montenegro in its session held on 19.03.2020, available on: http://www.gov.me/sjednice_vlade_2016

[68] http://www.gov.me/naslovna/vijesti-iz-ministarstava/223116/K-O-N-K-U-R-S-za-kreiranje-i-proizvodnju-programskih-sadrzaja-u-dnevnim-stampanim-medijima-u-skladu-sa-situacijom-i-ekonomskim-p.html

IX

CONCLUSIONS AND RECOMMENDATIONS

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9.1 Conclusions

- For several years, media in Montenegro have been facing serious challenges denoted by the political and economic influence and dependency, which directly threatens sustainability and further development of media pluralism.

- The presence of unfair competition and the lack of strategically defined measures to protect Montenegrin media and domestic production are the two main attributes of the media-marketing market in Montenegro. A significant threat to a financially fragile media market is the existence of unfair competition. The obtained data show that particular measures must be undertaken as soon as possible, to protect domestic traditional media and provide them with the opportunity to survive in Montenegro.

- It is necessary for the Ministry of Culture to develop a strategy on protecting media pluralism, and a set of long-term measures included in a combined approach of direct and indirect subsidies. The proposed Fund for the stimulation of media pluralism with 0.09% of the current budget, which is 1.1 million euros per annum for all the media, cannot have a real effect: 50 electronic media (TV and radio) will be assigned an amount of 660,000 euros annually, whereas the print media and 70 electronic publications will be assigned 440,000 euros. For the Fund to achieve goals set by the law, the designated annual amount must be expanded considerably. If not, the attempt to boost media pluralism and variety will remain limited and within the boundaries of the formal compliance with the requirements of the international community and media, but with no effect in reality.

- The collected data indicate that in the market of print media, three dailies – Vijesti, Dan, and Nova Pobjeda - operate profitably, i.e. they had a positive net result in the last three years. Unlike these three, Dnevne Novine incurred a net loss of circa 100,000 in 2018 and 2019. The four print media outlets had a revenue of more than 9 million euros in one of the observed years, whereas within the period of three years they together generated 28,176,602 euros in total. The number of employees in the print media outlets is 350 on average, which substantially exceeds the number of employees in the electronic media with the national media coverage.

- Out of three TV stations with the nationally-broadcasted programming, only one is a profitable company – Vijesti TV, on the other hand, Nova M TV and Prva TV operate at a loss, according to the net result in the income statement for 2017, 2018, and 2019. The three national broadcasters (terrestrial channels) have on average 170 employees in total, while the total operating revenue of three TV stations broadcasting nationally, amounted to around 5 million euros.

- The fact that the three national broadcasters have cumulatively generated less revenue than the four print media outlets in the three-year period is an indicator of unfair competition and is alarming.

- The obligatory fee paid to the RDC represents a substantial burden on operations of electronic media in Montenegro and results in the accumulation of debt for some media outlets which due to weak media market and unfair competition cannot make enough earnings, thus lacking the capacity to service the debts on time

- The obligatory fees paid to the RDC and the AEM represent a substantial burden on operations of electronic media in Montenegro. Due to their inability to meet these financial obligations, years there are significant multi-year delays in payments of the fees. However, the Government's ad hoc decision to assume the debt, is not a long-term solution.

- The collected and analyzed data clearly suggest the presence of unfair competition in the market of electronic media, and its implications are observable. Having failed to undertake measures regarding the protection of nationally-broadcasted TV stations and the permission for Pink TV to be included in audience measurement systems and to be allowed to sell its ad space, despite being a cable channel after its acquisition, the AEM has left the space for cable TV stations to enter the market and compete under equal conditions as national broadcasters. Should the lack of measures to protect nationally broadcasted TV stations that fulfill the requirement of having a certain amount (%) of domestic TV programming production, persist, these entities will struggle to financially survive.

9.2 Recommendations

Government of Montenegro

1. Develop and adopt the media strategy in Montenegro, a strategical framework document which would allow for a realistic overview of the situation in all the segments of the media operations, and recommendation of specific and sustainable solutions, in cooperation with the representatives of the Montenegrin media and civic society. The strategy should be followed by an action plan that would contain specific activities, to be performed within a period of a year, with the intention to develop media pluralism and protect media operating nationally and the media market in Montenegro.

2. Increase the portion of the current budget allocated for the proposed Fund for the stimulation of media pluralism, to 0.9% of the current budget, which would represent a tenfold increase of the current amount.

3. As a founder of the Broadcasting Centre (RDC), the Government should reduce the fee paid by the users of the RDC's services by 50%.

4. Decrease fiscal burden imposed on the operations of media as follows: 50% cut in income-related taxes and contributions for journalists and media workers; Apply as zero-rate VAT to daily and periodical newspapers; Reduction of VAT to 7% for advertisement services in media and for the purchase of equipment required for the media operations.

5. Adopt legal solutions to separate ownership-related and other types of connections between media outlets and media buying agencies in order to prevent potential market distortions.

6. Precisely define economic activity classification codes used at the time of company registration, so as to avoid companies which are not media outlets to be registered under a code that refers

to media companies. Furthermore, when making changes to company data in the Register, special attention should be paid to the classification codes.

Agency for Electronic Media of Montenegro (AEM)

7. Take measures, in accordance with the best international practices, regarding the protection of media which have nationally broadcasted programming and domestic audio-visual production.

8. Considering that the AEM generates substantial revenue from the annual fee for the provision of on-demand AVM services, they should consider reducing the broadcasting fee. The broadcasting fee averagely accounts for 250,000 euros of the AEM's annual revenue, thus the 50% reduction would not represent a significant fall in revenue, but it would rather significantly relieve for the media, facilitate their business operations and enhance media pluralism in the long-term.

9. The AEM should initiate the dialogue on the assessment and implementation of the audience measurement system which would be decided upon by consensus with broadcasters.