

THE SYSTEM OF FINANCING UKRAINIAN PUBLIC SERVICE BROADCASTER UA:PBC IN LIGHT OF THE COUNCIL OF EUROPE STANDARDS

REPORT BY

MARIUS DRAGOMIR

TANJA KERŠEVAN SMOKVINA

VIKTOR MAZIARCHUK



Good public service media, good funding

EBU

- Stable and adequate
- Independent from political interference
- Fair & justifiable
- Transparent & accountable

EU state aid rules

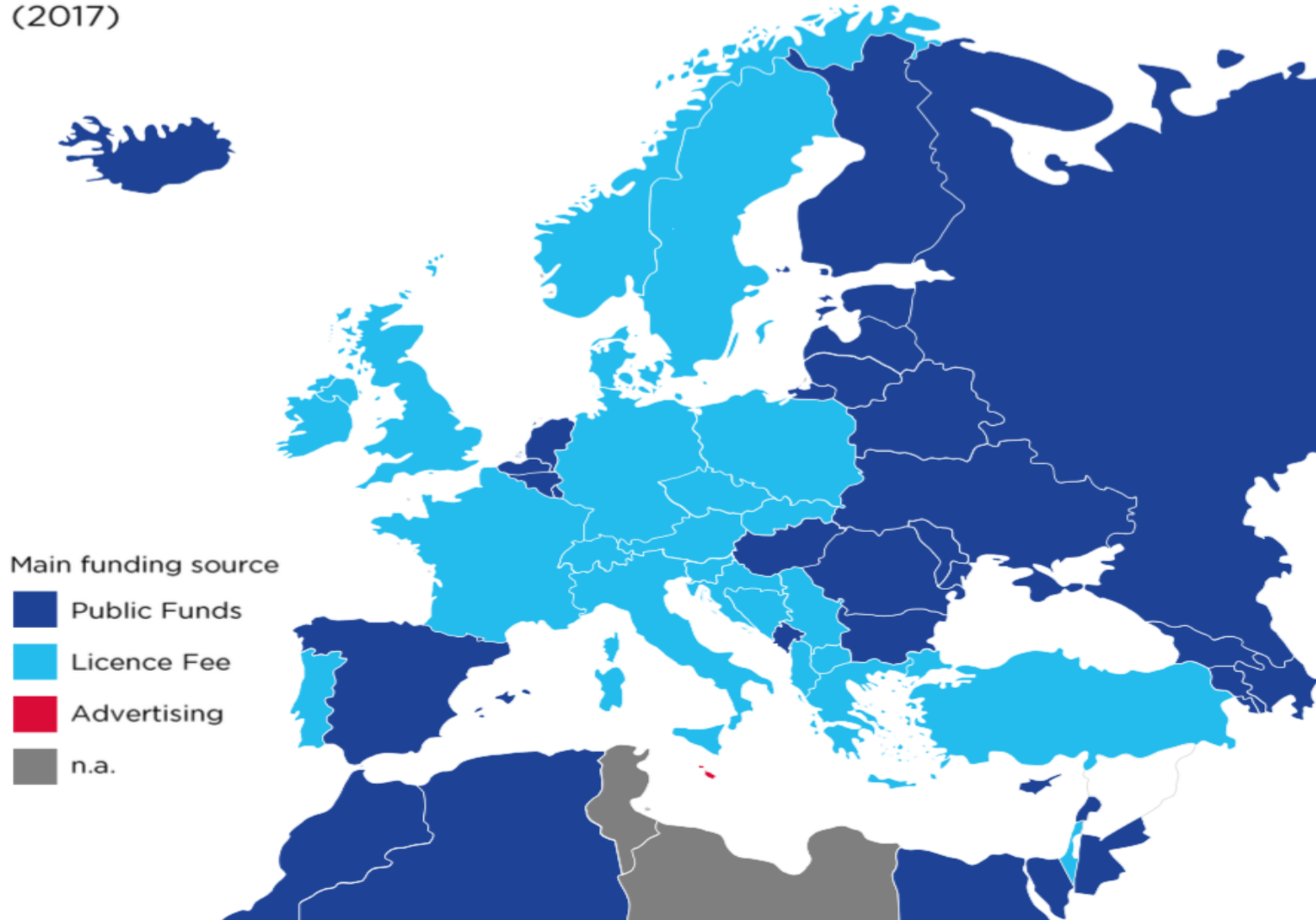
- Proportionate

Good public service media, good funding

Council of Europe standards

- Designed that it cannot be used to “undermine the operational independence of the public service media (PSM)”
- Adequate to “meet the agreed role and remit of the PSM”
- Adequate to offer “sufficient security for the future as to allow reasonable future planning.”
- Decided in consultation with the PSM when the level of funding is set

MAIN SOURCE OF PSM INCOME (2017)



Source: EBU, Finding of public service media 2018

Alternative models

New funding source	Country
Subscription	Bosnia & Herzegovina, Germany, Latvia
Sponsorship	Hungary
New forms of advertising	Thailand
Online pay-per-view	Latvia
Donations/crowdfunding	U.S., Moldova, Netherlands
Public/private partnerships (PPP)	Nigeria, South Africa
E-commerce	Nigeria
New taxation models	Thailand, France
Receiver subsidies	U.K., U.S.*

Trends in PSM funding

- Diversification of funding

No “pure” funding model really works

- More public involvement

The public support becoming an essential part of the PSM model

- The government’s role

Gov’t still plays a significant role in funding PSM (directly or indirectly)

- The end of advertising (as we know it)

Dramatic shift in the advertising market logic

Where does Ukraine fit

Source of funding	Strengths	Weaknesses	Suitability for UA:PBC	Reasoning
Licence fees	Independence	Public reluctance	No	No tradition and lack of understanding of PSM, rise of tariffs for public services/utilities, large choice of free TV services
Public budget	Potentially good solution if there is no tradition of licence fees	Politicisation and control	Partly	Provided there are strong safeguards for editorial independence, and for stability and sufficiency of funding
Industry levies	Independence	Industry reluctance	No	Underdeveloped media market, lack of funds, lack of acceptance of the PSM's role in the society
Commercial communications	Independence from the state	Decreasing; reduced future viability	Partly	Alternative, additional source in the mixed source method
Mixed model	Diversification, robustness	The amount can vary	Yes	If the bulk of funding comes from the most stable source or a combination of stable sources

UA:PBC current funding

- **PSB Law:** no less than 0.2% of expenditure in the General Fund of the State Budget for the previous year
- **Budget Code:** this should be implemented in the manner and amount established by the Cabinet of Ministers of Ukraine, based on the available financial resources

UA:PBC current funding

Government determines UA:PBC financing regardless the PSB Law provisions:

- On an annual basis
- Budget request prepared by the State Committee for TV and Radio Broadcasting
- Based on information submitted by UA:PBC
- Weak methodology
- Last minute cuts

Consequences

- The share of UA:PBC funding in the state budget dropped from 0.17% to 0.11% in the last 5 years
- Not sufficient
- Not predictable
- Not stable
- Not transparent

Solutions

- Modification of the current funding model:
 - Safeguards against government interference
 - Dedicated Special Fund of the State Budget, fed by fees charged for the use of radio frequencies

Scenario A

Scenario A	Low	Medium	High
Sustainability risk		Y	
Inadequacy of amount risk			Y
Government role			Y
Editorial interference risk		Y	
Level of legislative changes needed		Y	
Time for implementation		Y	
Risk of not being accepted			Y

Scenario B

Scenario B	Low	Medium	High
Sustainability risk			Y
Inadequacy of amount risk			Y
Government role			Y
Editorial interference risk			Y
Level of legislative changes needed	Y		
Time for implementation	Y		
Risk of not being accepted			Y

Recommendations

- Improve the UA:PBC image
- Engagement with the audience
- Improve planning
- Optimisation of local networks
- Optimisation (monetisation) of property
- Cost effective distribution