



Montenegro  
**BROADCASTING AGENCY**  
Number: 02-3413

**FINANCIAL PLAN**  
for 2009

Podgorica, November 2008

## **Introductory notes**

The Financial Plan for 2009 has been drafted pursuant to the valid regulations and documents of the Agency, in line with all conditions of the future operation of the Agency. It is based on the financial indicators in 2008, and on the expected income and expenditure in 2009. The Financial Plan foresees all relevant economic categories (in both quantitative and qualitative terms) and measures for their implementation. The purpose of this document is to outline the requirements of the Agency in 2009 and, applying the drafting methodology for planning revenues to be collected from the funding sources established by law, to achieve the balance between revenues and expenditure. In the drafting process, the complexity of assumptions the fulfilment of which will affect the financial status of the Agency has been taken into account, as well as its capacities for financing regular and development activities (harmonization with the European standards, inception of the digital switchover project, etc.). In this respect, the expected implementation of the Electronic Communications Law is of great importance, as well as the implementation of new solutions from the Law on the Amendments to the Broadcasting Law, and the Digital Switchover Law, which will define a different profile of the competencies of the Agency and considerably affect the scope, structure and sources of its funding. The quantification of this relation, which will come after relevant conditions for establishing a new status of the Broadcasting Agency have been met, will condition the changes in the income and expenditure structure of the Financial Plan for 2009.

## INCOME PLAN

Income Plan for 2009 includes all prescribed funding sources of the Broadcasting Agency:

- fees for the registration of broadcasters;
- fees for the registration of legal entities that have been issued license for the development and use of distribution systems;
- fees paid for the license for transmission and broadcasting of radio and TV signals;
- fees paid for the license for the development and use of distribution systems (CDS, MMDS, IPTV, DTH);
- a part of the broadcasting fee;
- a part of tax on radio receivers in motor vehicles;
- a part of revenues of the company for the transmission and broadcasting of radio and TV signals, in accordance with the Council's decision;
- other sources in compliance with the Broadcasting Law.

- **fee for the registration of broadcasters** is determined according to the costs of licence issuing, technical inspection, and entering into the Register of the Broadcasting Agency, and accounts for 10% of the amount of the annual fee paid for the license for transmission and broadcasting of radio and TV signals. Having in mind the reduced availability of the spectrum resources, the income from the registration of broadcasters for the terrestrial analogue broadcasting of radio and TV signals was not planned. Although there is interest of legal entities, it is not possible to estimate the income from the registration of broadcasters that intend to distribute their programmes using other platforms (CDS, MMDS, IMPTV, DTH, etc) because of the lack of input for their calculation.

- **fee for the registration of legal entities that have been issued license for the development and use of cable distribution systems (CDS)** is determined as a fixed amount depending on the number of municipalities they are developed for and paid, without the possibility of reimbursement, when the licence is issued. The income based on this source in 2009 is not planned because a new tender has not been planned.

- **fee for the registration of legal entities that have been issued license for the development and use of wireless distribution systems (MMDS)** is determined at the level of 5% of the annual fee prescribed by a separate document of the Agency, defining the fees paid for the licences for the transmission and broadcasting of radio and TV signals. The income based on this source in 2009 is not planned because a new tender has not been planned.

- **fee for the registration of legal entities that have been issued license for the distribution of radio and TV programmes to end users by means of fixed telecommunication networks (IPTV)** is determined at the level of €75,000. The income based on this source in 2009 is not planned because the entry of new operators to this market is not expected in 2009;

- **fee for the registration of legal entities that have been issued license for the satellite distribution of radio and TV signals (DTH)** is determined at the level of €75,000. The income based on this source in 2009 is not planned because the entry of new operators to this market is not expected in 2009;

- **fees for the license for transmission and broadcasting of radio and TV signals** have been prescribed by the Book of Rules on Level, Manner of Determination and Payment of Fees for Licences for the Transmission and Broadcasting of Radio and TV Signals. In compliance with the new Broadcasting Frequency Allocation Plan, the new long-term licences for the transmission and broadcasting of radio and TV signals have been issued for the allocated TV channels and FM radio frequencies. The income on the basis of fees for the transmission and broadcasting of radio and TV signals is planned on the basis of the existing number of broadcasters, to the amount of €588.972;

- **fees paid for the license for the development and use of cable distribution system** are determined depending on the offered percentage and the total annual income of the operator based on the provision of service of cable distribution of radio and TV channels to end users during the previous calendar year for the current year, which cannot be lower than 5% of the income. The fee level for the aforementioned licence belongs to the Broadcasting Agency to the amount of 50 per cent and to the local authorities on whose territory the cable distribution system is build to the amount of 50 per cent. Given that this income is determined by the income of the operators and the price of their services provided to the end users, on the basis of the financial indicators during the current year, the expected income is €30,786;

- **fees paid for the license for the development and use of wireless distribution system (MMDS)** are determined depending on the offered percentage and the total annual income of the operator based on the provision of service of wireless distribution of radio and TV channels to end users during the previous calendar year for the current year, which cannot be lower than 5% of the income. Given that this income is determined by the income of the operators and the price of their services provided to the end users, on the basis of the financial indicators during the current year, the expected income is €110,484;

- **fees paid for the license for IPTV and DTH distribution of radio and TV signals** are determined by the Agency at the level of 5% of the total annual income of the operator based on the provision of service of the distribution of radio and TV channels to end users during the previous calendar year for the current year. Given that this income is determined by the income of the operators and the price of their services provided to the end users, on the basis of the financial indicators during the current year, the expected income is €123,360. During 2009, the Broadcasting Agency Council will reconsider the percentage of the operators' income (5%) used as a basis for determination of annual fee for this type of service;

- the total planned amount of funds from the **broadcasting fee** is €4,217,724, out of which €210,886 goes to the Broadcasting Agency. The basis for planning of these funds was the expected number of subscribers paying the broadcasting fee (286,920), the level of broadcasting fee (€3.5) and the collection rate (35%). In the middle of

2007, the Broadcasting Agency signed a contract for the provision of service of the broadcasting fee collection with the Montenegrin Electric Enterprise. The costs of this service include invoicing, printing and distribution of the bill and collection of the broadcasting fee, and it comprises two parts: (1) fixed amount of €0.07, including the costs of calculation, printing and distribution of the bills and (2) variable amount, including the costs of the broadcasting fee collection amounting to €0.20 per bill collected by the Distribution Sector of the Montenegrin Electric Enterprise and €0.20 per collected bill if the Montenegrin Electric Enterprise does not make different agreement with the Post of Montenegro and the commercial banks. The planned costs of the fixed and variable parts of the commission amount to €563,970.

In compliance with the law, funds acquired through the collection of the broadcasting fee are distributed to the Republican Public Broadcasting Service RTVCG (75%), Fund for the Support of the Local Public Broadcasting Services (10%), Fund for the Support of the Commercial Broadcasters (10%) and the Broadcasting Agency (5%);

Within the scope of its activities, the Agency will continue fulfilling its legal obligation related to defining the model of and relations in the distribution of the total collected money to the funds for the support of local public and commercial broadcasting services.

- the total planned funds from **taxes on radio receivers in motor vehicles** amount to €600,000, out of which €30,000.00 belongs to the Broadcasting Agency. The elements used for projecting these funds are the estimated number of vehicles in Montenegro (100,000) and the level of tax on radio receivers in motor vehicles (€6). It is also estimated that the level of tax on radio receivers in motor vehicles will not change in 2009, although the Agency Council is obliged to reconsider the existing broadcasting fee level periodically, and to examine the effects of the solution defined by its decision. At the session held on June 26<sup>th</sup> 2003, the Agency Council adopted the Decision on Collection Procedure and Level of Tax on Radio Receivers in Motor Vehicles, according to which every owner of the motor vehicle in the Republic of Montenegro is obliged to pay a €6 tax when registering the vehicle.

In compliance with the law, funds acquired through the collection of the broadcasting fee are distributed to the Republican Public Broadcasting Service –Radio of Montenegro (75%), Fund for the Support of the Local Public Broadcasting Services (10%), Fund for the Support of the Commercial Broadcasters (10%) and the Agency (5%);

Within the scope of its activities, the Agency will continue fulfilling its legal obligation related to defining the model of and relations in the distribution of the total collected money to the funds for the support of local public and commercial broadcasting services.

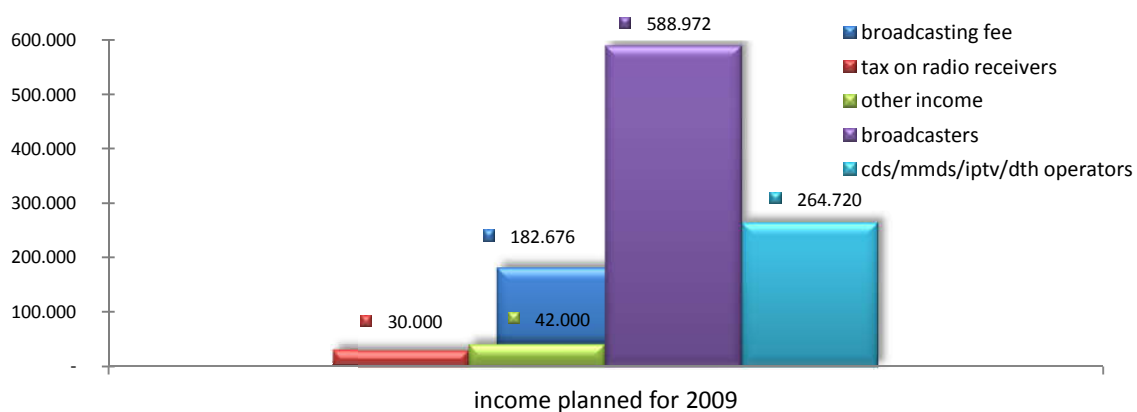
- **revenues of the company for the transmission and broadcasting of radio and TV signals**, are not planned for 2009, primarily because of the situation this company is going through, and inability to assess the financial effects and technological changes announced for late 2008 and early 2009.

The established funding system will create the conditions for the financial sustainability and independence of the Broadcasting Agency, aimed at independent fulfilment of its obligations prescribed by law.

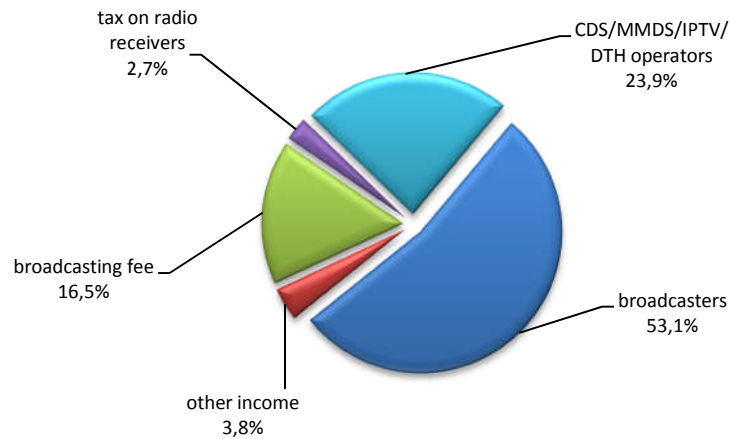
On the basis of the existing indicators the total income of the Agency is planned in the amount of €1,108,368.

Table 1: **Income planned in 2009**

<b>Income</b>		<b>monthly</b>	<b>annual</b>	<b>note</b>
<b>I</b>	<b>One-off fees</b>			
	• Broadcasters	x	x	
	• CDS, MMDS, IPTV, DTH operators	x	x	
	<b>total</b>	<b>x</b>	<b>x</b>	
<b>II</b>	<b>Annual fees</b>			
	• Broadcasters	€49,081	€588,972	
	• cable operators	€2,573	€30,876	
	• MMDS operators	€9,207	€110,484	
	• IPTV operators	€6,954	€83,448	
	• DTH operators	€3,326	€39,912	
	<b>total</b>	<b>€71,141</b>	<b>€853,692</b>	
<b>III</b>	<b>Other income</b>			
	• Broadcasting fee (5%)	€15,223	€182,676	$286,920 \times 0.35 \times 0.05 \times €3.5 = €17,573$
	• Tax on radio receivers (5%)	€2,500	€30,000	$100.000 \times €6 \times 0,05 = €30,000$
	• Signal transmission companies	x	x	
	• Other income	€3,500	€42,000	
	<b>total</b>	<b>€21,223</b>	<b>€254,676</b>	
<b>Total income I+II+III</b>		<b>92,364 €</b>	<b>€1,108,368</b>	



Broadcasters brought in the largest share of the income (53.1%), followed by income from CDS/MMDS/IPTV/DTH operators (23.9%), broadcasting fees (16.5%), other income (3.8%), and tax on radio receivers (2.7%);



## EXPENDITURE PLAN

The Agency's expenditure is planned on the basis of this year's expenditure, as well as on the basis of the income planned for the next year, enabling efficient functioning and implementation of planned objectives of the Agency. The expenditure amounts presented through different items reflect actual needs of the Agency during 2009, ensuring at the same time that the public money is spent in a reasonable and effective manner in compliance with the positive legislation and regulations.

Structure of expenditure for regular activities:

- **gross salaries** of the employees are given in gross amount, including: regular earnings for the activities within the working hours for 26 employees (23 with permanent contracts and 3 with temporary contracts). The expenditure for salaries in 2009 is calculated at the level of the October salaries in 2008;

- **fees for the Council members**, are defined by the documents of the Agency and calculated on the basis the average salary of the employees;

- **other earnings and remunerations of the employees** consisting of the meal and transport compensations, costs of holiday and winter bonus, and other personal remunerations based on the criteria defined by standards and normative documents, or by the Individual Collective Agreement;

- **business trips and membership fees** include the business trip expenses in the country (transport, hotel expenses and per diems), business trip expenses abroad (transport, hotel expenses and per diems), and costs of membership in the international organisations. In view of the planned activities (participation in the competent bodies of the Council of Europe, ITU, CEPT EPRA, etc.) and the need to continue following and complying with the international regulations, it can be expected that similar activities

would continue in 2009. The foreseen expenses of the membership in international organisations have been planned for the purpose of creating conditions for the implementation of the obligations prescribed by law and objectives of the Broadcasting Agency, at the same time complying with the international regulations and standards;

- **expenditure for material and services** is calculated on the basis of the consumption of different types of materials in the previous period and planned level of activities of the Agency. The main elements of this group of expenses are the following: stationeries, advertising material, office supplies, bank commissions, commission for the service of the broadcasting fee collection, telephone services, expense account, insurance premiums for equipment and employees, postal services, costs for contracted services. Costs of the education and professional training of the employees are aimed at the efficient completion of their tasks. These funds have been planned for payment of participation in training courses and improvement of the level of the foreign language performance depending on the job requirements, as well as for the education material including the professional literature, handbooks, and other professional publications. The expense account costs are related to the expenses incurred in the contacts with business partners during licensing, signing of contracts, celebration of jubilees, and organisation of celebrations. The postal service costs are related to monthly sending of bills and notices by express mail. The costs of contracted services include the expenses for specific and temporary activities such as the English language courses, cleaning service, etc;

- **costs of the fixed assets maintenance** include the costs of the registration and maintenance of vehicles, fuel and electricity, service and repairs, service of regular maintenance of fixed assets and materials needed for the regular maintenance of fixed assets. They have been planned on the basis of average expenses of the regular maintenance and planned investments;

- **other business liabilities** include the expenses for advertising, administrative tax, subscriptions to professional publications and newspapers, payment of the annual financial report audit, other non-material expenses, security service, and web site extension and redesigning. Advertising costs reflect the Agency's obligation to organise its procurement by means of public tenders, while the allocation of frequencies and money from the funds require frequent advertising in media outlets. The audit costs are obligatory according to the Agency Statute, and they are calculated for the service of regular audit of the financial statements in compliance with the international standards;

- **funds for the housing needs of the employees** refer to the allocation of funds to the amount of €50,000. In 2007, the Agency signed a contract with CKB for the provision of housing credits for the employees, through subsidising a part of the interest rate. The Agency wishes to allocate the funds, as an incentive for young and highly educated experts, preparing for the most complex regulatory activities, for the purpose of promoting this process;

- **depreciation costs** calculated for the fixed assets the Agency has received as the initial funding and fixed assets procured from the beginning of operation of the Agency;



- **other expenditure and reserve** are used in the contingency situations, and they are aimed at increasing the financial stability and reduction of consequences in the periods when income and expenditures are not equal. They cover approximately one half of the monthly funding of the most necessary activities of the Agency;

Table 2: **Expenditure planned in 2009**

Expenditure		monthly	annual	note
<b>I</b>	<b>Gross remunerations</b>			
	Council members	€4,100	€49,200	
	Employees	€38,000	€456,000	
	<b>Total</b>	<b>€42,100</b>	<b>€505,200</b>	
<b>II</b>	<b>Other earnings and remunerations</b>			
	Meals during working hours	€1,690	€20,280	
	Transport of employees	€520	€6,240	
	Holiday and winter bonus	*	€20,280	
	Other remunerations/assistance	€500	€6,000	
	<b>Total</b>	<b>€2,710</b>	<b>€52,800</b>	
<b>III</b>	<b>Business trips and membership dues</b>			
	Business trips within the country	€500	€6,000	
	Business trips abroad	*	€30,000	
	Membership dues for international organisations	*	€20,000	ITU, EPRA, AIB, MNRA
	<b>Total</b>	<b>€500</b>	<b>€56,000</b>	
<b>IV</b>	<b>Material and services</b>			
	➤ stationeries	€800	€9,600	
	➤ advertising material	€200	€2,400	
	➤ office supplies	€600	€7,200	
	➤ expense account	€450	€5,400	
	➤ staff insurance premiums	*	€900	
	➤ other non-productive services	€100	€1,200	
	➤ commission for broadcasting fee collection	€2,500	€30,000	
	➤ other taxes and contributions	€800	€9,600	
	➤ telephone expenses	€800	€9,600	
	➤ postal services	€600	€7,200	
	➤ contracted services	*	€15,000	
	➤ training of staff	€2,000	€24,000	
	<b>Total</b>	<b>€8,850</b>	<b>€122,100</b>	
<b>V</b>	<b>Maintenance of fixed assets</b>			
	➤ insurance and registration of vehicles	*	€3,000	
	➤ service, repairs of vehicles	€500	€6,000	
	➤ fuel and lubricants	€600	€7,200	
	➤ running maintenance of fixed assets	€300	€3,600	
	<b>Total</b>	<b>€1,400</b>	<b>€19,800</b>	
<b>VI</b>	<b>Other business expenditure</b>			

	➤ newspaper advertising	€800	€9,600	
	➤ administrative tax	€100	€1,200	
	➤ subscriptions for magazines, newspapers, agencies	€250	€3,000	
	➤ financial audit	*	€5,000	
	➤ other non-material expenses	€350	€4,200	
	➤ security service	€700	€8,400	
	➤ Implementation of Digital Switchover Strategy	*	€30,000	
	<b>Total</b>	<b>€2,200</b>	<b>€61,400</b>	

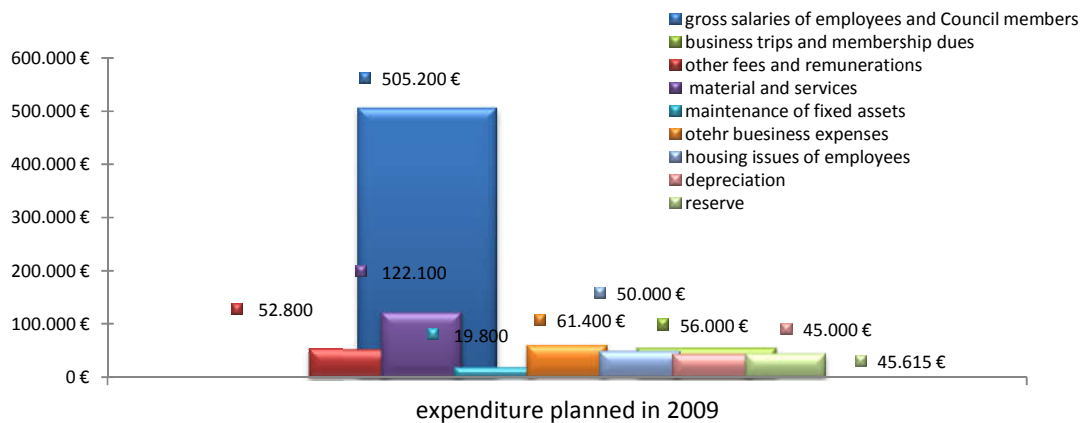
VII	Housing issues of employees			
	➤ contracted liability	*	€50,000	
	<b>Total</b>	<b>*</b>	<b>€50,000</b>	

VIII	Fixed assets			
	➤ depreciation	*	€45,000	
	<b>Total</b>	<b>*</b>	<b>€45,000</b>	

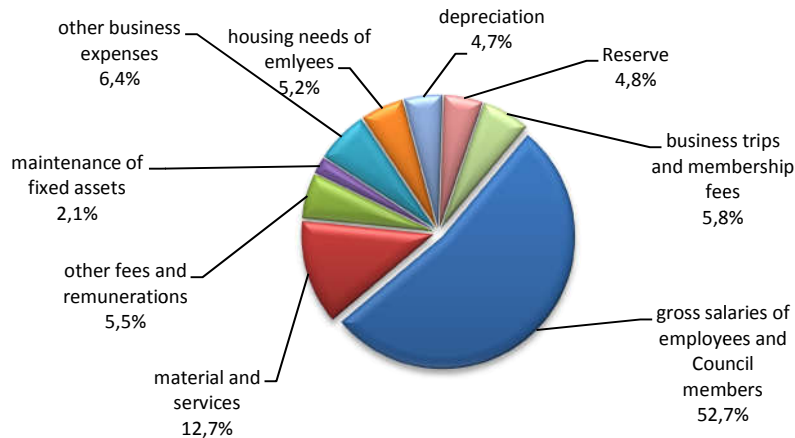
	<b>Total I - VIII</b>	<b>€57,760</b>	<b>€912,300</b>	
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IX	Reserve			
	➤ 5% of the total budget	*	€45,615	
	<b>Total</b>		<b>€45,615</b>	

<b>TOTAL EXPENDITURE</b>		<b>€957,915</b>	
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In the 2009 planned expenditure structure, the gross salaries have the biggest share (52.7%), followed by the material and services expenditures (12.7%), other business expenses (6.4%), business trips and membership fees (5.8%), other fees and remunerations (5.5%), housing needs of employees (5.2%) unforeseen expenses (4.8%), depreciation (4.7%), and maintenance of fixes assets (2.1%).



## INVESTMENT PLAN

In view of the need to create contemporary and efficient conditions for the completion of the Agency's duties during 2009, the investment activities have been planned concerning the provision of equipment for the Monitoring Sector, Technical Sector, and Legal and Economic Sector.

The investments for the purposes of Technical Sector, involve the following procurement:

<b>I</b>	<b>Technical Sector</b>	<b>price</b>
	➤ spectrum analyser (30 GHz)	30,000
	➤ GIS software	3,000
	➤ instruments for measuring the amplitude and frequency parameters of equipment	15,000
	➤ instruments for determining electromagnetic compatibility of the equipment	15,000
	➤ instruments for assessment of parameters of antenna systems	15,000
	➤ instruments for measuring different frequency bands	5,000
	➤ auxiliary equipment	2,000
	➤ instruments for measuring signal characteristics	10,000
	➤ specialised software packages	3,000
	<b>total</b>	<b>98,000</b>

For the purposes of the Monitoring Sector, procurement of software is planned for the next year, which will enable 24 hour monitoring and logging of the recorded broadcast media programmes in Montenegro, or programmes distributed by CDS, MMDS, IPTV and DTH distribution systems. For that purpose, it is necessary to procure the adequate equipment to support the aforementioned software.

<b>II</b>	<b>Monitoring Sector</b>	<b>price</b>
	➤ monitoring and logging equipment	€100,000.00
	<b>total</b>	<b>€100,000.00</b>

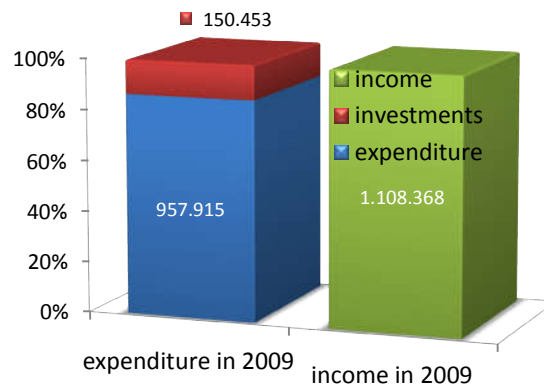
The funds for this purpose will be gradually provided from the accumulated surplus of income over expenditure, reserve funds and from the donations of the international organisations and institutions, given that these are specific procurements, for which it is difficult to foresee market conditions for the procurement of the aforementioned items.

### SUMMARY

When drafting the Agency's Financial Plan for 2009, it was estimated that the funding conditions would be strongly affected by the general economic situation. Objective possibilities were taken into consideration for such circumstances to achieve realistic income level sufficient to cover the planned expenditure.

The Broadcasting Agency has planned the total income for 2009 to the amount of €1,108,368, and the total expenditure of €957,915, and a surplus of €150,453.

	Balance positions	plan (€)
<b>1.</b>	<b>TOTAL INCOME</b>	<b>1,108,368</b>
<b>2.</b>	TOTAL EXPENDITURE	957,915
<b>3.</b>	<b>Surplus (1-2)</b>	<b>150,453</b>



The planned income related to one-off fees, annual fees and other income, enables covering of the planned expenditure, which is the objective of the Agency's financial operation. According to these projections, it is possible to implement the planned tasks related to the Agency's main activities focused on the fulfilment of its broadcast regulatory function.

Although there have been some announcements that the issue of permanent premises of the Agency will be solved during 2008, these activities will not take place, and it is not certain that the Government, in line with provisions of the Broadcasting Law, will fulfil its obligation to provide premises for the operation of the Agency. In view of that, the Agency will face with a decision to solve this issue during 2009, either using its accumulated funds or by means of a bank loan.

Starting from the obligations ensuing from the EU stabilization and association process of Montenegro, and the obligations undertaken within the Council of Europe and the ITU, the activities related to the development and beginning of implementation of the digital switchover strategy, and harmonization of the regulatory framework with the international standards will be intensified next year. This process will require higher investments in the professional training of the Agency staff and involvement of the consultants both from the country and abroad. For this purpose, the Agency will use mainly its own resources, while only a smaller range of support of the international organisation is expected.

In order to fulfil the Financial Plan of the Agency and provide a stable functioning of the broadcasting system it is necessary to:

1. create conditions for the undisturbed operation of cable distribution systems on the entire territory, in cooperation with other relevant bodies and local authorities, in line with the adopted documents of the Agency and rights and obligations ensuing from the issued licences;
2. create conditions for the consistent implementation of the Broadcasting Law, in the part related to the broadcasting fee, by fining an adequate collection method;
3. solve problem of outstanding liabilities of broadcasters using measures prescribed by law. It is necessary to create a mechanism or system of measures and actions for the broadcasters that do not meet their liabilities on regular basis, in the form of clear and precise regulations defining all steps from warnings to final possibility of revocation/suspension of the licence;
4. adhere to clearly defined administrative and accounting/financial procedures;

In order to ensure the implementation of Financial Plan, it is necessary to:

1. monitor the financial conditions of operation, from the aspect of liquidity maintenance;
2. analyse income and expenditure, as the success control instruments, on a monthly basis;
3. have permanent internal control of the business operation cost effectiveness.

Abaz Beli Džafić

**DIRECTOR**