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an der Universität zu Köln**

Aleksandar Todorov

The Broadcasting System in Bulgaria
at the End of the Analogue Age.
An Economic Perspective

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List of Figures.....	5
List of Tables.....	6
List of Abbreviations.....	7
1. Introduction	9
1.1. Purpose of the Work.....	9
1.2. Approach	10
2. Theoretical Framework for the Evaluation of Broadcasting Systems... 11	11
2.1. Broadcasting as a Good	11
2.2. Institutions Providing Broadcasting Programmes	12
2.2.1. The Market.....	12
2.2.2. The State	15
2.2.3. The Voluntary Sector	15
2.3. The Funding of Broadcasting: More than a Financial Issue.....	16
2.3.1. Funding Influences Broadcasting Output.....	17
2.3.2. Revenue Structure, Internal Incentives and External Forces.....	21
2.4. Revenue-based Classification of Broadcasting Systems.....	23
2.4.1. Basic Types of Broadcasting Systems.....	24
2.4.2. Broadcasting Systems Classification Using a ‘Magic Triangle’ ..	25
3. Context of the Bulgarian Broadcasting System	29
3.1. Political and Social Environment.....	29
3.1.1. Political Background	29
3.1.2. Civil Society in Bulgaria	34
3.2. Economic Environment.....	37
3.2.1. Economic Development.....	37
3.2.2. Media Economy	39
3.3. Legal Environment.....	42
3.3.1. Freedom of Expression in the Constitution	42
3.3.2. Broadcasting-specific Legislation.....	44
3.4. Technological Environment.....	46



4. Organisation and Funding of the Bulgarian Broadcasting System	51
4.1. Structure of the Broadcasting Sector	51
4.1.1. Radio Broadcasting	51
4.1.2. Television Broadcasting	52
4.2. Regulation and Licensing	54
4.2.1. Regulatory Authorities	54
4.2.2. Licensing System	59
4.3. Public Broadcasting	61
4.3.1. Public Broadcasting Services	62
4.3.2. Funding of the Public Broadcasters	64
4.3.3. Governance of the Public Broadcasters	67
4.3.4. Programme Framework.....	71
4.4. Commercial Broadcasting	73
4.4.1. Commercial Broadcasting Services.....	73
4.4.2. Funding of the Commercial Broadcasters	74
4.4.3. Ownership Structures and Concentration.....	77
4.4.4. Programme Framework.....	81
5. Evaluation of the Bulgarian Broadcasting System	85
5.1. Status Quo of the Bulgarian Broadcasting System	85
5.1.1. Consideration of the Revenue Structures.....	85
5.1.2. Consideration of the Programme Output.....	89
5.2. The Impact of Digitalisation	91
5.2.1. Digital Broadcasting: Changing the Environment	92
5.2.1. Regulatory Framework for the Digital Switchover	93
5.2.2. Impacts on the Status Quo.....	96
5.3. Alternative Funding of Public Service Broadcasting.....	98
5.3.1. Alternative Funding Sources	98
5.3.2. Enforcement of the Alternative Funding	100
5.3.3. Impacts on the Status Quo.....	102
6. Conclusion	109
Appendix.....	113
References	121

**List of Figures**

No.	Title	Page
1	The Sources of Funding for Broadcasting	18
2	Interdependence between Goals, Content and Funding.....	20
3	The National Broadcasting Ecosystem	22
4	Graphical Exposition of the Revenue Structures of Broadcasters	25
5	'Pure' and 'Mixed' Forms of Broadcasting Funding.....	26
6	Composition of the Bulgarian National Assembly, 2009 (No. of Seats of Total 240).....	33
7	Structure of the Bulgarian Economy, 2008 (% Share of GVA).....	38
8	Net vs. Gross Advertising Expenditure in Bulgaria, 2002-2008	41
9	Shares of Advertising Expenditures in Bulgaria, Net vs. Gross, 2008	42
10	Cable Network Operators and Cable Networks in Bulgaria, 2004-2008.....	47
11	Audience Shares of Main Bulgarian Radio Stations, August 2009	52
12	Audience Shares of Main Bulgarian Television Channels, 2008.....	54
13	The Broadcasting Regulatory System in Bulgaria.....	58
14	Advertising Market Shares of Main Television Channels, 2008	75
15	Graphical Exposition of the Reallocated Revenue Structures of Main Bulgarian Broadcasters by Sector.....	88
16	Radio and Television Programme Output in Bulgaria by Genre, 2008	90
17	Effects of Establishing the Radio and Television Fund	104
18	Effects of Establishing an Independent Broadcasting Fee System in Bulgaria	107
19	Prime Ministers and Main Supporting Parties of Bulgarian Governments, 1990-2009	114



List of Tables

No.	Title	Page
1	Four Basic Types of Broadcasting Systems	24
2	Television Distribution in Bulgaria, 2000 and 2008	46
3	The Programmes of BNR and BNT, 2008	63
4	Breakdown of Revenues of BNR and BNT for 2004, 2006 and 2008 in EUR Million.....	65
5	Main Commercial Television Channels in Bulgaria, 2008	74
6	Operating Revenues of Main Broadcasters in Bulgaria in EUR Thousand, 2007 and 2008	76
7	Foreign Ownership in the Bulgarian Broadcasting Industry	80
8	Minimum Programme Requirements Listed in the Licences of the Three Largest Broadcasters in Bulgaria.....	83
9	Reallocated Revenues of Main Bulgarian Broadcasters in EUR Million, 2008.....	85
10	Hypothetical Broadcasting Fee Revenues per Electric Power Subscriber, 2008	103
11	Reallocated Revenues of Main Bulgarian Broadcasters in EUR Million after Introduction of an Independent Broadcasting Fee System	106
12	Population in Bulgaria, 1998-2008	115
13	Results of Bulgarian Parliamentary Elections, July 2009	115
14	Macroeconomic Performance of Bulgarian Economy, 1999-2008	116
15	Structure of Bulgarian Economy (% of GVA), 1998-2008	116
16	Foreign Direct Investment Flows in Bulgaria (EUR Million), 1997-2008	117
17	Net vs. Gross Advertising Expenditures in Bulgaria, 2002-2003	117
18	Main Commercial Radio Broadcasters in Bulgaria, 2008	118
19	Annual Revenues of Main Bulgarian Broadcasters in EUR Thousand, 2007 and 2008	118
20	Radio Programme Output by Genre in Broadcasted Hours, 2008.....	119
21	Television Programme Output by Genre in Broadcasted Hours, 2008.....	120

List of Abbreviations

ABBRO	Association of Bulgarian Broadcasters
BAAA	Bulgarian Advertising Agencies Association
BCP	Bulgarian Communist Party
BNB	Bulgarian National Bank
BNR	Bulgarian National Radio
BNT	Bulgarian National Television
BSP	Bulgarian Socialist Party
BTC	Bulgarian Telecommunications Company
CEDB	Citizens for European Development of Bulgaria
CEM	Council for Electronic Media
CPC	Competition Protection Commission
CRC	Communications Regulation Commission
EBU	European Broadcasting Union
GDP	Gross Domestic Product
GVA	Gross Value Added
IMF	International Monetary Fund
LEC	Law on Electronic Communications
LPRB	Law on Public Radio Broadcasting
LRT	Law on Radio and Television
MRF	Movement for Rights and Freedoms
NGO	Non-governmental Organisation
NMSS	National Movement Simeon the Second
NRTC	National Radio and Television Council
NSI	National Statistical Institute of the Republic of Bulgaria
PSB	Public Service Broadcasting
SAITC	State Agency for Information Technologies and Communications
SEWRC	State Energy and Water Regulatory Commission
STC	State Telecommunications Committee
UDF	Union of Democratic Forces

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1. Introduction

1.1. Purpose of the Work

The collapse of the communist regime in Middle and Eastern Europe introduced fundamental changes of the countries of these regions. The establishment of political institutions and democratic elections, in which all citizens could freely express their attitudes, were the first signs of a successful democratisation process. For a democracy to be well functioning, however, not only healthy democratic institutions are required, but also the overall enforcement of democratic principles and profound understanding of democracy within the society. One of the major prerequisites for a successful transition is thus the creation of free and independent media, which are able to fulfil public obligations in a democratic manner.

Bulgaria is one of the East European countries, which took its way to democracy after the change of regime in 1989. The following transition process is for the relatively small Balkan country not unproblematic and accompanied by successful achievements as well as substantial failures even after the accession to the European Union on 1 January 2007. The political, social and economic reforms are steadily reflected by the media, which is being gradually liberalised and decentralised. The new established regulatory framework promotes the introduction of private media and offers ground for the introduction of media markets based on principles of competition in the country. On the other hand, strong political will for the abolishment of state control over public media is lacking. The various political and economic interests distort the well functioning of the media markets and prevent the establishment of a truly free and independent public media.

The purpose of the work at hand is to describe, analyse and evaluate the current state of the Bulgarian broadcasting system and its future prospects. Special focus is set on the organisation and the economic peculiarities of the broadcasting sector in Bulgaria as well as on the impact of the forthcoming digitalisation of the frequency spectrum, which all demonstrate clearly the underlying deficits of Bulgarian broadcasting. Therefore the system is viewed firstly from an outside perspective considering various external factors influencing its development, and consequently from an internal perspective, which reveals its organi-

^{*} Slightly modified version of a thesis that was supervised at the Institute for Broadcasting Economics and accepted by the Faculty of Management, Economics and Social Sciences of the University of Cologne in winter term 2009/2010.



sation and gives an insight into the behaviour of the various agents. Based on this knowledge, key problems can be identified and possible solutions elaborated.

There are several reasons for choosing this topic of research. First and foremost, Bulgaria is, beside Romania, the newest member of the European Union. Therefore gathering knowledge and data on the development of the country is important, as it would allow more profound analyses of its economic, social and political peculiarities, but also difficult, as lacking traditions for collecting and evaluating data objectively is still a major problem in Bulgaria. In the field of broadcasting this would support and contribute to the elaboration of a country specific recommendations and policies. On the other hand, media, and especially broadcasting, play a role of great importance in Bulgarian society, as they contribute to the formation of public opinion and thus strongly influence the development of the country. Therefore in-depth research on the media system is essential for a country developing towards democracy and market economy.

1.2. Approach

The proposed analysis is being methodically approached by a theoretical framework for the evaluation of broadcasting systems. The necessary theoretical concepts are described in section 2 and set guidelines for the further analysis. Because a national broadcasting system is embedded in the context of the particular country of interest, there are numerous factors which should be taken into account. The various factors are divided into two separate groups, as this would allow a more comprehensive understanding of the peculiarities of the Bulgarian broadcasting system in all its facets. The first group consists of conditions which are rather external to the broadcasting system. Therefore they could be described as an external environment and are considered in section 3. The second group of factors refers to the internal organisation of the broadcasting system and is subject of section 4. The main focus is set on issues such as sector regulation as well as legal, economic and governance aspects of public and commercial broadcasting.

Based on these findings an evaluation of the Bulgarian broadcasting system could be performed. For this purpose, section 5 implements the developed theoretical framework by considering the status quo of the system first. The gathered knowledge allows the identification of the key characteristics of Bulgarian broadcasting and the profound consideration of its future development which is determined firstly by changes in the environment and subsequently by organisational changes.

For the research on Bulgarian broadcasting various sources in English, German and Bulgarian were considered. The titles and the names of the authors of the Bulgarian sources were translated in English, as this would increase the transparency of the used literature. Additionally, they are presented in Bulgarian with Cyrillic script. German sources have not been translated.

2. Theoretical Framework for the Evaluation of Broadcasting Systems

2.1. Broadcasting as a Good

The most common way to look at broadcasting is to consider it as a wide range of radio and television services and therefore as an economic good. Just as other economic goods broadcasting attempts to satisfy private needs of the audience, which for instance may wish to be entertained, to be informed or to be educated. If there's a positive willingness to pay for these attributes and the broadcaster finds a price (e.g. subscription fee for a programme or a bundle of programmes) that matches it, then a market can be established.¹ As broadcasting programmes are attractive to viewers and listeners the broadcaster can use them as carriers of commercials and sponsoring messages, which then can be sold to companies willing to advertise their products. The broadcasting company serves then as a platform through which the two groups, advertisers and viewers, interact.²

Further, broadcasting possesses some economic peculiarities which distinguish it from the traditional 'neoclassic good'. Firstly, the essential quality, from which their value derives, is immaterial. Just as any piece of information it would be hard for or a consumer to justify the quality of the good *ex ante*. The true quality initially not observable by the consumer and can be realised only after consumption. Therefore broadcasting is often referred to as an 'experience good'.³ Secondly, the essence of the symbolic meaning carried over a technical infrastructure such as terrestrial broadcasting network, satellite, cable or internet protocol, is almost always a novelty.⁴ These features usually do not hold for material goods and have some important economic impacts on the way broadcasting programmes are produced and distributed.

Because the essence of a broadcasting programme is immaterial, it does not get used up or destroyed in the act of consumption. So the consumption of one individual does not influence the consumption of other individuals consuming the programme at the same time. In this case everybody has the same chance to receive the programme in the same quality. Broadcasting programmes are thus non-rivalrous goods and exhibit one of the key features of public goods.⁵ This public good characteristic is further reinforced by the low to zero marginal costs, which allows reaching an additional consumer at practically no costs especially in the case of terrestrial broadcasting. The second criterion for the existence of a

¹ KOPS 2007, p. 9

² Therefore broadcasting is often referred to as a 'two sided' or a 'dual' market; see ANDERSON/GABSZEWICZ 2006, p. 571.

³ The concept of 'experience goods' was firstly introduced in NELSON 1970, p. 312. In some cases such as news the quality will be difficult to measure even after the consumption. In the economic literature such goods are considered to possess 'credence' qualities. See also DARBY/KARNI 1973, p. 68 et seq.

⁴ GARNHAM/LOCKSLEY, p. 9

⁵ DOYLE 2002a, p. 12



public good, namely non-excludability of potential consumers, is at least for free-to-air broadcasting automatically fulfilled.⁶ However, because of the extensive roll-out of new broadcasting technologies such as IP-transmission, digital cable and satellite, which all support encryption, the criterion of non-excludability may be infringed.⁷ Hence broadcasting programmes can not be described as fully public goods, but remain at least partially public goods as long as non-rivalry in the consumption is given.

Finally, broadcasting plays a key role in modern society, not only for economic reason, but more than most of the industries for cultural, social and political reasons. Just as other cultural industries, e.g. books, newspapers, music and live arts, it influences the way people perceive and comprehend the world they live in. Furthermore, broadcasting contributes essentially to the formation and expression of public opinion. Therefore it has been praised by the Council of Europe and other international organisations and bodies as a vital element of democracy in Europe and an important part of its cultural heritage.⁸ Based on this understanding broadcasting could be considered as a cultural good – a feature, which goes beyond economic issues.

2.2. Institutions Providing Broadcasting Programmes

The general economic theory suggests three basic institutions for the provision of goods: the market, the state and the voluntary sector. Considering the special case of broadcasting programmes these institutions possess some advantages and disadvantages crucial for the organisation of the sector.

2.2.1. The Market

According to the economic theory the market is the most efficient coordination mechanism for the provision of goods. Under ideal circumstances (i.e. of clearly defined property rights, transparency regarding quality, price and utility of the consumption, well functioning competition, existence of market equilibrium and flexibility on the supply side) the market secures that goods are produced at the lowest technically possible costs (*productive efficiency*). Additionally, because of profit seeking incentives, the private entrepreneur is concerned in delivering a product that matches the consumers' preferences in the best possible way (*allocative efficiency*). Beyond these features, the market economy is considered to ensure income distribution according to the invested effort, to stimulate product and process innovation, to be highly flexible and to secure control against market power.⁹

⁶ GARNHAM/LOCKSLEY 1991, p. 11; DOYLE 2002a, p. 12; KETTERING/KÖHLER 2009, pp. 17-18; see also SCHMID/GERLACH 2009, pp. 22 et seq

⁷ KOPS 2000b, pp. 71-72; BECK 2006, p. 225

⁸ OPEN SOCIETY INSTITUTE 2005, p. 54

⁹ HEINRICH 1999, p. 22

If the conditions needed for markets to be well functioning are not sufficiently fulfilled, and in reality this will be often the case, then a market failure may emerge. Broadcasting is seen to exert such market failures.¹⁰ The main causes therefore are:

- *Partially public goods*: Because of the public good characteristics described previously clearly defined property rights are hard to enforce, so that consumers often behave as free-riders, i.e. they refuse to pay for consuming broadcasting services. The producers of these services then do not have the incentives to deliver the optimal quantity and quality on the market.
- *Economies of scale and scope*: Because the marginal cost for an extra viewer or listener is approximately zero and it is also extremely low in relation to the initial fixed costs of the programme production, there is an enormous potential to exploit returns on economies of scale. That creates pressure to expand audience share. On the other hand controlling a larger spectrum of media products increases the chance to meet the consumers' tastes. Therefore horizontal, vertical and diagonal concentration is frequently observed in broadcasting markets.¹¹
- *Information asymmetries*: As previously mentioned, broadcasting programmes can be described as 'experience goods' (or in some specific cases such as news as a 'credence good'), i.e. the quality of the good is *ex ante* unknown. In this case information on a programme's quality would be distributed asymmetrically between providers and recipients. This could cause an 'adverse selection', whereby high quality products are consequently crowded out by low quality products.¹² For example, programmes with non-visible attributes could be gradually substituted with programmes with more visible attributes, which could ultimately result in a change of the journalistic or creative attributes of a programme.¹³
- *Externalities in consumption and production*: Such externalities occur, for example, when people value living in a well informed society but do not consider this into their individual choice of broadcasting programmes. This finally results in a sub-optimal production of information. On the other hand producers

¹⁰ KOPS 2007, S. 10-11; KETTERING/KÖHLER 2009, pp. 17-20

¹¹ For instance, horizontal concentration occurs when firms engaged in the same activity, i.e. on the same stage of the supply chain, merge into one entity, e.g. when two competing television broadcasters merge into one. Vertical concentration refers to the expansion of firms either forward or backward in the supply chain, e.g. a television broadcaster taking over a cable distribution network or a production studio. Diagonal concentration occurs when firms engage into new business areas, e.g. when newspaper publisher and television broadcaster merge together. See KOPS 1999, pp. 1-3; DOYLE 2002b, pp. 4-5.

¹² AKERLOF 1970, p. 488 et seq

¹³ For instance, this could be translated into an increase of programme elements that are more seductive, e.g. sensational, fictional, entertaining, violent or sexual; see KOPS 2007, p. 11.



may not take these negative externalities into account and bias the content of their programs towards entertainment in order to enhance audience awareness.¹⁴

- *Merit goods*: 'Merit' (or 'de-merit') goods are goods that have positive (or negative) influence on the consumer's preferences once they are consumed. At the point of consumption, however, this transformation is not recognized, so that the individual does not take this potential into account by making a private choice. As a consequence there's a tendency to underconsume the merit goods (e.g. programmes supporting integration) and to overconsume the de-merit goods (e.g. programmes promoting violence).¹⁵
- *Intransitive consumer preferences*: Contradictory preferences could lead to 'schizophrenic' patterns of consumption. This is the case when an individual acts not in the way, she or he would actually act, e.g. after a hard day programmes with high social or educational value are substituted by entertainment programmes.¹⁶
- *Innovation and risk taking*: Because of the novelty characteristics of broadcasting programmes uncertainty plays a great role in the market: 'nobody knows' if an innovative programme will gain a sufficient acclaim by the audience to take off.¹⁷ Under these circumstances there are mainly three reasons for the concern that the broadcasting market will not take sufficient risks and not innovate enough. Firstly, because property rights are only imperfectly protected the incentives for a broadcaster to put out a completely new type of programme are not sufficiently high. Secondly, because an innovative program is by definition less familiar, it is likely to require more time to attract an audience than an established programme format. Thirdly, 'conformist' behaviour can be a natural response to uncertainty. Because it is safer to do what everybody is doing, programme makers tend to adopt already established formats and programmes, and on the demand side the recipients tend to watch the same programmes as people who belong to the same social circle or already had a positive experience with the programme.¹⁸

All these arguments indicate that there is a good reason to claim that the market is prone to allocative failures. Additionally, distributional failures have to be considered too. A distribution based solely on the citizens' incomes and purchasing power can split the society into two separate groups: those who can afford information and those who can not - a phenomenon that is well described by the phrase 'digital divide'. On the long run such tendency can be quite dangerous as it has a negative influence on society's cohesion. All these

¹⁴ HARGREAVES HEAP 2005, p. 122

¹⁵ EICKHOF/NEVER 2000, pp. 11-12; HARGREAVES HEAP 2005, pp. 126-127

¹⁶ KOPS 1996, pp. 18-19; EICKHOF/NEVER 2000, pp. 11-12

¹⁷ GARNHAM/LOCKSLEY 1991, pp. 11-12

¹⁸ HARGREAVES HEAP 2005, pp. 127-131

failures suggest that there's a huge potential for a sub-optimal provision of broadcasting, if it's left solely to the market.¹⁹

2.2.2. The State

One possible response to the previously described disadvantages of the market could be the introduction or promotion of state broadcasters. According to the public interest theory governments maximize the consumers' welfare. In this sense a benevolent state broadcaster does not bear the burden of the imperfections related to the market and is therefore able to promote public value by providing programmes that commercial broadcasters would otherwise not offer (e.g. educational programs for minorities or social groups with low purchasing power) or programmes with high positive external effects (e.g. programmes that support the integration and thus the stability of the society).²⁰

In reality, however, a state ownership on the media will never be as benevolent as suggested by the theory. DJANKOV et al (2003), for instance, examined the patterns of media ownership in 97 countries around the world and found out that government ownership of the media (newspapers and television) is more extensive in poorer countries, countries with greater state ownership in the overall economy, low levels of schools enrolments, and with more autocratic regimes.²¹ Under such circumstances state controlled broadcasters can easily be used as an instrument to promote the political ideas of governments in order to ensure their re-election.²² Such behaviour distorts the competition between political ideas and poses a great threat on a country's democracy and freedom. Additionally, the state is often considered to be highly inefficient in providing goods in general and broadcasting in particular, mostly because of the lack of market-based incentives leading to complex and expensive administration and to low consumer orientation. Therefore the state alone should not be considered as an appropriate institution for the provision of broadcasting.

2.2.3. The Voluntary Sector

The third institution engaging in the provision of broadcasting according to the economic theory is the voluntary sector. In general, the organisations representing the voluntary sector (e.g. non-governmental or not-for-profit organisations) do not pursue commercial or political interests and therefore would be able to provide unbiased broadcasting programmes and represent adequately the different opinions in the society. In order to preserve their independence, however, at least three prerequisites must be fulfilled:

- *Strong and diverse civil society*: Many and well developed civil organisations are required in order to be able to participate in public communication, to ex-

¹⁹ KOPS 2007, p. 12

²⁰ Ibid

²¹ DJANKOV et al. 2003, p. 343

²² KOPS 2007, pp. 12-13



press effectively the various attitudes in the society and ultimately to create public value;

- *State support*: The state has to recognise the importance of civil society and therefore ensure and improve its financial capabilities (e.g. by granting the right to levy public revenues);
- *Fair government*: The representative government has to secure, that its role of sponsor of the civil society is not abused by the ruling parties to influence the (political) opinions of civil institutions.²³

In reality, however, it will be hard to find societies, in which all three conditions are simultaneously fulfilled. Even if strong civil organisations exist, the independence of their broadcasting activities may not be secured, as governments remain the most important factor determining their financial support (e.g. by collecting a license fee for broadcasting). As most of the NGOs are donor supported and face therefore a structural financial scarcity, the support of the state becomes even more inevitable. The state could, for instance, abolish the lack of financial revenues by guaranteeing own public revenues for civil organisations or by offering them access to public funds and prevent thus a less professional performance of civil organised broadcasting.²⁴

On the other hand, the voluntary sector possesses some important advantages in providing broadcasting services. As most of the members of NGOs are driven by intrinsic motives, these could partly compensate some of the financial weaknesses and generate more creative and innovative solutions than under commercial or governmental pressures. Especially in journalism this can promote a more profound and deeper investigation and lead to broader scope of the presented content.²⁵ Creative workers such as artists, performers or authors also possess strong 'art for art's sake' attitudes, attracting them to form and contribute to non-governmental organisations which preserve and promote their creativity.²⁶

Despite these advantages, in most societies civil organisations play only supplementary role in providing broadcasting services. The effects of their engagement, however, should not be underestimated. Strong independent civil media can serve as a balance weight to the state and commercial broadcasters and thus improve their quality, variety and objectivity.²⁷

2.3. The Funding of Broadcasting: More than a Financial Issue

All three types of institutions, discussed in the previous subsections, were considered in their pure forms. In reality, however, broadcasting systems, just as economic systems, consist of one, two or all three institutions simultaneously. The choice or the development of each of these institutions depends on its spe-

²³ Ibid, p. 14

²⁴ Ibid

²⁵ Ibid, p. 15

²⁶ CAVES 2000, pp. 3-5 and p. 228

²⁷ KOPS 2007, p. 16

cific advantages and disadvantages, which should be evaluated for each national broadcasting system specifically. From an economist perspective this could be performed by evaluating the revenue structure as the main determinant of a broadcasters' behaviour. Therefore, this section examines first what kind of funding sources do broadcasting organisations have at disposal and how do they affect the programme output. Subsequently, the influence of other factors, internal and external to the organisation, on the revenue structures and the incentives set by them is discussed.

2.3.1. Funding Influences Broadcasting Output

Like any other economic activity broadcasting needs financial sources in order to secure the production of its services. In general, one can distinguish between private funding, which is based on voluntary payments made in exchange for a service or product, and public funding, where the payments are at least to some degree enforced by the state (see Figure 1). For instance, private revenues include commercial revenues such as advertising and subscription fees, but also other voluntary payments such as donations and membership fees. Public revenues in contrast include allocations from the state budget, mandatory fees paid by viewers and listeners, public or other indirect payments, which then flow into the broadcasting organisation. Each type of funding sources has specific implications for the programme policy of a broadcasting organisation.²⁸

Funding through advertising is the most common way for financing a commercial broadcasting organisation. However, this type of private funding has some important implications for the programme policy. For instance, advertising-financed broadcasters are struggling to reach large audiences or smaller, but well-targeted audiences in order to sell these to advertisers. Thus the advertising-financed broadcaster has an incentive to avoid 'difficult' programmes or programmes, which make large numbers of viewers to switch over, and prefer only programmes that maximise the value delivered to advertiser and so the advertising revenue.²⁹ The second most common type of private funding for a broadcasting organisation is revenue from subscription fees or individual fees (pay-per-view). In a subscription mode the fees are collected for a bundle of programmes, while in a pay-per-view mode viewers pay only for programmes that they are willing to watch. Both revenue types set a strong incentive for the broadcaster to offer programmes that are really valuable to the viewers. Especially in the case of pay-per-view consumers pay exactly for those services they choose to consume, so it is the only funding mechanism that is closest to consumer preferences and therefore to an ideal price mechanism.³⁰ In the case of voluntary contributions to a broadcasting organisation, be it in cash or in-kind, the broadcaster is less oriented toward matching the consumer preferences than fulfilling the expectations or the remits set by the donors. Therefore, the programme output of a voluntary

²⁸ SEIDEL/SCHWERTZEL 1998, p. 27; KOBOLDT ET AL 1999, p. 48

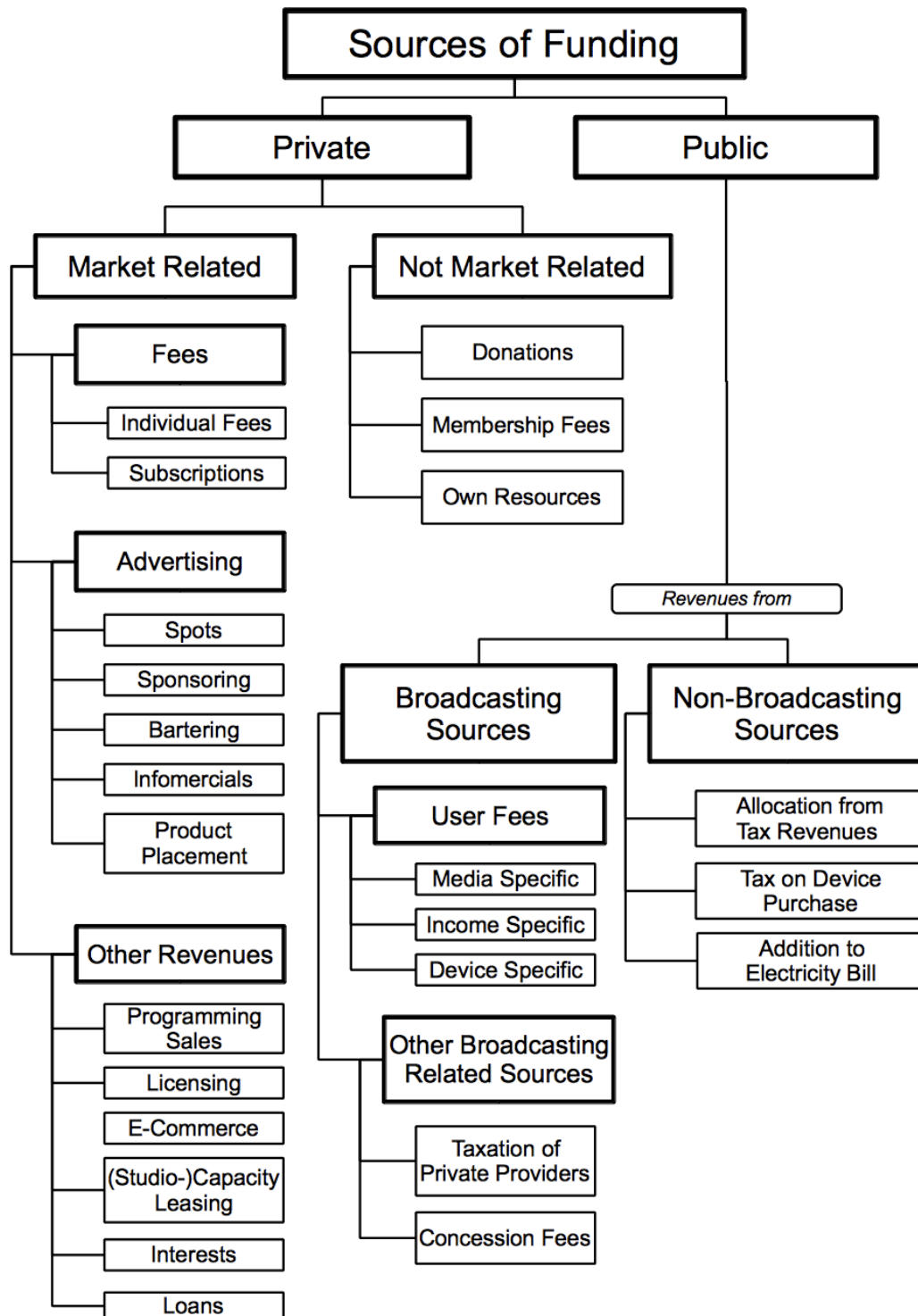
²⁹ KOBOLDT ET AL 1999, pp. 51-52; KOPS 2007, p. 19

³⁰ KOBOLDT ET AL 1999, p. 50



broadcaster cannot be determined in advance, as it highly depends on the kind of the donating institution.³¹

Figure 1:
The Sources of Funding for Broadcasting



Source: Based on SCHMITZ 1990, p. 167, and SIEBEN/SCHWERTZEL 1997, p. 15.

³¹ KOPS 2007, p. 18 and p. 20

The basic characteristic of public funding is that consumer' preferences have little or no direct influence on the broadcasters' output, as the choice whether to pay or not for the broadcaster's services, is restricted by the state or the government. This will be the case especially where a broadcaster is funded through allocations from general tax revenue, as the individual contribution of each user, i.e. listener or viewer, is not obvious and is thus not perceived by the end consumer. The link between payment and services is clearer in the case of a mandatory fee paid by the end consumer, as the payment and the specific range of services, which it finances, are identifiable. However, in both cases the broadcasters' decision on programme output is constrained by the necessary public support for the provided services in order to secure that governments will maintain the public funding.³²

The various sources of funding correspond strongly to the objectives of a broadcasting organisation, as illustrated in Figure 2. The fundamental goal for example of a commercial broadcasting enterprise would be the maximization of profits, that of a public service broadcaster - the maximization of society's welfare while for a broadcaster provided strictly by the state the fundamental goal might be the propaganda of the state's activities (*Goals Level*). These fundamental goals would set the basic direction of development for each particular type of broadcasting organisation. In order to achieve these goals the various broadcasting organisations would try to formulate more manageable objectives, or content goals (*Content Level*). A commercial broadcaster would, for example, choose programme content that attracts the target groups aimed by the advertisers or viewers with high willingness to pay, a public service broadcaster would provide rather educational and informational content, while a state broadcaster would focus on content that promotes the activities of the government. In a next step the content goals of the various broadcasting organisations are backed up by the most appropriate funding method (*Funding Level*). For instance, the commercial broadcaster would generate revenues through advertising or subscription charges, the public broadcaster – through broadcasting fees, while the state broadcaster – through allocations from the state budget. The available financial sources would then determine which content can be produced and broadcasted, so that in the mid-term each of the funding sources could influence the content goals and ultimately the fundamental goals of the broadcasting organisation.³³

In reality, however, the particular types of revenues will only seldom be observed as the sole financial source of a broadcasting system. Mixed funding is almost always preferable, as it secures a more stable and continuous flow of financial resources and contributes so to the diversity of broadcasters and programmes. The funding structure of a national broadcasting system, as an aggregate of all broadcasting organisations available in a country, varies for the different countries also. Yet it is possible to distinguish between two dominant models: the US

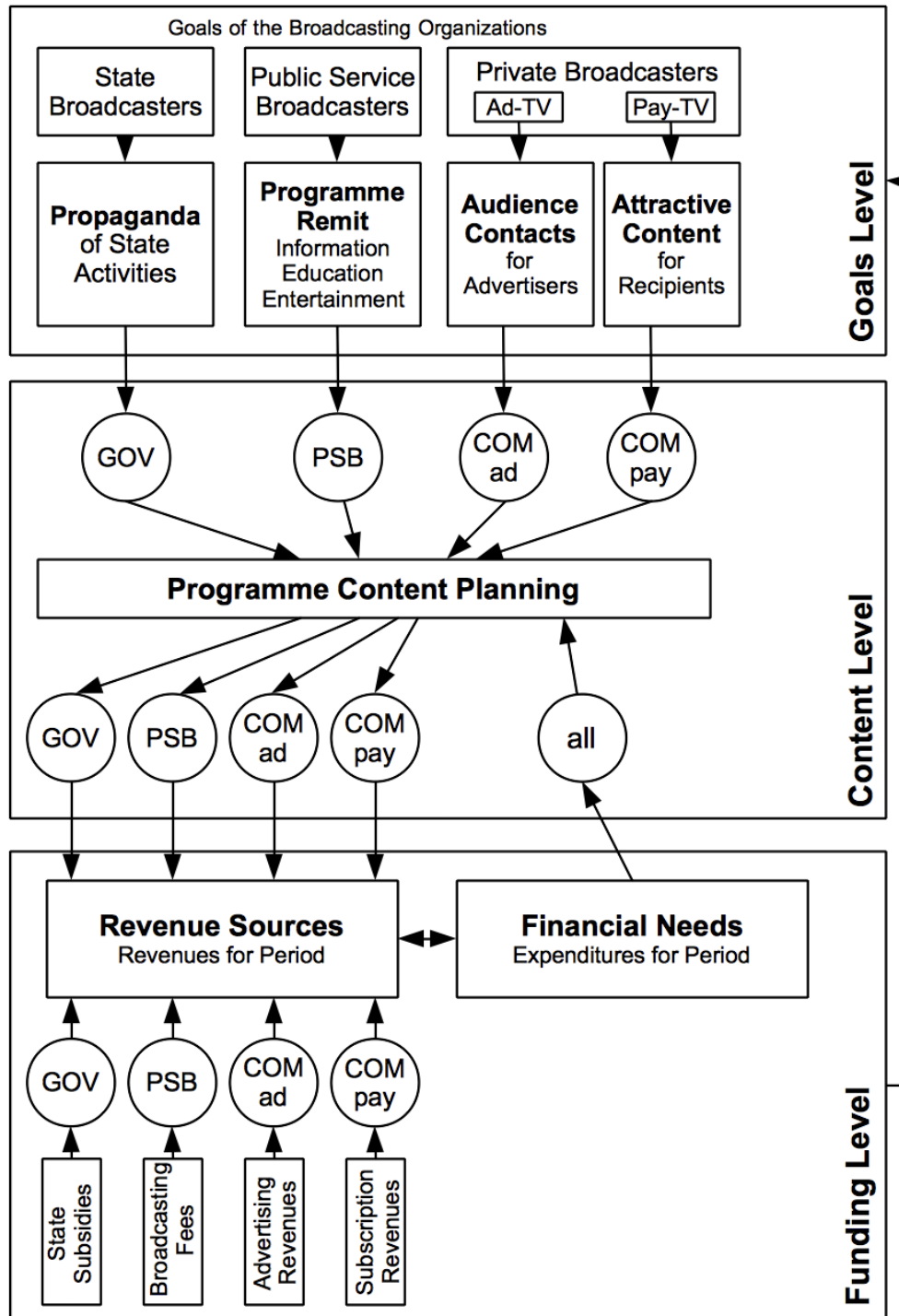
³² KOBOLDT ET AL 1999, pp. 52-53

³³ SEIDEL/SCHWERTZEL 1998, pp. 14-18; KHABYUK 2004, pp. 5-7; DUBINA 2009, pp. 14-16



and the European model. The US model is predominantly based on commercial revenues derived mainly from advertiser payments, while the European model is based on mixed revenues with a significant proportion of public funding.³⁴

Figure 2:
Interdependence between Goals, Content and Funding



Source: Based on SEIDEL/SCHWERTZEL 1998, p. 16; KHABYUK 2004, p. 6; DUBINA 2009, p. 15.

³⁴ WITHERS 2003, pp. 104-105; See also EBU 2000, pp. 21-22

2.3.2. Revenue Structures, Internal Incentives and External Forces

The influence of the revenue structure on the programme output can also take another path, which is more internal to the broadcasting organisation than the previously described feedback effects on the fundamental goals. First and foremost, the funding structure affects the incentives and behaviour of the broadcasters' shareholders and stakeholders.³⁵ Changes in the financing structure of the broadcasting organisation changes, for instance, the incentives for the staff (e.g. journalists). The resulting real changes in behaviour affect the programme output that is generated.³⁶

However, the revenue structure of the broadcaster does not determine the internal incentives in a direct and mono-casual manner. There are some intermediate factors that influence the incentives for the staff, which can be described as the internal gratification rules of the organisation.³⁷ Such factors could, for instance, include the way decisions concerning which programme or which content to broadcast are taken by journalists. The variables affecting these decisions could be summarized in four spheres: subject (journalist as an individual, e.g. political ideas, motivation), profession (common values for journalists, e.g. ethics), institution (characteristics of the broadcasters, e.g. economic structures, freedom of speech within the organisation, organisational structure) and society (society structure, e.g. political structure, freedom of speech in the country etc).³⁸ The model would then suggest, for example, that the higher the professionalism of a journalist (*individual*), the stronger the compliance with the code of conduct among journalists (*profession*), the more independent is the journalist in her or his work (*institution*), and the greater the extent of freedom of speech in the particular country (*society*), the lesser would be the impact of political or commercial interferences on the programme output.³⁹

These internal gratification rules and their impacts can vary between the different broadcasters. Even if, for example, two commercial broadcasters are both financed completely by advertising, their programme outputs can differ substantially exactly because of differences in the internal gratification rules. Consequently the incentives for the staff can deviate from the incentives set by the revenue structure. The extent of deviation depends on how successfully the management or the shareholders can enforce and control the chosen gratification rules and to what extent the staff, i.e. the journalists, are compliant to these

³⁵ The shareholders of a broadcasting organisation could include private persons, financial institutions, government and the general public. The stakeholders refer here especially to the broadcasters' employees and management, but could include also suppliers (e.g. production firms), customers (e.g. advertising agencies, viewers/listeners), governmental bodies, political groups etc.

³⁶ KOPS 2007, p. 19

³⁷ Ibid, p. 20

³⁸ DONSBACH 2003, pp. 108-110; DUBINA 2009, pp. 24-25

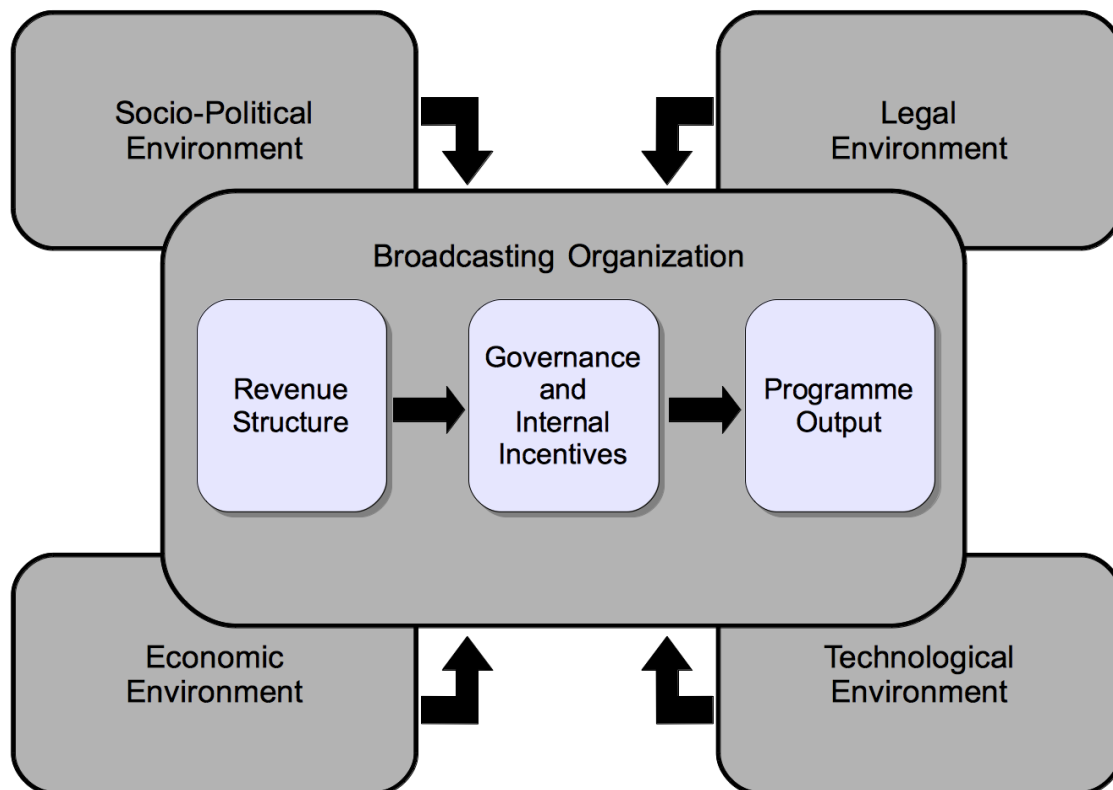
³⁹ KHABYUK 2009, p. 2



rules.⁴⁰ If, for instance, the management of a state funded broadcaster decides to bias the reports on state activities in favour of the respective government, but faces resistance from journalists, it can censor the programme or pose sanctions on these journalists. The overall output of the broadcasting system, however, depends on the factors determining the journalists' behaviour described previously.⁴¹

Because a broadcasting system exists within the social, political, legal, economic and technical context of the particular country there are numerous factors coming out of these fields that influence the revenue structure, the internal incentives and the output of a broadcasting organisation. In order to describe and evaluate this complex the various conditions could be divided into two main groups: environmental conditions and organisational conditions, which put together form the broadcasting ecosystem of a particular country (see Figure 3).

Figure 3:
The National Broadcasting Ecosystem



Source: Author's illustration based on KHABYUK 2004, p. 11 et seq ;
KOPS 2007, p. 19 et seq ; DUBINA 2009, p. 25.

⁴⁰ KOPS 2007, p. 20

⁴¹ KHABYUK 2009, p. 3

The environmental conditions form the context of a national broadcasting system. They include four types of environment: socio-political, legal, economic as well as technological.⁴²

- The *Socio-political Environment* includes the social and political structure within the particular country and the corresponding processes, which influence the media landscape.
- The *Legal Environment* defines the basic legislative framework for the broadcasting activities in a particular country.
- The *Economic Environment* describes the overall economic situation within a particular country and its impacts on the media and especially on broadcasting.
- The *Technological Environment* refers to the technical possibilities of a particular country for the provision of broadcasting services.

The organisational conditions shape the national broadcasting system and reveal its structure, governance, funding and programme framework. In particular:

- the *Structure* of the broadcasting sector gives an overview of the main services offered by the broadcasters and their audience shares in the particular country;
- the *Organisational Structure* describes how the broadcasters are practically regulated and governed. For the state and the public service broadcasters the *Governance Structure* describes what is the composition of the management bodies, how are management members elected and how can they be recalled. For the commercial broadcasters the *Ownership Structure* gives an insight of the ownership concentration in the market, the importance of foreign capital, cross-media ownership and the political engagement of the media owners;
- the *Funding Structure* gives an overview of relevant financial sources of the broadcasters in the particular country;
- the *Programme Framework* refers to the general requirements on the programme output of a particular broadcaster.

2.4. Revenue-based Classification of Broadcasting Systems

Because of the peculiarities of every national broadcasting system, i.e. its environmental and organisational conditions, the corresponding revenue structures will be unique for each country. Therefore a revenue-based classification might be a useful tool to describe and distinguish different types of broadcasting systems.⁴³ The same tool can be applied then to evaluate the impacts of changes in the overall conditions on the status quo and to adjust the revenue structure accordingly.

⁴² See also DUBINA 2009, p. 23.

⁴³ This section relies heavily on KOPS 2007, pp. 24-46 and KOPS/KHABYUK 2007, pp. 17-44.



2.4.1. Basic Types of Broadcasting Systems

The simplest distinction between broadcasting systems can be made by using two basic variables namely the number of broadcasters in the system and their revenue structures being either pure or mixed (see Table 1). A broadcaster has a pure revenue structure, when the sole financial provider is one of the basic institutions – the market, the state or the voluntary sector.

If a national broadcasting system consists of only one broadcaster with pure revenue structure, the system is referred to as a *pure monistic system*. An example is a purely state funded broadcaster, as this was the case in almost all Eastern European countries during the communist regime. An adjustment of such a system would require fundamental change of the total system by introducing, for example, a commercial broadcaster, if the capabilities of the market in providing broadcasting programmes are considered to be sufficiently high.

Table 1:
Four Basic Types of Broadcasting Systems

Revenue Structure of the Broadcaster(s) \ Number of Broadcasters	(all) pure	(all or some) mixed
one (monistic system)	(1) pure monistic system	(3) mixed monistic system
more than one (pluralistic system)	(2) pure pluralistic system	(4) mixed pluralistic system

Source: KOPS 2007, p. 25

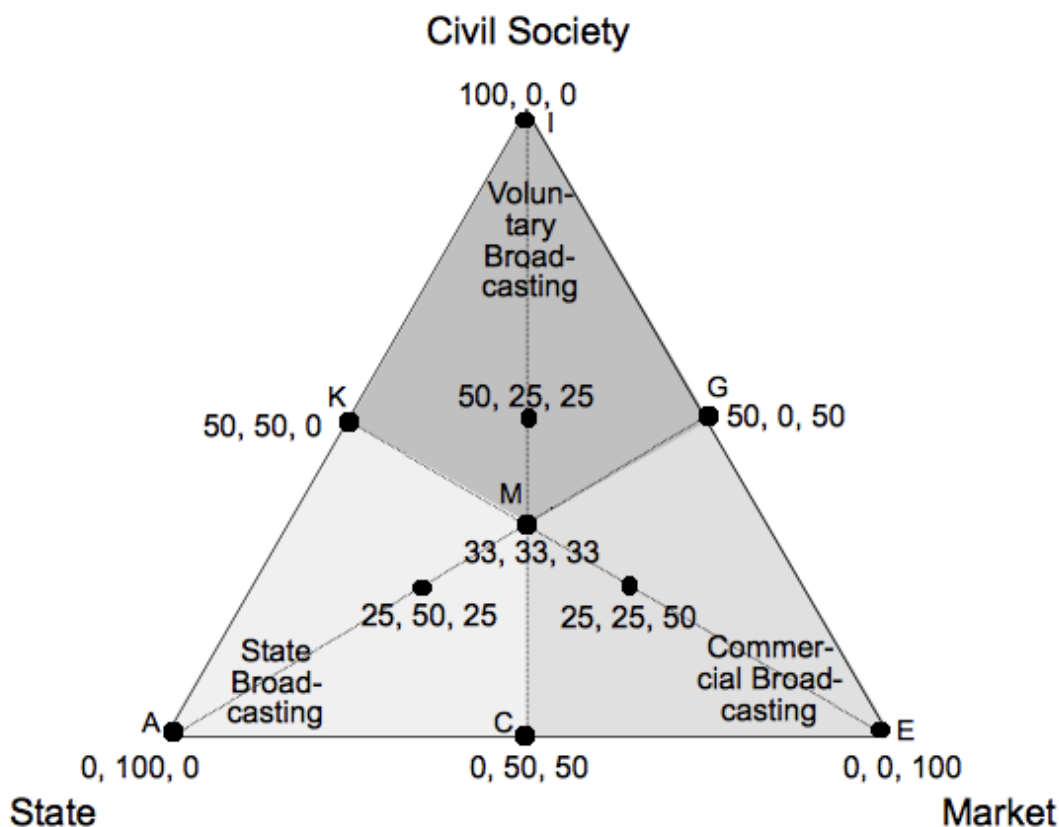
If the number of purely financed broadcasters in the system increases to two or more, then the system can be described as a *pure pluralistic system*. Such a system can be adjusted to conditional changes affecting the capabilities of the basic institutions by varying the budgets of the respective state, commercial or voluntary broadcaster(s) in accordance to the changes in the capabilities.

A more precise adjustment is possible in *mixed monistic systems* and *mixed pluralistic systems*. These systems consist of either one or more broadcasters with mixed revenues, i.e. the origin of the revenues of each of the broadcasters is more than one of the basic institutions.

2.4.2. Broadcasting Systems' Classification Using a 'Magic Triangle'

A more profound model for the description and classification of national broadcasting systems should, however, consider all three basic institutions and the proportions to which these institutions contribute to the provision of broadcasting programmes. A three dimensional space would represent more accurately the complexity of mixed pluralistic systems, which are most prevalent in Europe. This extension leads to the so-called 'magic triangle' represented in Figure 4.

Figure 4:
Graphical Exposition of the Revenue Structures of Broadcasters



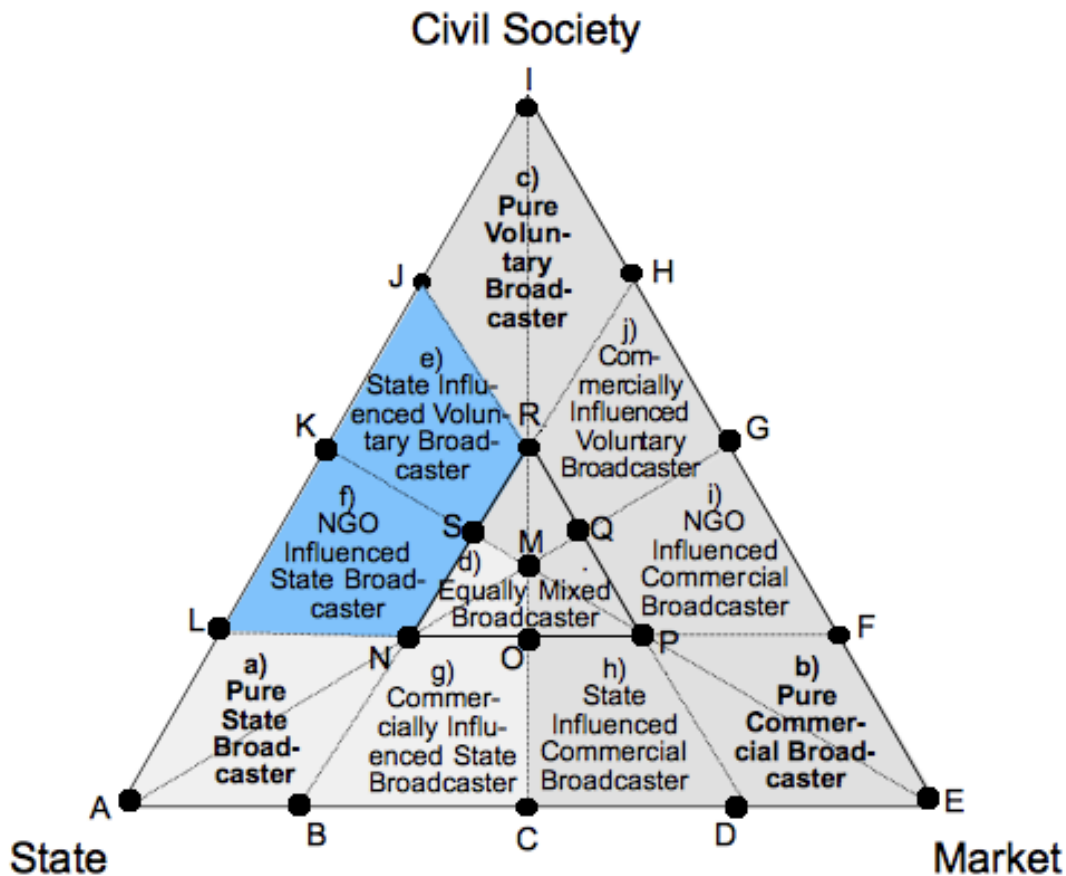
Source: KOPS 2007, p. 30

The corners of the triangle represent the three basic institutions possibly involved in the provision of broadcasting programmes: the state (A), the market (E) and the voluntary sector (I). For instance, if a broadcaster is financed purely by the state, i.e. 100 % of the revenues come from the state budget, then the vector describing its position within the triangle consists of only one component, and the other two components are empty. The broadcaster is then located on the very left corner (A). In this particular case the vector takes the form (0, 100, 0), where its first component by definition represents the proportion of funding through the voluntary sector, the second component – the proportion of state funding and the third component – the proportion of market funding. Consequently broadcasters funded solely by the market or solely by the voluntary sector possess the vectors (0, 0, 100) and (100, 0, 0) respectively. Broadcasters located on one side of



the triangle or inside the triangle are 'mixed funded'. For instance, the broadcaster C with the vector (0, 50, 50) is positioned on the line AE and is equally funded by the state and the market. The broadcaster M with the vector (33, 33, 33) is equally funded through all three possible institutions and is located at the geometric centre of the triangle.

Figure 5:
'Pure' and 'Mixed' Forms of Broadcasting Funding



Source: KOPS 2007, p. 32

According to this classification scheme one could distinguish between three types of 'pure' and seven types of 'mixed' funded broadcasters (see Figure 5). In this more detailed distinction a broadcaster is classified as 'pure' if the dominant type of funding exceeds 75 % of the total budget, so that the 'pure' forms are:

- a) *Pure state broadcaster* with 75 % or more state revenues,
- b) *Pure commercial broadcaster* with 75 % or more commercial revenues,
- c) *Pure voluntary broadcaster* with 75 % or more voluntary revenues.

Within these 'pure' forms of broadcasters another seven types of 'mixed' broadcasters could be distinguished:

- d) *Equally balanced mixed broadcasters* (NPR): all three institutions contribute approximately equally to the total budget;

- e) *State influenced voluntary broadcasters* (JKSR): Voluntary donations are dominant (up to 50 %), but state revenues (e.g. taxes, state grants or license fees) are also present;
- f) *NGO influenced state broadcasters* (KLNS): State influence is dominant because of direct political directives or if there are no transparent, jurisdictional and enforceable rules that determine how much revenue are devoted on broadcasting;
- g) *Commercially influenced state broadcasters* (BCON): The state is the dominant funding source, but the market has a limited influence. Possible reasons to position a broadcaster into this category could be that a great proportion of the revenue stems from commercial sources or if there's a link between political and economic interests, e.g. if politicians own private broadcasters or if the broadcasters owners' possess political positions;
- h) *State influenced commercial broadcasters* (CDPO): The market is the dominant revenue source, but there's also limited state influence either because of direct state revenues, e.g. taxes or state grants, or because of an indirect state influence as mentioned above;
- i) *NGO influenced commercial broadcasters* (FGQP): The market is the dominant revenue source, but NGOs have also limited influence either because they spend donations to the broadcaster or because they have other ways to influence the broadcasters' programme policy;
- j) *Commercially influenced voluntary broadcasters* (GHRQ): The dominant revenue source is the voluntary sector, but there is market influence either because of direct market revenues (e.g. advertising) or because of indirect market influence (e.g. subsidies with the expectation to promote the company's interests).

It is interesting to consider the location of the public service broadcasters in this typology. Public service broadcasters in most countries combine the revenue sources of the market, the state and the voluntary sector, and thus they are certainly 'mixed' broadcasters. For instance, they are allowed to yield market revenues, as long as their public mission is not endangered. In addition, the state plays a crucial role by allowing them to receive public revenues in form of license fee and enforcing the legal and organisational prerequisites for its collection. So within the presented typology public service broadcasters are located in the area JRNL (the blue area). The close location of the public service broadcasters to the voluntary sector represents their link to the civil society as a platform for public communication especially when the civil institutions are either not fully present or in a weak position. Conversely the civil society promotes the public mission by serving as a watchdog for the public service broadcasters and preventing their extensive commercialisation or state control.

Finally, since most of the countries have more than one broadcaster, the revenue structures of all broadcasters have to be aggregated by weighing the three different revenue sources in order to describe and classify the national broadcasting system. The resulting location on the 'magic triangle' would allow, first and foremost, a comparison with other countries. However, there's no universally best position since broadcasting systems depend heavily on the respective environ-



mental and organisational conditions. Nevertheless within the model it is possible to observe dynamic changes of the location of a particular broadcasting system, as the capabilities of the three basic institutions for providing broadcasting programmes vary over time. It is also possible to analyse the impacts of conditional changes on the current position of the system and to suggest an adjustment of the revenue structure they would require in order to preserve or achieve a position perceived as optimal.

3. Context of the Bulgarian Broadcasting System

3.1. Political and Social Environment

Bulgaria is a relatively small country located in the middle of the ethnically, culturally, and linguistically diverse Balkan Peninsula. Currently it has an area of 111.000 sq km and population of 7,6 millions.⁴⁴ Bulgaria's population lives predominantly in urban areas, with 71,1 % living in towns at the end of 2008, and more than one-third of the population living in the three cities with inhabitants more than 300.000 – namely, Sofia (1,16m), Plovdiv (347.600) and Varna (318.313).⁴⁵ There are three main ethnic groups: Bulgarians (83,9 %), Turks (9,4 %) and Roma (4,7 %).⁴⁶ Bulgaria is a parliamentary republic with government as main locus of executive power.⁴⁷ Currently the latter consists of the centre-right Citizens for European Development of Bulgaria (CEDB), which won the last national parliamentary election in July 2009.⁴⁸ The head of the state is represented by the President of Bulgaria, who is being directly elected every five years for a maximum of two terms.⁴⁹

3.1.1. Political Background

To understand the present conditions and the future prospects of the Bulgarian broadcasting system, one should examine its political environment in a historical context. The roots of the problems Bulgaria is facing today can be found in its past.

The history of Bulgaria as an independent country can be traced back to the year 681, when the Bulgars, people of Central Asian origin, founded the first Bulgarian state. In its early years Bulgaria was a prospering empire stretching to the coastlines of the Black, Aegean and Adriatic Seas. The First (681-1018) and the Second (1186-1396) Bulgarian Empires were strong cultural centres of Slavic Europe. The country was also dominated by foreign empires twice in its history, once by the Byzantine Empire (1018-1185) and once by the Ottoman Empire (1396-1878).⁵⁰ The latter caused a deep economic and cultural isolation from Western Europe for quite a long time. Bulgaria achieved its independence in 1878. The establishment of the new state was the result of national-revolutionary effort and the military interventions of Russia during the Russo-Turkish war.⁵¹

⁴⁴ NATIONAL STATISTICAL INSTITUTE 2009b, p. 1

⁴⁵ Ibid

⁴⁶ NATIONAL STATISTICAL INSTITUTE 2009a

⁴⁷ RIEDEL 2004, p. 595

⁴⁸ ECONOMIST INTELLIGENCE UNIT 2009, p. 6, THE ECONOMIST 2009b

⁴⁹ RIEDEL 2004, p. 597

⁵⁰ CRAMPTON 1997, p. 10 et seq

⁵¹ KARASIMEONOV, p. 38



The new born country had to modernize its social and economic life in order to compensate for the years of foreign governance. The first constitution was adopted in 1879 and promoted the principles of democratic state administration with monarch, government and Parliament as fundamental governing institutions.⁵² At the end of the 19th and at the beginning of 20th century Bulgaria was still economically underdeveloped and politically unstable. These were the times when the first experiments in broadcasting of radio programmes with Bulgarian music and speech were undertaken. The idea of a regular and organised broadcasting was realised in 1930, when few Bulgarian intellectuals and engineers established a voluntary broadcasting organisation called *Rodno Radio*.⁵³ However, the lack of democratic traditions and civil society institutions allowed the monarchic regime led by Tsar Boris III to pass a Radio Act in 1935 proclaiming that broadcasting was exclusively a state matter. The transmitters of *Rodno Radio* were nationalised and a new state owned broadcaster called *Radio Sofia* was introduced.⁵⁴

World War II and the subsequent economic crisis created favourable conditions for the formation of the radical Fatherland front, which took power in 1944, assisted by Soviet armies which entered Bulgaria.⁵⁵ At the end of 1948 the new soviet ideology was enforced on the Bulgarian society. The political structures of the Bulgarian Communist Party (BCP) merged with the state and began to control large parts of public life. The close relationship between Bulgaria and the Soviet Union was strengthened by the affinity of the Bulgarian nation to Russia and the loyalty of the Bulgarian Communist Party to Moscow.⁵⁶ The consequences for the media were substantial. Broadcasting was practically excluded from the legislation and put under the direct control of the BCP.⁵⁷ In a Stalinist manner, a wide spread net of 'informants' was installed, whose primary goal was to regularly denounce dissidents. Censorship and self-censorship took prevalence not only in the media but also in the interpersonal communication.

In the 1950s the government started the further development of the country's infrastructure, achieving a nationwide network for terrestrial broadcasting.⁵⁸ With the technical support of the Soviet Union the first tower for television transmission was built and in 1959 began the regular programme of the state

⁵² Ibid, p. 39

⁵³ VASSILEVA 2005, p. 7

⁵⁴ Ibid, p. 5, p. 8 and p. 11

⁵⁵ The Fatherland Front was a coalition between the dominating Bulgarian Workers' Party (the later Bulgarian Communist Party) and few oppositional parties; KARASIMEONOV, p. 43.

⁵⁶ In 1878 the Russian military forces were celebrated as a liberator from the almost 500 years lasted Ottoman yoke. Therefore and because of similarities in the Russian and the Bulgarian languages, the Bulgarian nation felt closely related to the Soviet Russia for quite a long time; VASSILEVA 2005, pp. 18-19.

⁵⁷ TSCHOLAKOV 2000, p. 22; VASSILEVA 2005, p. 19

⁵⁸ VASSILEVA 2005, p. 19

television. At the end of the 1960s the Bulgarian Television had two parallel channels (*Programme 1* and *Programme 2*) and the Bulgarian Radio had four (*Horizont*, *Hristo Botev*, *Orfei* and *Znanie*). In the early 1970s the broadcasting was under the control of the Committee for Radio and Television, which was responsible for the 'political leadership', the programming and the funding of the radio and television services and reported directly to the Prime Minister.⁵⁹ An example of this leadership was the decision Bulgarian state television to broadcast some of the Soviet Union television programmes. At the end of the 1970s and in the early 1980s Gorbachev's liberal policy of *Glasnost* and *Perestroika* posed a great challenge and simultaneously a risk for the highly dependent on the Soviet Union Bulgaria. There were more and more independent political voices which claimed the liberalisation of the existent political system. The political elite was concerned with these developments and tried to take rule and control the democratisation process. In the late 1980s, for the first time the existence of organisations independent from the communist party was allowed and formed the base of the rising opposition.⁶⁰

After the fall of the Berlin wall in 1989 demonstrations took place in the capital, Sofia, and later in the other bigger cities demanding more democratic governance. These civil protests promoted the turmoil and the replacement of the ruling regime. The BCP had to revoke its constitutional monopoly on political power and renamed itself the Bulgarian Socialist Party (BSP). The system change, however, was still conducted 'from above', so that the old elites played an important role even after 1989. A great part of the communist political power was fast transferred into an economic one.⁶¹ The political landscape in the first years after the collapse of the communist regime was highly unstable and characterised by frequent changes of governments.⁶²

At the end of 1989 the Committee for Radio and Television was dissolved and in the beginning of 1991 the Bulgarian Radio and the Bulgarian Television were institutionalised as two separate public broadcasters – the Bulgarian National Radio (BNR) and the Bulgarian National Television (BNT).⁶³ The first post-communist constitution was adopted in July 1991, providing the basis for a multi-party system, free elections, protection of human and civil rights and free and independent media.⁶⁴ In the same year the oppositional party Union of Democratic Forces (UDF), an umbrella organisation of several anti-regime groups, won the elections for the first time, but remained in charge only for one year. The transformation of power, the high level of political instability and corruption made the implementation of in-depth reforms very difficult including the trans-

⁵⁹ Ibid, pp. 21 et seq

⁶⁰ PETROVA 2004, pp. 166 et seq

⁶¹ KARLSREITER 2000, p. 69

⁶² See Appendix, Figure 19 for the main Bulgarian governments in the period 1990-2009.

⁶³ MILEV/LAZAROVA 1997, p. 33

⁶⁴ RIEDEL 2004, p. 594



formation of the former state radio and television into public service broadcasters. Especially the Bulgarian National Television was constantly used as a political instrument by the ruling parties through indirect interventions, such as frequent changes of the management and controversial regulation.⁶⁵ According to SCHLEGEL 2002 the ruling democratic parties acted exactly as their totalitarian predecessors and saw broadcasting solely as an instrument for the enforcement of the governmental policy on the grounds that they had been elected democratically.⁶⁶ The various political and economic pressures allowed the emergence of a strong shadow economy, which ultimately caused a deep financial crisis. In 1996 the bank system collapsed and the emergence of so called 'financial pyramids' left the households without savings. In order to stop the fierce inflation, the newly elected government of the democratic party UDF introduced on 1. July 1997 a currency board under the supervision of the International Monetary Fund (IMF). The Bulgarian Lev was pegged to the German Mark at Lv1,000:DM1,000 and later in 1999 to the Euro at Lv1,955.83:€1,000.⁶⁷ The economy stabilised and the necessary conditions for the structural reforms were achieved through the fiscal discipline of the government at that time, which was the first to achieve a complete mandate of 4 years.

The strong political position of the UDF was challenged in February 2001, as the former king of Bulgaria, Simeon Saxe-Coburg Gotha, appeared on the political scene. He formed the National Movement Simeon the Second (NMSS) and won half of the seats in parliament in the June 2001 national election. A coalition government with the Movement for Rights and Freedoms (MRF), a party representing Bulgaria's almost 750.000 ethnic Turks, was formed in July 2001. The coalition also succeeded to complete a four-year term in office. Under the Saxe-Coburg Gotha administration a nearly balanced budget was achieved and even surpluses recorded. Bulgaria joined the NATO and progressed towards EU membership. Some major privatisation deals, however, posed a serious problem for the new democracy alongside organised crime and the improvements in living standards and welfare.⁶⁸

After the national elections in June 2005 a broad coalition between BSP, NMSS and MRF was formed with the BSP leader as prime minister. Although Bulgaria's EU full membership was achieved on January 1st 2007 under this administration, the government's position was weakened by frequent associations with scandals regarding misuse of EU funding and unauthorised operations of the secret service including assaulting of journalists and collecting of phone records and tapping the phones of media outlets.⁶⁹ After the EU decided to impose financial sanctions on Bulgaria and froze some of the EU funds, the situation escalated and protests against the ruling coalition were staged in mid-

⁶⁵ TZANKOFF 2001, p. 91; VASSILEVA 2005, pp. 90-91

⁶⁶ SCHLEGEL 2002, p. 2

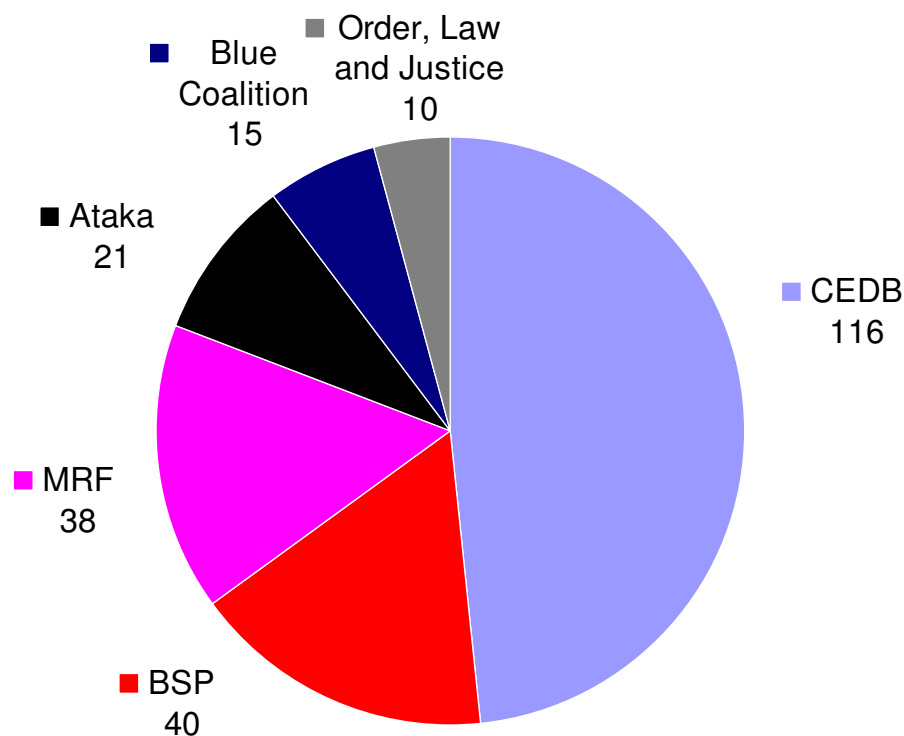
⁶⁷ ECONOMIST INTELLIGENCE UNIT 2008, p. 2

⁶⁸ ECONOMIST INTELLIGENCE UNIT 2005, pp. 6 et seq

⁶⁹ FREEDOM HOUSE 2009, p. 153; IREX 2009, p. 36

January 2009, claiming better governance and actions against corruption and organised crime.⁷⁰ The social unrest was also expressed on the national election in July 2009, as the centre right Citizens for European Development of Bulgaria (CEDB), won 116 of 240 seats in the parliament and thus became the new political force to form a government. The distribution of the seats in the national assembly after the national election in July 2009 is shown in Figure 6 (see also Appendix, Table 14).

Figure 6:
Composition of the Bulgarian National Assembly 2009
(No. of Seats of Total 240)



Source: Author's illustration based on CENTRAL ELECTORAL COMMISSION 2009.

Besides CEDB, BSP and the MRF three other political forces entered the parliament in July 2009 – the right-wing Blue Coalition, the Order, Law and Justice Party and the nationalist movement Ataka. The appearance of the Ataka party in 2005 is often described as a 'media phenomenon', as it is closely related to a television programme on the national cable television channel, *Skat*.⁷¹ In the same year, Ataka gained even more electoral support (9 %) than the entire audience share of the television channel. Although, such direct political influence on the media seems to be rather the exception than the regular case. Anyway, indirect pressures and commercialisation of politics are increasing, as the national elections have recently demonstrated.

⁷⁰ FREEDOM HOUSE 2009, p. 158; THE ECONOMIST 2009a

⁷¹ IREX 2005, pp. 29-31; TABAKOVA 2006, p. 318



3.1.2. Civil Society in Bulgaria

As civil institutions were completely destroyed during the communist regime, civil society was very weak in the transition period - a persisting feature of the democracies in Eastern Europe even twenty years after the collapse of the system.⁷² After the fall of the Bulgarian communist regime in 1989, citizens could initially enjoy freedoms that were previously unknown. The Communist ideology had become meaningless, but there were no alternative generally accepted values to replace it. The lack of social cohesion and common ethics, combined with political instability and weak legislation caused a dangerous tendency.⁷³

For the last two decades Bulgaria's population had undergone a drastic decline. It had fallen from 9 millions in 1988 to 8,2 millions in 1998 and stood at 7,6 in 2008 according to official estimates (see Appendix, Table 12).⁷⁴ The decline was to a great part caused by emigration. For instance, in the final years of the communist regime an assimilation programme known as the 'Revival Process' had caused a mass exodus of thousands of ethnic Turks. In the post-communist period emigration rates of the Bulgarian well educated and younger population were also very high.⁷⁵ The scarce resources and the low living standards had also caused a decrease in the educational level. In addition, the inadequate funding of the education system and low teaching morale in the post-communist period has led to erosion in the quality of education.⁷⁶

Altogether, these developments have had deep impacts on Bulgarian society including escapism, focusing on daily problems, lower willingness and opportunity to participate in political and civil organisations.⁷⁷ To the difficulties in establishing civil society structures also counts the lack of trust in the state institutions, political forces and media, not only because of their 'dark' past, but mostly because these are often not enough transparent to the public and assumed to be related to economic interests, corruption and organised crime.⁷⁸

Although the first Bulgarian post-communist Constitution guarantees citizens the rights to freely participate and organise in associations, movements or other civil society organisations, the emergence of a civil society in such an environment could only happen with foreign support and pressure from outside. For instance, most of the non-governmental organisations (NGOs) in Bulgaria have

⁷² KOLEVA 2006, p. 2

⁷³ VASSILEVA 2005, p. 55

⁷⁴ NATIONAL STATISTICAL INSTITUTE 2009b, p. 6

⁷⁵ MILEV 2002, p. 240; ECONOMIST INTELLIGENCE UNIT 2008, p. 13

⁷⁶ ECONOMIST INTELLIGENCE UNIT 2008, p. 14

⁷⁷ SCHÜLER 2008, p. 85

⁷⁸ Ibid, pp. 85-89. In August 2009, for instance, the Committee for Disclosing and Announcing Affiliation of Bulgarian Citizens to the State Security and the Intelligence Services of the Bulgarian National Army (COMDOS) published a list with 101 former secret agents currently working in the electronic media; ANTONOVA 2009 and COMDOS 2009.

been created as a response to a funding programme or grant scheme.⁷⁹ The organisational process was therefore rather a top-down approach considering more the requirements of the donors and less those of the citizens.⁸⁰ Citizens' participation in most of the cases is only as passive beneficiaries. Additionally, NGOs are concentrated in large cities and urban areas, mainly because of the availability of resources and information on funding programmes, thus excluding the poorest part of the population living in rural areas from their services.⁸¹ At the end of 2007 there are 26.696 non-profit organisations registered in Bulgaria, 83 % of which were foundations and 17 % societies.⁸² According to the Central Register for NGOs, in 2008 there are more than 6.500 registered non-profit organisations working for public benefits.⁸³ The level of communication and cooperation within the civil society is still relatively low, mostly for reasons of competition on resources.⁸⁴ The high dependence on external donors as well as the perceived widespread corruption within the civil society have made the NGOs insecure, unreliable and put their social goals in question.⁸⁵ However, there is a current improvement on this point, as NGOs are using the media more frequently and are publishing their own annual reports. Additionally, all public benefit organisations are required to provide their annual reports to the Central Registry and thus making them available to the public.⁸⁶ As Bulgaria joined the European Union in 2007 large foreign donors left the country, which caused funding problems for some organisations. On the other hand, the EU accession enabled new funding possibilities, but as the European funding is distributed by the state and cases of conflicting interests frequently appear, the independence of the NGOs can be easily put at risk.⁸⁷

Non-governmental organisations supporting the development of independent media and their professionalisation have also emerged and gained an important position. Among Bulgaria's most important NGOs active in the media field are:

- the *Bulgarian Media Coalition*, which is the largest of the civic media organisations. It is a joint body of 15 other non-governmental professional organisations. The activities of the Coalition cover different fields related to the media practice and theory. The main issues include improvement of Bulgarian media legislation, independence of the media regulatory authorities, transparency of the licensing procedures, ethical standards and professional norms in journalism, media research and others. The Bulgarian Media Coali-

⁷⁹ ANDREEVA ET AL 2005, p. 30

⁸⁰ FREEDOM HOUSE 2009, p. 150

⁸¹ KOLEVA 2006, p. 7

⁸² FREEDOM HOUSE 2009, p. 150

⁸³ Ibid

⁸⁴ TANCAU 2007, p. 7

⁸⁵ Ibid, p. 10

⁸⁶ USAID 2009, p. 85; MINISTRY OF JUSTICE 2009

⁸⁷ FREEDOM HOUSE 2009, p. 151



tion was created as a Group for European Media Legislation in 1997-1998 and since then it serves as a watchdog when attempts to violate the freedoms of national and regional media occur, and influences the public policy and decision-making in the field of media;⁸⁸

- the *Media Development Centre*, which provides training and legal advice for journalists, and
- the *Media Democracy Foundation*, which monitors the Bulgarian media landscape, initiates public debates on key media problems and stimulates self-criticism of the media.⁸⁹

Also very active are associations representing the interests of media owners, such as the Association of Bulgarian Broadcasters (ABBRO). It is involved in organising legislation initiatives regarding private broadcasting, in research and consultant activities in the field of broadcasting and also presents statements on current media developments.⁹⁰ Although performance of trade associations representing media owners are generally supporting free speech and independence of the media, they are mostly focused on upholding the interests of the big players. As Danail Danov, programme director at the Media Development Centre and participant of the panel for the 2009 Media Sustainability Index on Bulgaria, puts it: “The organizations of media owners often promote private or corporate interests (even if it’s disguised as a universal cause), so they are not held in high esteem by the media and journalists. Many of them are practically unknown to the public.”⁹¹

Further, an Ethical Code of Bulgarian Media was drafted in 2004 under the supervision of EU experts as part of an EU-funded *PHARE* project on technical assistance for improving professional standards of journalism.⁹² The code was accepted by several media organisations and is applied by the National Council for Journalistic Ethics – a foundation established by ABBRO, the Bulgarian Media Coalition and the Media Development Centre among others. The Council consists of two commissions – Ethics Commission for the Electronic Media and Ethics Commission for the Print Media, the primary task of which is to monitor the compliance of the Code and to present statements on individual complaints by citizens and organisations.⁹³ However, the Ethics Commission has not been able to register significant results in promoting public debates on issues of journalistic ethics and professional standards. This demonstrates the need for fur-

⁸⁸ BULGARIAN MEDIA COALITION 2007; TABAKOVA 2007, p. 323

⁸⁹ FREEDOM HOUSE 2009, p. 151, MEDIA DEVELOPMENT CENTRE 2009; MEDIA DEMOCRACY FOUNDATION 2009

⁹⁰ ABBRO 2009

⁹¹ IREX 2009, p. 41

⁹² TABAKOVA 2007, p. 323

⁹³ OPEN SOCIETY INSTITUTE 2008, p. 37 et seq; NATIONAL COUNCIL FOR JOURNALISTIC ETHICS 2009

ther improvements of the self-regulation practices and for strengthening the involvement of civil society in the mass media.⁹⁴

3.2. Economic Environment

3.2.1. Economic Development

After the fall of the communist regime, Bulgaria entered the transition period with a heavy foreign debt, high levels of market distortion and limited exposure to market institutions.⁹⁵ Moreover, before 1990 Bulgarian trade was very much integrated in the Council for Mutual Economic Assistance (CMEA, or COMECON, the communist states' economic bloc) and highly dependent on the Soviet markets for exports and imports.⁹⁶ For instance, the Soviet Union was the main supplier of raw materials and energy, offering them at subsidised prices and absorbing a large part of Bulgaria's industrial products. In the 1980s, under the mounting strong economic pressures the Bulgarian government started several economic reforms by cutting back investments and borrowing heavily from foreign markets.⁹⁷ As a result, at the end of 1989 Bulgaria had accumulated external debt estimated to 150 % of its GDP.⁹⁸

In the 1990s the collapse of the COMECON and the loss of the Soviet markets left the country in a difficult economic situation. The real GDP began to fall significantly, while inflation and unemployment rose rapidly. Economic reforms were hard to implement and privatisation process proved to be much more difficult than anticipated. As the state was still in control of a large part of the economy, significant subsidies were flowing into inefficient state-owned enterprises. The weak macroeconomic policies, the lack of financial discipline and deep structural reforms led in 1996-1997 to the collapse of Bulgarian economy. In the years after the introduction of the currency board scheme the economy stabilised with the GDP growing by 11 % in the subsequent three years through 2000, and the hyperinflation of 579 % at the end of 1996 falling to 6 % at the end of 1999.⁹⁹ Since 2000 the macroeconomic framework in Bulgaria has shown distinct improvements. The GDP has been growing significantly: in 2008 the economy had a real growth of 6 %. The government debt has fallen from over 79 % of GDP in 1999 to under 30 % in 2005, and 14 % in 2008. The official unemployment rate, traditionally very high in the transition period and reaching its peak rate of 19,5 % in 2001, has fallen steadily in recent years. At the end of 2008 the registered unemployment stood at 5,6 % (see Appendix, Table 14).

The structure of Bulgarian economy is shown in Figure 7. Under the communist regime agriculture had its traditionally strong position in Bulgarian economy and

⁹⁴ RAYCHEVA 2009, p. 167

⁹⁵ WORLD BANK 2002, p. 1

⁹⁶ ECONOMIST INTELLIGENCE UNIT 1998, p. 40

⁹⁷ IMF 2001, pp. 9-10

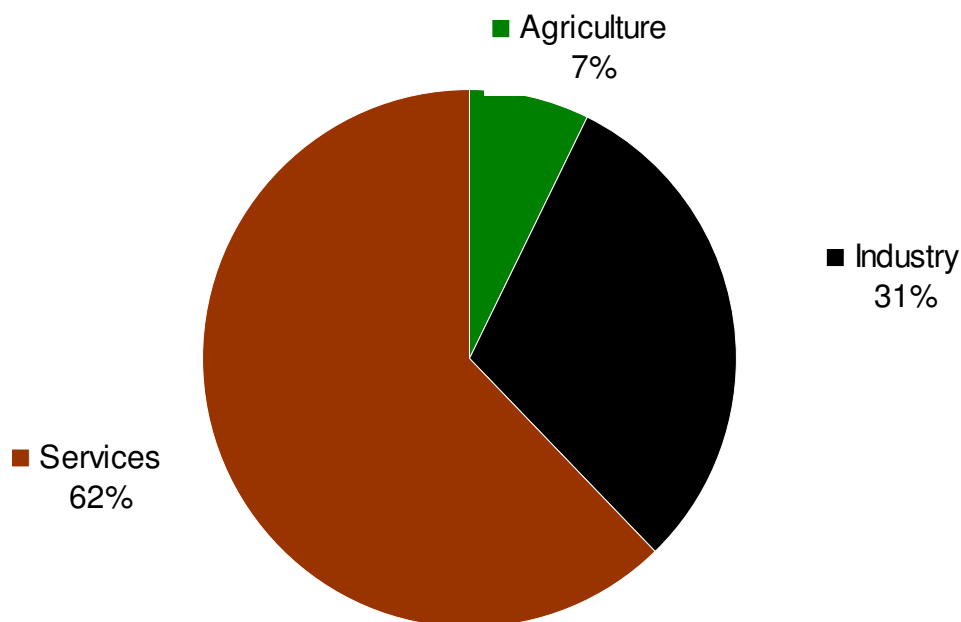
⁹⁸ WORLD BANK 2002, p. 1

⁹⁹ IMF 2001, p. 11; WORLD BANK 2002, p. 2



was the biggest sector. It was supplemented by the industry, which was concentrated in branches – such as steel, heavy chemicals, electronics, information technology and armaments. After the loss of market protection, and the slow agricultural reform, the economy proved to be ill-suited to international competition. Since then Bulgaria has been moving towards a service based economy. For instance, the share of the service sector of all branches increased from almost 50 % in 1998 to 62 % in 2008 (see Appendix, Table 15). The improvement of business environment and growth of the private sector have strengthened the confidence in Bulgarian economy. In 1998 the annual foreign direct investment inflow accounted only for EUR 605 million, by 2003 it had almost tripled and by 2008 it accounted for almost EUR 6.550 million.¹⁰⁰

Figure 7:
Structure of the Bulgarian Economy, 2008¹⁰¹
(% share of GVA)



Source: Author's illustration based on EUROSTAT 2009.

In general, Bulgarian economy appears to be strengthening and macroeconomic stability is being maintained, with macroeconomic indicators moving in a positive direction – GDP growing, unemployment falling and investments rising. However, there are still some issues related to the establishing of a well functioning market economy that remain problematic. Firstly, as a result of the mass privatisation in Bulgaria private ownership is concentrated in the hands of a few private investor groups. Secondly, although state ownership had been largely reduced due to privatisation, the state still controls strategic decisions in few but

¹⁰⁰ BNB 2009; see also Appendix, Table 16.

¹⁰¹ See Appendix, Table 15 for the structural development of the Bulgarian economy from a dynamic perspective.

crucial parts of the economy. Thirdly, institutional and foreign investors with strong financial power are entering the domestic markets.¹⁰² Lastly, the level of informality and corruption is still high and the grey economy, which is usually estimated at 20-30 % of the recorded GDP, is thriving.¹⁰³ This difficult situation would require additional improvements especially in the fields of corporate governance, competition policy and overall regulation, as these are still lying below the European standards.

3.2.2. Media Economy

The development of the mass media and advertising market reflects the general tendencies in Bulgarian economy. Before the dramatic changes in 1989, the mass media system in Bulgaria was highly centralized, completely state-owned and served as a tool for the ruling communist party. The process of liberalisation, decentralisation and privatisation began spontaneously with the fall of the regime and developed along with the economic crisis in the 90s. As the government was not in an accurate position to coordinate the market agents, the market was organised rather on practical, trial-and-error basis than on legal basis.¹⁰⁴

The press was the first to achieve total deregulation and set the beginning of the free media markets. Until 1990 there were seven national daily newspapers. After 1990, a great amount of new titles flooded the press market: about 103 newspapers were introduced in 1991, 147 in 1992 and 174 in 1993. However, many of them failed to survive. About 160 newspapers were closed down in 1992 and 1993.¹⁰⁵ One key characteristic of the print media market in this period was the existence of newspapers openly dependent on particular political forces, such as the daily of the UDF, *Demokratia*, and the paper of the BSP, *Duma*. Nowadays these newspapers are gradually disappearing and exist only within limited circulation. One notable exception of this trend is the *Ataka* daily, a newspaper fully dependent on the nationalist party Ataka, which entered the market in 2005 and is still in circulation.¹⁰⁶ Another distinct feature of the Bulgarian press market after 1989 is the domination of both daily and weekly tabloids. The best-selling among these are *Trud*, which is the only paper that survived the changes in 1989 and *24 Chasa*, which is the first private newspaper in Bulgaria. Both of them are now owned by *Zeitungsgruppe Bulgarien*, a subsidiary of the German media group *Westdeutsche Allgemeine Zeitung* (WAZ). WAZ entered the Bulgarian newspaper market in 1996 by acquiring the two leading newspaper groups in Bulgaria - *168 Chassa* and *Media Holding*, which controlled the majority of circulation and therefore, the advertising revenues. WAZ adopted a centralised management approach by concentrating production, dis-

¹⁰² WORLD BANK 2008, pp. 1-2

¹⁰³ ECONOMIST INTELLIGENCE UNIT 2008, p. 18

¹⁰⁴ RAYCHEVA/PETEV 2003, p. 76

¹⁰⁵ TABAKOVA 2007, p. 316

¹⁰⁶ Ibid, p. 318



tribution and marketing into one hand and was able to achieve enormous cost reductions and a share of the advertising market exceeding 50 % in 1999.¹⁰⁷ The dominant position of WAZ led consequently to legal procedures against it under the Bulgarian anti-monopoly legislation. However, WAZ was able to successfully transfer parts of its ownership to foreign companies avoiding thus legal prosecution and remained the market leader.¹⁰⁸

In contrast to the transformations in the print media, the changes in the electronic media have been much slower and incomplete. In 1992 the first radio stations began operation on a local level mostly without legal permission. The first licenses were issued to a few foreign radio organisations such as *Voice of America*, *BBC – World Service*, *Free Europe*, *France International*, and *Deutsche Welle*, as these were considered to promote the democratisation process. The first Bulgarian private radio station, *FM+*, started to broadcast its regular programme in October 1992. The first private television station, *Nova Television*, was launched in 1994. In December 1999 Rupert Murdoch's *Balkan News Corporation* successfully bided for the first private national license for terrestrial television.¹⁰⁹ The entrance of such a big player in the market boosted the volume of advertising and also encouraged other big multinational companies such as Modern Times Group (MTG) and Central European Media Enterprises (CME) to enter.

Although the advertising market in Bulgaria has grown significantly in recent years, it remains relatively small compared to other European markets. For instance, the total advertising expenditures in 2008 accounted for BGN 1.030,54 million (or EUR 526,91 million) in gross figures (see Figure 8).¹¹⁰ According to the Bulgarian Advertising Agencies Association the total net advertising expenditures in 2008 were EUR 264,69 million.¹¹¹ The annual growth rate of the net advertising expenditure reached its peak at 37 % in 2006, and its lowest level of 9 % in 2008.¹¹² The fast growing foreign direct investments in the country, the entrance of big multinational companies in the media market and intense competition for domestic consumers could be considered as main causes for this dynamic development.

The figures presented by the IP INTERNATIONAL MARKETING COMMITTEE are based on gross advertising revenues and are collected by marketing agencies monitoring the market such as TNS TV Plan and GfK Audience Research Bulgaria (GARB). These revenues are calculated on the basis of broadcasted or

¹⁰⁷ RAYCHEVA/PETEV 2003, p. 92

¹⁰⁸ MILEV 2002, pp. 237-238; RAYCHEVA/PETEV, 2003, pp. 91-92; TABAKOVA 2007, pp. 317-318; CHRISTOVA/FÖRGER 2008, pp. 13-14

¹⁰⁹ RAYCHEVA/PETEV 2003, pp. 78-79

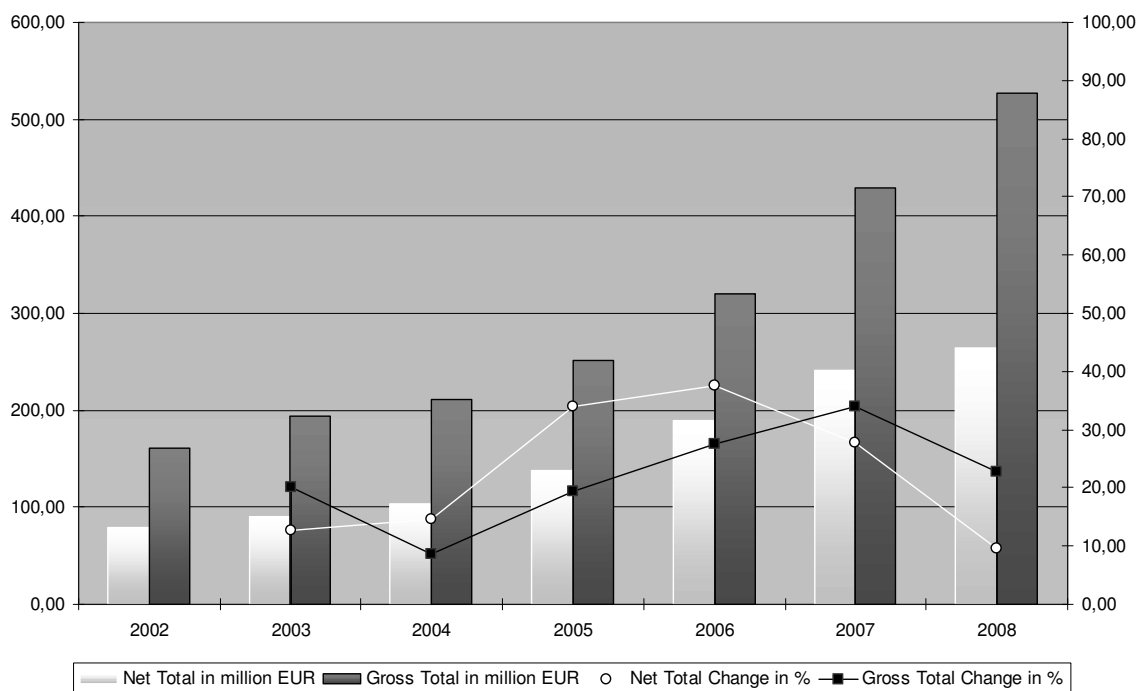
¹¹⁰ EUR 1 = BGN 1,9558. IP INTERNATIONAL MARKETING COMMITTEE 2009, p. 115

¹¹¹ GUERGOV 2009, p. 6

¹¹² Ibid

printed advertisements, without taking into account discounts, commission fees and barbers. Furthermore, only major television channels, newspapers, magazines etc. are included in the monitoring system. Therefore the figures should be treated with caution, as they are up to 50 % higher than the net advertising figures presented in GUERGOV 2009.

Figure 8:
Net vs. Gross Advertising Expenditure in Bulgaria in EUR million, 2002-2008¹¹³



Source: Author's illustration based on GUERGOV 2009, p. 6; IP INTERNATIONAL MARKETING COMMITTEE.¹¹⁴

The structure of advertising expenditures is shown in Figure 9. Television is definitely the most preferred communication channel for the advertising companies. In 2008 the net volume spent in television advertising accounts for BGN 257,65 million (or EUR 131,45 million) or almost 50 % of the whole media mix.¹¹⁵ The broadcasting sector, radio and television together, made up almost 60 % of the total net advertising volume in 2008. Its share has slightly declined in the last years mostly because of the emergence of new technologies and ways for advertising. For instance, the Internet is the most dynamic sector with

¹¹³ EUR 1 = BGN 1,9558. See Appendix, Table 17 for a detailed view.

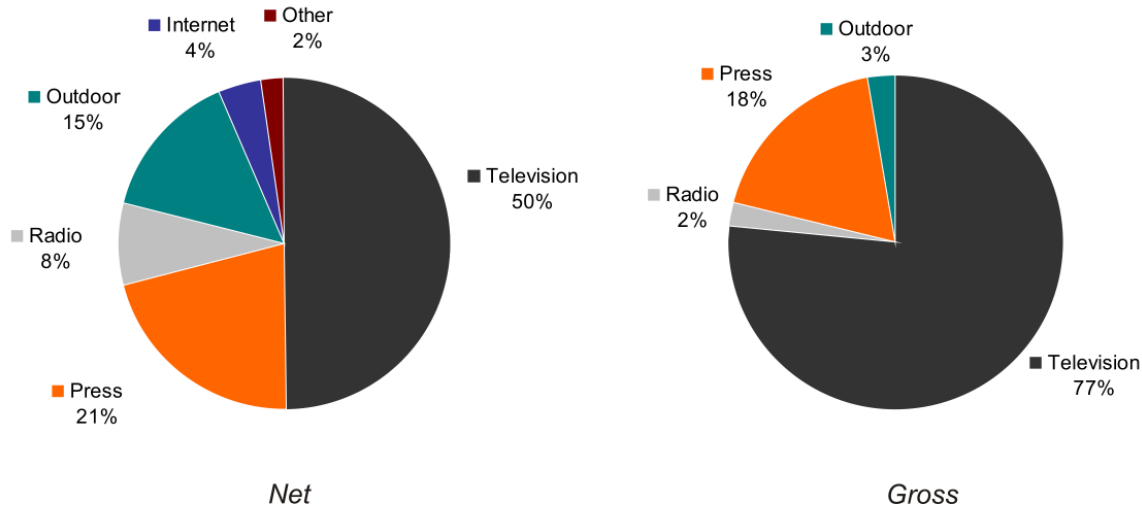
¹¹⁴ The particular sources are: IP INTERNATIONAL MARKETING COMMITTEE 2003, p. 301; IP INTERNATIONAL MARKETING COMMITTEE 2004, p. 309; IP INTERNATIONAL MARKETING COMMITTEE 2005, p. 96; IP INTERNATIONAL MARKETING COMMITTEE 2006, p. 104; IP INTERNATIONAL MARKETING COMMITTEE 2007, p. 107; IP INTERNATIONAL MARKETING COMMITTEE 2008, p. 103; IP INTERNATIONAL MARKETING COMMITTEE 2009, p. 115.

¹¹⁵ Ibid



a growth rate of 62,1 % in 2008. The share of the press has experienced a more drastic decline since 2002. In 2008 its share accounted for 21,1 % of the total expenditures and had a budget of 55,8 million EUR.¹¹⁶

Figure 9:
Shares of Advertising Expenditure in Bulgaria, Net vs. Gross, 2008



Source: Author's illustration based on GUERGOV 2009, p. 6; and IP INTERNATIONAL MARKETING COMMITTEE 2009, p. 115.

These figures are much more impressive in terms of gross advertising expenditure. For instance, television accounts for about 77 % of the total gross expenditure in the media or for BGN 790,42 million (or EUR 404,14 million). The difference between gross and net is approximately BGN 532,77 million (or EUR 272,69 million) or based on this data only 32,6 % of the gross advertising revenue form the net advertising budget of the television sector. However, such estimations should be treated with caution and have only illustrative purpose, as gathering an accurate and objective data on advertising channels is still highly problematic in Bulgaria. Some media experts consider this as one of the major restraints for the further development of the domestic advertising market.¹¹⁷ As Yuliana Toncheva, media expert and panellist for the 2009 Media Sustainability Index on Bulgaria, puts it: "PeopleMeter data is not accurate or independent, nor is it widely accessible. The reasons are mostly economic."¹¹⁸

3.3. Legal Environment

3.3.1. Freedom of Expression in the Constitution

The post-communist Constitution was adopted by the National Assembly of Bulgaria on 12.07.1991 and is the first Constitution in Eastern Europe based on

¹¹⁶ Ibid

¹¹⁷ OPEN SOCIETY INSTITUTE 2005, p. 398; KANDOV 2007, p. 10; FACHVERBAND WERBUNG UND MARKTKOMMUNIKATION 2009, p. 3

¹¹⁸ IREX 2009, p. 40

the principles of democracy and the rule of law.¹¹⁹ Citizens' fundamental rights are irrevocable and protected from misuse. According to Article 57 there are some basic rights such as the right to live, the prohibition of torture, the procedural right, the protection of privacy, the freedom of conscience, the freedom of thought and the freedom of expression, which cannot be curtailed even in a state of emergency.¹²⁰

The communication freedoms, which consist of the freedom of expression, the media freedom and the information freedom, are formulated in the Articles 39, 40 and 41 respectively. The Bulgarian Constitutional Court has emphasized the fundamental importance of these freedoms for the individual and for society as a whole in a decision from 1996.¹²¹ In this decision the Court stresses the systematic and functional relation between the three communication freedoms. According to Article 39 (1) everyone, including all natural and legal persons, is entitled to exercise the communication rights. The basis of all communication freedoms is the free expression and spreading of opinion. Furthermore Article 39 (1) guarantees a fundamental basis for the freedom of the press, broadcasting and of information, which is formulated in Article 40, and Article 41 of the Bulgarian Constitution. The restrictions of communication freedoms are formulated in Article 39 (2) and Article 40 (2). These are set by the rights and reputation of third parties. The Court has stressed that personal rights in a narrow sense, which safeguard the privacy of the citizens, are overriding to communication freedoms. The freedom of the press and the other media is formulated in Article 40 (1) of the Constitution. The Constitutional Court of Bulgaria has stressed that the guarantees of Article 40 (1) secure the freedom of media institutions from state interventions on the one hand, and the freedom of journalists in media institutions on the other.¹²²

Compared to other media the press enjoys much greater freedom from state interventions, as it is not related to it in any institutional, financial or technical way. In contrast, securing broadcasting freedom requires special measures by the state. This is the case not only for technical, but primary for financial reasons, as otherwise it is not possible for everyone to involve in broadcasting activities. The state has therefore not only the right, but also the 'positive' obligation to govern the emergence and distribution of mass media through legal provisions.¹²³ However, the Court has pointed out, that these legal provisions must not affect the actual activities of the broadcasting institutions, and especially the production and distribution of broadcasting programmes have to be free from censorship. Furthermore, all broadcasting institutions have to be outside of and independent from the state structures. Regarding the national broadcasting media, the Bulgarian National Radio and Bulgarian National Television in particu-

¹¹⁹ SCHRAMEYER 1995, p. 1

¹²⁰ RIEDEL 2004, p. 595

¹²¹ Decision No. 7/1996 of the Constitutional Court of the Republic of Bulgaria

¹²² Ibid

¹²³ Ibid



lar, the Constitutional Court sees the necessity to form their management and supervisory bodies in a way that prevents the influence of the state, political factors or other private interests in order to make them as autonomous public entities.

In the field of the legal responsibility of the state also falls, according to the Constitutional Court, the establishment of a law regarding the licensing of private electronic media in order to secure 'openness and fairness' of the procedures.¹²⁴ The only state intervention in the activities of mass media is in the case of violation against the good manners, which falls under the jurisdiction of the judiciary. In addition to these principles and the obligation of the state to safeguard the right of the citizens to receive pluralistic information, the Court has stressed the importance to prevent excessive media concentration. The Court relates it to Article 19 (2) of the Constitution, which obliges the state to prevent any abuse of a monopoly status and unfair competition, but also points out that 'excessive media concentration' is contradictory to the communication rights and freedoms and as a result will restrict the possibilities to form and express an individual opinion.¹²⁵

3.3.2. Broadcasting-specific Legislation

The first regular legal framework for broadcasting activities after the fall of the communist regime was adopted in 1996 by the parliamentary majority at that time consisting mainly of representatives of the socialist party, BSP. The Law on Radio and Television from 1996 foresaw the establishment of a special state body for the supervision of the national public broadcasters, which to that point of time were still completely state-owned. In November 1996, only six months after the passing of the bill, 15 articles of the Law were declared unconstitutional. Among these were, for example, several articles, which regulated the composition of the supervising body, its responsibilities, the appointment procedure for its members and the foreseen funding of the public service broadcasters from the state budget.¹²⁶

The second Law on Radio and Television (LRT) was passed in 1998 by the then ruling democratic government of the UDF. Although the Law was supplemented and amended many times since then, it is still in force. In its first draft the LRT foresaw the establishment of the National Radio and Television Council (NRTC), which possessed the status of an independent public council. In November 2001, however, amendments of the Law on Radio and Television were passed replacing the NRTC by the Council for Electronic Media (CEM) and enhancing its responsibilities regarding the licensing of private broadcasters. The scope of the legislative framework of 1998 covers only radio and television activities.¹²⁷ These are defined as "the production of radio and television pro-

¹²⁴ Ibid

¹²⁵ Ibid

¹²⁶ KARLSREITER 1999, p. 561; TZANKOFF 2001, pp. 74-75; INDZHOV 2005, p. 67

¹²⁷ Article 1 (1) of the Law on Radio and Television

grammes intended to be distributed via terrestrial broadcasting, cable, satellite or any other possible technical way”.¹²⁸ Therewith the lawmaker clearly distinguishes between the production of programmes and their actual distribution, which is regulated by the Law on Electronic Communications. The result of this definition is a complicated licensing procedure: all broadcasting operators in Bulgaria are required to possess two types of licences: both a programme licence and a telecommunication licence.¹²⁹ The different types of licences are granted by two different regulatory bodies: CEM is responsible for the granting of programme licences and for the programme monitoring of all broadcasting operators and the Communications Regulation Commission is responsible for the issuing of telecommunication licences.¹³⁰

The Law on Electronic Communications (LEC) was adopted by the Parliament in May 2007. The LEC replaced its predecessor - the Telecommunications Law, and harmonises the Bulgarian legislation in this field with the European legislative framework. The scope of the LEC extends beyond the specific issues of broadcasting and regulates all kinds of electronic communications. According to the Law on Electronic Communications the management of electronic communications is carried out by the Council of Ministers, the National Radio Frequency Spectrum Council and the Chair of the State Agency for Information Technologies and Communications.¹³¹ The National Radio Frequency Spectrum Council consists of representatives of the Ministry of Finance, the Ministry of Economy and Energy, the Ministry of Transport, the Ministry of Defence, the Ministry of Interior, the State Agency for Information Technology and Communications, the Communications Regulation Commission, the National Guard Service as well as the National Intelligence Service.¹³² The Council drafts a state policy on radio frequency planning and allocation and implements it after approval by the Council of Ministers.¹³³ For the national frequency plan it is prescribed by law to be revisited at least once every two years.¹³⁴ The State Agency for Information Technologies and Communications is a state funded body responsible for the policy on electronic communications and information society.¹³⁵ Its Chairperson is nominated by the Council of Ministers and appointed by the Prime Minister.¹³⁶ Regarding broadcasting the LEC provides a legal basis for the transition to digital terrestrial television in Bulgaria, as it systematically regulates the relations between the major stakeholders in the field, CEM and CRC.

¹²⁸ Article 1 (2) of the Law on Radio and Television

¹²⁹ TSCHOLAKOV 2000, pp. 87-88

¹³⁰ OPEN SOCIETY INSTITUTE 2005, p. 352-353

¹³¹ Article 6 of the Law on Electronic Communications

¹³² Article 10 (1) of the Law on Electronic Communications

¹³³ Article 9 (1) of the Law on Electronic Communications

¹³⁴ Article 8 (3) of the Law on Electronic Communications

¹³⁵ Article 15 (3) of the Law on Electronic Communications

¹³⁶ Article 15 (4) of the Law on Electronic Communications



On the whole the Bulgarian legislative framework in the field of broadcasting appears to be well developed, providing an established set of legal regulations, which are to a great extent harmonised with the mass media regulations in the European Union. The laws provide clear legal ground for further liberalisation of the market and its technological development and therefore offer an opportunity for the establishment of an equal playing field for the various market agents, assuming that the regulatory provisions are properly implemented.

3.4. Technological Environment

The technical possibilities for broadcasting in Bulgaria include cable, terrestrial, satellite and IP-based transmission of radio and television signals. According to the data provided by IP INTERNATIONAL MARKETING COMMITTEE 2009, the television distribution platform with the highest penetration rate is cable, reaching 60 % of the total television households. Terrestrial distribution and satellite reach 25,7 % and 16,6 % respectively (see Table 2).

The cable infrastructure was developed in the early 1990s. Most of the companies providing such services simply started to retranslate European programmes via self-installed satellite dishes without possessing any permission to operate cable networks.¹³⁷ The first attempts to regulate the chaotic emergence of new networks and operators were made in 1993, obligating all operators to possess a license issued by a local authority.¹³⁸ These attempts continued in 1998 with the adoption of a new Law on Telecommunications.¹³⁹

Table 2:
Television Distribution in Bulgaria, 2000 and 2008

	2000	2008
Total Number of TV Households (TVHH)	2.750.000	2.890.000
In % of All Households	95,1	98,9
Cable Connected (Analogue & Digital) in % of TVHH	49,9	60,0
Only Analogue Terrestrial	96,0	25,1
Satellite Private Dish/DTH (Analogue & Digital) in % of TVHH	9,5	16,6

Source: IP INTERNATIONAL MARKETING COMMITTEE 2001, p. 316;
IP INTERNATIONAL MARKETING COMMITTEE 2009, p. 108.

Accordingly, any person involved in a communication activity had to declare it and received then a state issued licence. In 2004, some amendments to the Law on Telecommunications were made, replacing the old licensing procedure with a registration only regime.¹⁴⁰ Within a year the registered cable networks

¹³⁷ MILEV 1996, p. 51

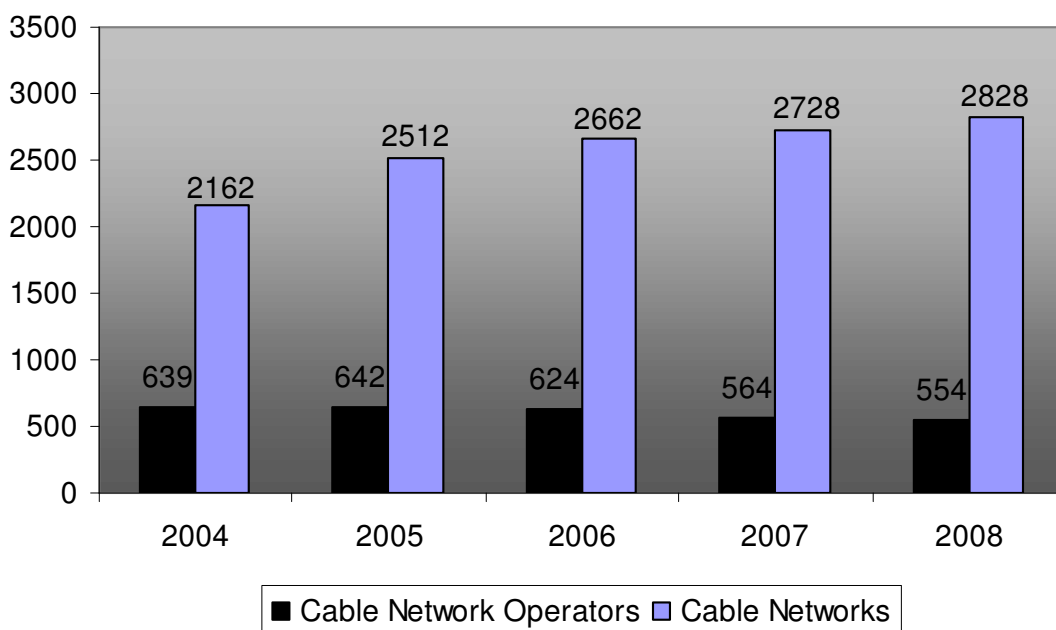
¹³⁸ VASSILEVA 2005, p. 89

¹³⁹ TSCHOLAKOV 2000, p. 42 et seq

¹⁴⁰ CRC 2004, p. 77

almost doubled and 77 new network operators appeared on the scene.¹⁴¹ According to the Communications Regulatory Commission (CRC) in the end of 2008 there were 554 registered cable network operators and 2828 cable networks.¹⁴² In the last two years there has been a decline in the number of cable network operators but simultaneously an increase in the number of cable networks in living areas, which demonstrates the consolidation of the market and the establishing of stronger positions of the biggest companies (see Figure 10).¹⁴³

Figure 10:
Cable Network Operators and Cable Networks in Bulgaria, 2004-2008



Source: CRC 2009, p. 100

Cable networks exist in every city in Bulgaria, as well as in 28 % of the villages.¹⁴⁴ Although more than 70 % of the networks are located in villages and small towns, almost 60 % of the cable subscribers live in cities with population more than 60.000.¹⁴⁵ This fact can be explained with the concentration of the population in large cities, and with their higher purchasing power over the rural population. According to CRC, the total revenues from the operation of cable networks in 2008 is estimated to BGN 200 million (or EUR 102 million), which is an increase of 13 % compared to 2007. The major share of these revenues

¹⁴¹ Ibid

¹⁴² CRC 2009, p. 99

¹⁴³ Ibid, p. 99. The consolidation of the market has continued in 2009, as two of the major players, *Cabletel* and *Eurocom*, were acquired by the large equity fund EQT for more than EUR 200 million together; see EQT 2009.

¹⁴⁴ CRC 2009, p. 102

¹⁴⁵ Ibid, p. 103



(about 83 %) is generated through the distribution of radio and television signals.¹⁴⁶

The second most common way for the distribution of radio and television in Bulgaria is analogue terrestrial broadcasting. As of 2008, there were 92 radio broadcasters operating on local basis, two broadcasters operating on national level.¹⁴⁷ A total of 15 television operators had a permission to broadcast television signals terrestrially, whereas the networks of 12 of them were of local coverage, and 3 of national coverage.¹⁴⁸ According to CRC the revenues generated through analogue terrestrial broadcasting accounted for a total of BGN 346,5 million (or EUR 176,8 million), with about 80 % coming from advertising.¹⁴⁹ At the Regional Radio Communication Conference in June 2006, Bulgaria signed an agreement for the utilisation of the 174-230 MHz and 470-862 MHz frequency bands for the purposes of digital terrestrial broadcasting. Under this agreement Bulgaria would be able to establish: 10 digital terrestrial networks (multiplexes) with national coverage; 34 digital terrestrial networks with regional coverage; 5 digital terrestrial networks with local coverage.¹⁵⁰ This would allow the introduction of at least 40 national and regional television programmes after 2012.¹⁵¹ As of 2008, the partially privatised Bulgarian Telecommunication Company (BTC) was the only enterprise that possessed permission for digital transmission of television signals on the territory of the capital, Sofia, based on the DVB-T standard. In the same year BTC has transmitted 6 television programmes and 2 radio programmes.¹⁵² The digitalisation of the radio frequency spectrum is expected to be completed as of 2015.¹⁵³

Currently, Bulgaria has two satellite platforms, *Bulsatcom* and *ITV Partner*, distributing digital radio and television. In 2008 the total revenues generated from the distribution of digital radio and television via satellites accounted for a total of BGN 66,16 million (or EUR 33,76 million).¹⁵⁴ After the start of the digital television service via satellite in 2003 the number of subscribers has grown significantly. Until 2007, the operators of satellite platforms have doubled their subscriber numbers every year, reaching a total amount of 232,7 thousand in 2007 and 315,3 thousand in 2008.¹⁵⁵

New innovative services such as IPTV are also entering the Bulgarian market. The first IPTV service in the country was launched by the telecommunications

¹⁴⁶ Ibid, p. 105. EUR 1 = BGN 1,9558

¹⁴⁷ Ibid, p. 96

¹⁴⁸ Ibid, p. 98

¹⁴⁹ Ibid, pp. 98-99

¹⁵⁰ SPASSOV 2008, p. 9

¹⁵¹ CEM, Newsletter No. 8, August 2006, p. 6, cited in SPASSOV 2009, p. 9.

¹⁵² CRC 2009, p. 98

¹⁵³ Ibid

¹⁵⁴ Ibid, p. 93

¹⁵⁵ CRC 2008, p. 82; CRC 2009, p. 93



operator *Vestitel* in 2007. Similar service is also provided through a web based application by the company *Neterra*. According to Light Reading, a research company, the IPTV subscribers in Bulgaria in 2008 were 7.000, but are expected to grow up to 25.000 in 2009.¹⁵⁶

¹⁵⁶ LIGHT READING 2009

4. Organisation and Funding of the Bulgarian Broadcasting System

4.1. Structure of the Broadcasting Sector

4.1.1. Radio Broadcasting

In the beginning of 1991 the former state broadcasters, Bulgarian National Radio and Bulgarian National Television, were proclaimed by the National Assembly as 'independent institutions'. This was the starting point for the transformation of the state-owned broadcasters into public ones. Simultaneously two private radio stations began broadcasting, but they were banned from operation with the introduction of licensing system in 1992.¹⁵⁷ The first privately owned commercial radio station, *FM+*, received its licence and started broadcasting on 15 September 1992, followed by *Express Radio* on 1 November, and *Darik Radio* on 25 January 1993.¹⁵⁸ In the subsequent years private radio broadcasting developed explosively. As of 1995 licences were issued to 54 local FM radio stations and 60 cable radio operators.¹⁵⁹ However, many of the active radio broadcasters operated as pirate stations. With the introduction of the legislative framework of 1998, their activities were gradually regulated. In 2000, *Darik Radio* was the first private radio station to receive a national telecommunications licence and is currently the only private radio broadcaster which operates on a national scale.¹⁶⁰

At the end of 2008, there were 199 radio programmes, many of them organised in national networks. 157 of the total radio programmes were distributed terrestrially, and 42 over cable. Only three programmes have national coverage – two of the programmes of Bulgarian National Radio, *Horizont* and *Hristo Botev*, and the programme of *Darik Radio*.¹⁶¹ Local and regional radio broadcasting is concentrated in the largest cities and regions. There is a clear domination of the commercial radio broadcasters focusing on entertainment and music, in all regions of Bulgaria. For instance, in the three largest regions in terms of population and territory - Southwest, South Central and Northeast – there are ten times more commercial programmes than programmes with public orientation, which demonstrates the high pace of liberalisation in the radio sector.¹⁶² At the same time, this tendency indicates the real deficits in the Bulgarian radio market, namely the lack of diverse special interest programmes and public service programmes especially with regard to the population living in smaller cities and rural areas.¹⁶³

¹⁵⁷ RAYCHEVA/PETEV 2003, p. 93

¹⁵⁸ OPEN SOCIETY INSTITUTE 2005, p. 349

¹⁵⁹ RACHEVA/PETEV 2003, p. 96

¹⁶⁰ OPEN SOCIETY INSTITUTE 2005, p. 349

¹⁶¹ CEM 2009, p. 6

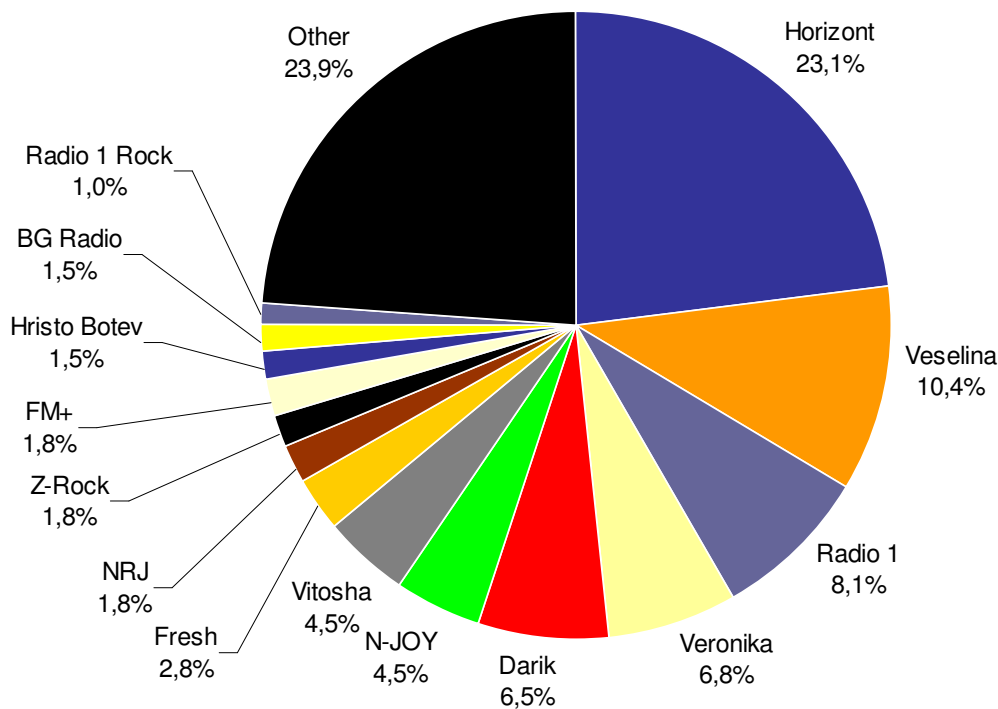
¹⁶² CEM 2006, p. 32-33

¹⁶³ *Ibid*, p. 146



According to a survey conducted by Market Links, a marketing research company, the main programme of BNR, *Horizont*, is the undisputable market leader with an audience share of 23,1 % in August 2009, while the programme *Hristo Botev* had an audience share of 1,5 %.¹⁶⁴ Figure 11 gives an overview of the audience share of the main radio programmes as of August 2009.

Figure 11:
Audience Shares of Main Bulgarian Radio Stations, August 2009



Source: Author's illustration based on BNR 2009; Primary Source: Market Links

The nationally licensed *Darik Radio* has weakened its position on the market in recent years, with an audience share dropping to 6,5 %. Radio broadcasters with generalist programming such as *Horizont*, *Hristo Botev* and *Darik* are clearly losing listeners to new mainly music based radio stations such as *Veselina*, *Radio 1* or *Veronika* in recent years. These are typical commercial radio broadcasters based on internationally established radio formats such as Adult Contemporary (AC) or Contemporary Hit Radio (CHR) (see Appendix, Table 18).

4.1.2. Television Broadcasting

The Bulgarian television market is dominated by broadcasters with generalist programming. Bulgarian National Television (BNT) is with its main programme, *BNT1* (former *Channel 1*) the largest public service broadcaster, which has national coverage and competes with its commercial counterparts. Currently, there are three commercial operators broadcasting terrestrially on nationwide basis: the Balkan News Corporation (*bTV*), Nova TV and PRO.BG (former *TV2*).

¹⁶⁴ BNR 2009

The changes in the television sector after the fall of the communist regime came much slower, compared to the developments in the other media sectors. Some of the major reasons were the persistent state monopoly over national television broadcasting, the frequent replacements of executives of BNT (in ten years, eleven Directors General headed the BNT), lack of research and development concepts and strategies, inefficient management, economic constraints, and obsolete equipment.¹⁶⁵ Even though, the television sector experienced some significant transformations. After the establishment of BNT as an independent organisation in 1991, its two national programmes were separated into two competing units – *Channel 1* and *Efir 2*. Both had their own financial, structural and programme policies.¹⁶⁶ Besides allocations from the state budget, the main revenue for both channels was advertising. Yet, the two state channels had quite unequal shares of the advertising revenues. In 1998, for instance, *Channel 1* had an advertising market share of 72,1 %, while *Efir 2* had only 9,7 % of the total revenues.¹⁶⁷ Their cumulated advertising market share of almost 82 % reflects the monopoly position of BNT at that time.

The first private television, *Nova TV*, appeared in 1994 and broke the monopoly of BNT. Due to lacking media legislation in this period *Nova TV* broadcasted on the basis of a ‘temporary licence’.¹⁶⁸ The first bid for a national terrestrial licence took place in 1999 and was won by Balkan News Corporation (*bTV*), a subsidiary of Rupert Murdoch’s News Corporation. *bTV* received the frequency of the former *Efir 2*. In 2000 a new licensing procedure for a third national terrestrial television broadcaster was initiated and this time won by *Nova TV*. However, the decision was contested by other competitors and declared for invalid by the Supreme Administrative Court. Another bid for a third national licence was initiated in 2003 and again won by *Nova TV*, which is since then broadcasting its programme on a nationwide basis.¹⁶⁹

As of 2008, the Bulgarian television market consists of total 220 channels, all of which are distributed over cable and satellite, while 7 of them are distributed also via terrestrial networks. Three of the terrestrial channels have national coverage – *BNT 1*, *bTV* and *Nova TV*. The other four are BNT’s regional centres in the cities of Varna, Plovdiv, Blagoevgrad and Rousse.¹⁷⁰ These three national terrestrial channels dominate the market, leaving the other local broadcasters with relatively insignificant audience shares (see Figure 12).

¹⁶⁵ RAYCHEVA/PETEV 2003, p. 100

¹⁶⁶ Ibid

¹⁶⁷ IP INTERNATIONAL MARKETING COMMITTEE 1999, p. 88

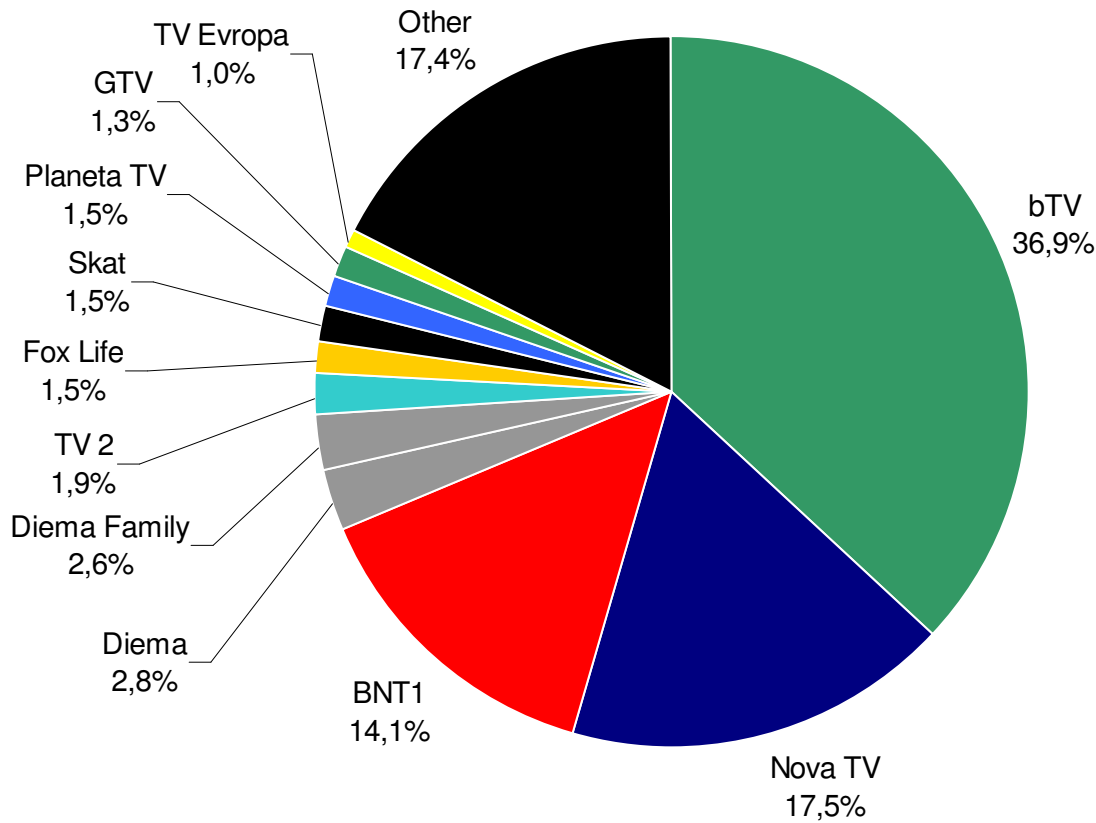
¹⁶⁸ The television licensing procedures started after the adoption of the Law on Radio and Television and the Telecommunications Law in 1998. Before that, broadcasters operated with ‘temporary permits’.

¹⁶⁹ OPEN SOCIETY INSTITUTE 2005, p. 347

¹⁷⁰ CEM 2009, p. 7



Figure 12:
Audience Shares of Main Bulgarian Television Channels, 2008



Source: Author's illustration based on
IP INTERNATIONAL MARKETING COMMITTEE 2009, p. 112

The audience of BNT's *Channel 1* is declining since commercial competitors entered the market. Its audience dropped from 38,3 % in 2001 to 19,5 % in 2005 and to 14,1 % in 2008.¹⁷¹ After its launch in 2000, *bTV* had gained a leading share of 36,3 % in 2002.¹⁷² As of 2008, *bTV* has an audience share of 36,9 %.¹⁷³ *Nova TV*, has recorded steadily audience growth in the last seven years, mainly to the detriment of its main competitors, *bTV* and *BNT1*.

4.2. Regulation and Licensing

4.2.1. Regulatory Authorities

Broadcasting regulation in Bulgaria is divided among two regulatory bodies: the Communication Regulatory Commission responsible for the technical aspects of broadcasting, and the Council for Electronic Media (CEM) responsible for the content regulation.

¹⁷¹ IP INTERNATIONAL MARKETING COMMITTEE 2002, p. 326; IP INTERNATIONAL MARKETING COMMITTEE 2006, p. 101; IP INTERNATIONAL MARKETING COMMITTEE 2009, p. 112

¹⁷² IP INTERNATIONAL MARKETING COMMITTEE 2003, p. 298

¹⁷³ IP INTERNATIONAL MARKETING COMMITTEE 2009, p. 112

According to the Law on Radio and Television, CEM is an independent specialised regulatory body which regulates the radio and television activities through the registration or issuance of licences ('licences for carrying out radio and television activity') and through exercising supervision of the activity of the radio and television operators.¹⁷⁴ The CEM is a legal entity with headquarters in the capital, Sofia.¹⁷⁵ It is assisted by administrative and technical offices whose structure and number of personnel is determined by the Council.¹⁷⁶ The CEM also adopts regulations for its structure and activities.¹⁷⁷

Currently, the CEM consists of nine members, five of which are elected by the National Assembly and four are appointed by the President of the Republic (see Figure 13). The decision of the National Assembly and the edict of the President come into force simultaneously.¹⁷⁸ Members of the CEM can become only Bulgarian citizens with a permanent residency in the country. Candidates must possess higher education and personal experience in the field of electronic media, communications, journalism, law or economics, and also enjoy public esteem and professional recognition.¹⁷⁹ The Law on Radio and Television sets some restrictions on the positions that CEM members occupy during their mandate and also for a period after its expiration.¹⁸⁰ In order to prevent conflict of interests the Law obliges the members of the Council for Electronic Media to disclose to the CEM in a written form every substantial commercial, financial or other business interest which she or he as well as the members of her or his family have in taking a specific decision.¹⁸¹ CEM members are elected or ap-

¹⁷⁴ Article 20 (1) of the Law on Radio and Television

¹⁷⁵ Article 21 of the Law on Radio and Television

¹⁷⁶ Article 22 of the Law on Radio and Television

¹⁷⁷ Article 23 of the Law on Radio and Television

¹⁷⁸ Article 24 of the Law on Radio and Television

¹⁷⁹ Article 25 of the Law on Radio and Television

¹⁸⁰ For instance, members of the CEM cannot be persons, who have been sentenced to prison for premeditated crime of general nature, sole entrepreneurs, owners of the capital of trade companies, partners, managers, procurators or members of managing control bodies of trade companies, and also persons who have been employed by the (or were collaborators with) the former State Security. CEM members have also to sign a declaration confirming that they meet these legal requirements before occupying a position in the Council. See Article 26 and Article 28 of the Law on Radio and Television.

¹⁸¹ Article 28a of the Law on Radio and Television. Additionally, according to Article 27 during their mandate, CEM members cannot occupy another paid position under legal terms of employment, elective positions in state and municipal bodies, in management bodies of political parties, coalitions and trade unions or be members of management or supervision bodies of trade companies and cooperations. They cannot acquire shares or stock in radio or television operators, or be members of management or supervisory bodies of non-profit organisations that have obtained licenses for radio and television operators, or receive in any form whatsoever remuneration.



pointed for a six-year mandate. Every two years they get re-elected for each quota. A single person cannot be a member of the Council for more than two consecutive mandates.¹⁸² The mandate of a member of the Council can be terminated ahead of time by a decision of the CEM in cases of release of the person from his occupation or death.¹⁸³ In case of termination of the CEM member's mandate, the nominating body has to elect or appoint a new member to replace the resigning member until the end of his or her mandate within one month. These provisions should guarantee that the members of the CEM are independent from the bodies that elected them. Consequently this should allow them to make decision based solely on their professionalism and public interest. The procedures, however, do not guarantee the full independence of the regulator from political interventions, as governments are still able to elude the principle of non-interference by dismissing one regulatory body (and thus the mandates of its members) and constituting another. This has happened, for example, after amendments of the Law on Radio and Television in 2001, which allowed the transformation of the National Council for Radio and Television (NCRT) into CEM.¹⁸⁴

The responsibilities of the CEM include the general supervision of the activities of all, public and private, radio and television operators and specific regulations regarding the public broadcasters, BNT and BNR. The regulatory tasks common for all broadcasting operators, include:

- guaranteeing the compliance of the activities of the broadcasting operators with the provisions of the Law on Radio and Television;
- taking decisions on the issuance, amendment, supplement, revoking, transferring, and termination of licences for radio and television activity, and also for the creation of programmes, destined for distribution via existing or new electronic communication networks on the basis of terrestrial analogue transmission;
- monitoring the media coverage of the elections for state and local authorities;

neration from radio or television operators, except according to the legislation for intellectual property. See Article 27 of the Law on Radio and Television.

¹⁸² Article 29 of the Law on Radio and Television. The idea of this principle is to avoid the overlapping of the mandates of the CEM members and the mandates of their nominating authorities – the Parliament and the President. See OPEN SOCIETY 2005, p. 354.

¹⁸³ In order to produce such a decision, the CEM needs a written application from the resigning person, filed to the Chair of the CEM. The decision can also be made on basis of an actual inability of the member to fulfil his or her obligations for longer than six months, or an established incompatibility with the requirements of the law, an enactment of a sentence which imposes a punishment of 'imprisonment' for deliberate crime, or on basis of a file, attesting a conflict of interests. Article 30 of the Law on Radio and Television

¹⁸⁴ OPEN SOCIETY INSTITUTE 2005, p. 368

- monitoring and ensuring the compliance of the programme output of the radio and television operators with requirements regarding advertising and teleshopping;
- monitoring and ensuring the compliance with the requirements for donations and sponsorship;
- monitoring and ensuring the protection of classified information in the activities of the broadcasting operators;
- monitoring and ensuring the compliance with requirements for programmes targeted at minor and underage viewers;
- monitoring and ensuring consumers' protection;
- monitoring and ensuring the observance of the provisions stipulated by the domestic law, by the issued licenses and the international agreements ratified by the Republic of Bulgaria;
- monitoring and ensuring the compliance of the broadcasters with terms specified in the issued licences.¹⁸⁵

The specific regulatory tasks regarding the public broadcasters include:

- electing and releasing the Director Generals of BNR and BNT;
- approving, at the proposal of the Director General, members of the management boards of the BNT and BNR;
- making a statement regarding the suggested state subsidy level for the BNR and BNT;
- approving annually the non-budget plan-account of the fund 'Radio and Television'.¹⁸⁶

Additionally the CEM has some further general competencies, which include:

- giving an opinion in working out normative acts and in concluding international agreements in the field of broadcasting;
- organising and conducting research on the public assessment of the activity of the radio and television operators and their programmes;
- adopting a statement regarding changes of the level of the broadcasting fee paid by listeners and viewers;
- determining the members of the management board of fund 'Radio and Television', adopting regulations for the structure and activity of the fund and of the management board and also appointing the executive director of the fund;
- adopting and publishing a list of events of considerable public interest and securing the access of the audience to their coverage.¹⁸⁷

¹⁸⁵ Article 32 and Article 33 of the Law on Radio and Television

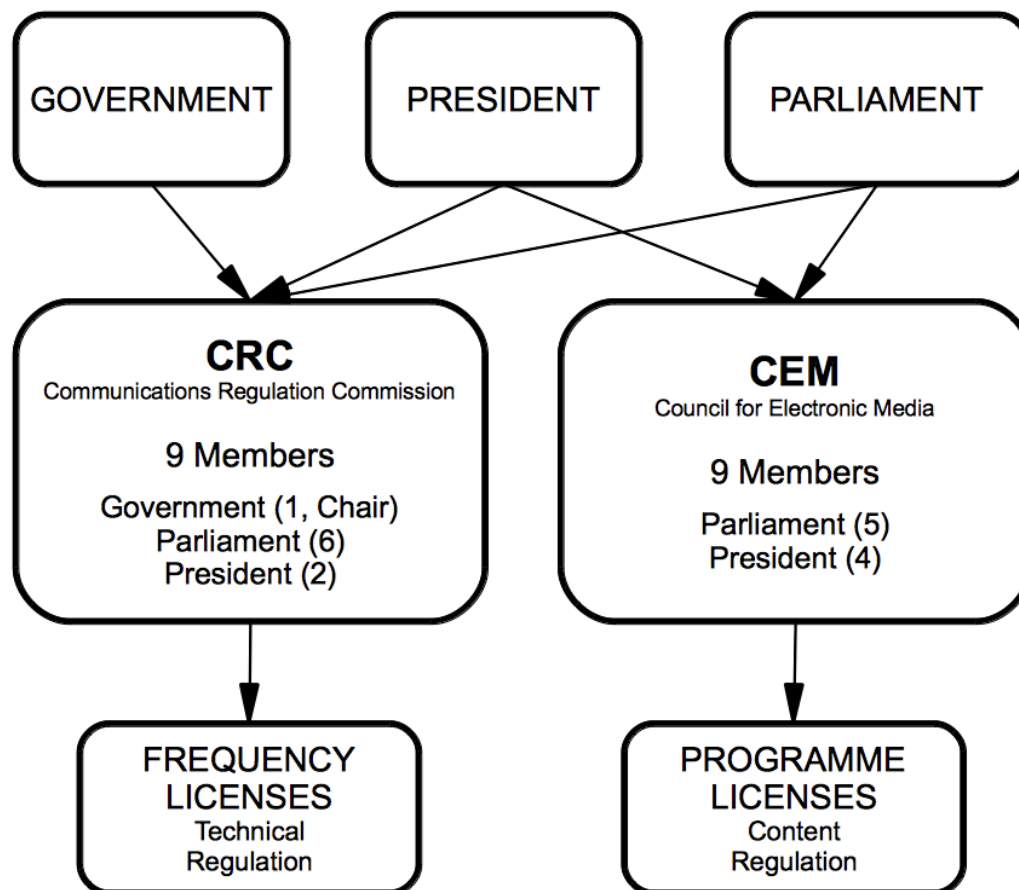
¹⁸⁶ Ibid

¹⁸⁷ Ibid



According to the Law on Radio and Television the CEM should be financed through the fund 'Radio and Television'.¹⁸⁸ In reality, however, such fund does not exist. Moreover, mechanisms, which could replace the fund, are not sufficiently developed. Currently, the CEM is financed mainly from the state budget, which makes it highly dependent on the current state administration and puts its political independence at risk.¹⁸⁹

Figure 13:
The Broadcasting Regulatory System in Bulgaria



Source: Author's illustration.

The Communications Regulation Commission (CRC) is an independent specialised state body – a legal entity with a registered office in the capital, Sofia. The main activities of the CRC cover the planning and the management of the frequency spectrum for civil purposes in Bulgaria.

¹⁸⁸ Article 40 of the Law on Radio and Television

¹⁸⁹ OPEN SOCIETY INSTITUTE 2005, p. 358; BULGARIAN NATIONAL AUDIT OFFICE 2009a, pp. 1-2

The CRC consists currently of nine members, including Chairperson and deputy Chairperson (see Figure 13).¹⁹⁰ The Chairperson is determined and dismissed by decision of the Council of Ministers, i.e. the government, and is appointed by the Prime Minister for a term of six years.¹⁹¹ The deputy Chair and five of the CRC members are elected and dismissed by the National Assembly (the Parliament), and two of the members are appointed and dismissed by the President.¹⁹² The Law on Electronic Communications also specifies requirements for the eligibility of the CRC members.¹⁹³ The mandates of all members cover a period of six years, and can be terminated on grounds similar to those stipulated for the CEM members described in the previous section.¹⁹⁴

Although the law sets provisions, which aim to guarantee the political and economic independence as well as to prevent conflicts of interest, both regulatory bodies are dependent on political conjuncture mainly because of the inadequate appointing procedures of their members and the direct funding from the state. As one of the panellists of the 2008 Media Sustainability Index on Bulgaria puts it: "...both the Council for Electronic Media and the Communications Regulation Commission are controlled by the government, and to a lesser extent, the president".¹⁹⁵ As result, the independence of the public broadcasters is still lacking and the licensing procedures are being politicised – two key problems of the broadcasting system in Bulgaria that still seem to be unsolved.

4.2.2. Licensing System

The general legal basis for the broadcasting licensing procedures in Bulgaria is provided by Article 18 of the Constitution. Accordingly, the state possesses the sovereign rights with respect to radio frequencies and the geostationary orbital positions assigned to the Republic of Bulgaria.

The legislative framework adopted in 1998 introduced a two-tier licensing system with the National Radio and Television Council (NRTC), the predecessor of the CEM, responsible for granting and monitoring programme licences and the State Telecommunication Committee (STC), the predecessor of the CRC, responsible for issuing telecommunication licences.¹⁹⁶ The broadcasters needed both licences in order to produce a specific programme – a right given by the

¹⁹⁰ Article 22 (1) of the Law on Electronic Communications

¹⁹¹ Article 22 (3) of the Law on Electronic Communications

¹⁹² Article 22 (4) and (5) of the Law on Electronic Communications

¹⁹³ Ineligible for membership of the CRC are sole entrepreneurs, owners, partners, shareholders, managers, procurators, consultants or members of managing or control bodies of trade companies, state enterprises and non-profit legal entities in the field of electronic communications. Article 23 (1) of the Law on Electronic Communications

¹⁹⁴ Article 24 of the Law on Electronic Communications

¹⁹⁵ IREX 2008, p. 29

¹⁹⁶ OPEN SOCIETY INSTITUTE 2005, p. 361



programme licence, and to transmit it (whether terrestrially or via cable or satellite) – a right given by the telecommunication licence. After receiving a programme licence from the NRTC, the Council of Ministers had to make the final decision on whether a candidate should transmit the programme. Therefore, the Prime Minister had to appoint a commission to organise the procedure for granting a telecommunication licence. The commission consisted of members of the NRTC and the STC as well as other interested state bodies and organisations.¹⁹⁷ Due to the strong dependence on state authorities, the initial licensing process was highly politicised and in many cases not transparent.¹⁹⁸

In order to limit the political influence over the decision-making process of issuing licences amendments of the licensing system were made in 2001. The new bill distinguishes between terrestrial broadcasters and cable/satellite broadcasters. The terrestrial broadcasters are allowed to exercise a broadcasting activity, if they possess two individual licences – a programme licence issued by the CEM, and an individual telecommunication licence granted by the CRC, which replaced the STC. The individual licences are to be issued to broadcasters aiming to transmit their programmes terrestrially and are therefore using a scarce resource - a radio frequency.¹⁹⁹ Maybe the most important change under these amendments was that the CRC was obliged to issue a telecommunication licence whenever the CEM decides to issue a programme licence. By this means a mutual dependence between both licences was created with the programme licence serving as the primary authorisation.²⁰⁰ The CEM had therefore most of the competences regarding the decision-making process, instead of the Council of Ministers, which was not involved in the licensing procedures.²⁰¹

The broadcasters transmitting their programmes non-terrestrially receive a general licence under a registration only regime.²⁰² The applicants have to fulfil some basic requirements regarding their financing and compliance with copyright law and to submit information on the programme concept, profile and schedule.²⁰³ The issued registration certificates are of unlimited duration.²⁰⁴ This procedure eased the access of new broadcasters to the market and can be considered therefore as an important step towards further liberalisation of the broadcasting industry.²⁰⁵ However, some media experts have claimed that the two different regimes put the broadcasters in an unequal position. The broad-

¹⁹⁷ VASSILEVA 2005, p. 109

¹⁹⁸ OPEN SOCIETY INSTITUTE 2005, p. 362

¹⁹⁹ Article 105 (1) of the Law on Radio and Television

²⁰⁰ OPEN SOCIETY INSTITUTE 2005, p. 363

²⁰¹ VASSILEVA 2005, p. 111

²⁰² Article 125a (1) of the Law on Radio and Television

²⁰³ Article 125a (2) of the Law on Radio and Television

²⁰⁴ Article 125a (7) of the Law on Radio and Television

²⁰⁵ VASSILEVA 2005, p. 111

casters operating under the registration only regime enjoyed a reduced control over their activities, so that the quality of their programmes has decreased.²⁰⁶

The complicated licensing procedure and the political influence on the main licensing bodies appear to have strong negative effects on the development of the broadcasting market. The issuance of licences for analogue terrestrial broadcasting, for example, was blocked for longer than six years mainly for political reasons.²⁰⁷ According to Krassimir Dimitrov, a radio station manager and a media expert in Bulgaria, “the licensing procedures are overcomplicated, lengthy and pointless. There are many ways to influence their implementation. Licensing is not unbiased and competitive. The procedure of electing members of the licensing bodies allows the awarding of licenses to be politicized; some members are appointed by the government. The process is not transparent – election criteria are vague and ‘flexible’”.²⁰⁸

4.3. Public Broadcasting

The Law on Radio and Television distinguishes between two types of broadcasting operators: commercial and public.²⁰⁹ Commercial broadcasters can be sole entrepreneurs or trade companies with a licence for broadcasting activity, which operate with the primary purpose to distribute profits among their owners.²¹⁰ In contrast, public broadcasters can be individuals, sole entrepreneurs or corporate bodies with a licence for broadcasting activity, whose primary purpose is the contribution to the realisation of the fundamental constitutional right to information.²¹¹ Furthermore, public broadcasters can be subjects of public or private law.²¹² Consequently the established public broadcasters are characterised as public not because of their legal form, but because of their obligation to comply with the programme and behavioural provisions of Article 6 (3) LRT.²¹³ Thereafter a public broadcaster has to:

1. submit for broadcasting political, economical, cultural, scientific, educational and other socially important information;
2. provide access to the national and global cultural values and popularise the scientific and technical achievements through broadcasting Bulgarian and foreign educational and cultural programmes for all age groups;

²⁰⁶ OPEN SOCIETY INSTITUTE 2005, p. 365

²⁰⁷ See Appendix, Blocking of the Licensing Procedures for Analogue Terrestrial Broadcasting in Bulgaria for further details on this point.

²⁰⁸ IREX 2008, p. 29

²⁰⁹ Article 4 of the Law on Radio and Television

²¹⁰ Article 5 of the Law on Radio and Television. Although profit making is the primary purpose of the commercial broadcasters they are also obliged, according to Article 10 (2), to guarantee the constitutional right to information.

²¹¹ Article 6 of the Law on Radio and Television

²¹² Article 6 (2) of the Law on Radio and Television

²¹³ TSCHOLAKOV 2000, p. 89



3. provide, through their programme policy, protection of the national interests, the all-human cultural values, of the national science, of the education and culture to all Bulgarian citizens regardless of their ethnic belonging;
4. encourage the creation of works of Bulgarian authors;
5. promote the Bulgarian performing art.²¹⁴

The Law on Radio and Television defines the Bulgarian National Radio (BNR) as national public radio operator and the Bulgarian National Television (BNT) respectively as national public television operator.²¹⁵ Both of them are corporate bodies with headquarters in Sofia, which carry out the operative management of the property submitted to them by the state.²¹⁶

4.3.1. Public Broadcasting Services

The specific provisions to the BNR and the BNT are stipulated in Chapter 3 of the Law on Radio and Television. Both broadcasters possess a licence for programme activities and for the terrestrial transmission of their programmes. The programme licence of BNR and BNT is issued by the CEM without a tender or a contest and sets the basic requirements on the programme design and some other aspects of the work of the public service broadcasters. The telecommunication licence is issued by the CRC without a tender or a contest.²¹⁷ On the basis of these licences the BNR and the BNT are entitled to carry out broadcasting services, either over their own electronic communications networks or upon a contractual agreement with another licensed electronic communications operator.²¹⁸ The programmes of the public service broadcasters are transmitted on the area of Bulgaria over the terrestrial analogue network of the former state owned, now privatised, Bulgarian Telecommunications Company (BTC).

BNR and BNT provide national and regional programmes and also programmes for citizens living abroad, including those whose mother tongue is not Bulgarian. The Bulgarian National Radio has two national channels, *Horizont* and *Hristo Botev*, both of them broadcasting 24 hours a day. The third channel of BNR, *Radio Bulgaria*, is an international channel which broadcasts on average 58 hours of radio programme daily in several foreign languages. BNR has also six regional programmes: Sofia and Varna, both 24 hours programmes, and also Plovdiv, Stara Zagora, Shumen and Blagoevgrad, all 18 hours programmes. The Bulgarian National Television (BNT) has one nationwide channel, *BNT1* (former *Channel 1*), and four regional channels in the cities of Varna, Plovdiv, Blagoevgrad and Russe. BNT also broadcasts the satellite channel *TV Bulgaria*.

²¹⁴ Article 6 (3) of the Law on Radio and Television

²¹⁵ Article 7 of the Law on Radio and Television

²¹⁶ Article 42 of the Law on Radio and Television

²¹⁷ Article 105 (3) of the Law on Radio and Television

²¹⁸ Article 44 (1) of the Law on Radio and Television

In 2008, BNR had 82.716 hours of radio programming, and BNT had 21.960 hours of television programming (see Table 3).²¹⁹

The regional programme services of BNR and BNT are focused on events of local importance. They are created in the regional broadcast centres and are dedicated for both regional and national audience. The broadcasting territory, the regional programme schedules and the contribution of the regional centres with their own production to the national radio and television programmes are approved by the management bodies of the BNR and BNT.²²⁰

Table 3:
The Programmes of BNR and BNT, 2008

Broadcaster	Channel	Coverage	Program Hours	
			Per Day	Per Year
BNR	Horizont	National	24	
	Hristo Botev	National	24	
	Radio Bulgaria	International	58	
	Radio Varna	Regional	24	
	Radio Plovdiv	Regional	18	
	Radio Stara Zagora	Regional	18	
	Radio Shumen	Regional	18	
	Radio Blagoevgrad	Regional	18	
	Radio Sofia	Regional	24	
	Total			
BNT	Channel 1	National	24	
	TV Bulgaria	International	12	
	TV Varna	Regional	6	
	TV Plovdiv	Regional	6	
	TV Blagoevgrad	Regional	6	
	TV Russe	Regional	6	
	Total			

Source: MINISTRY OF FINANCE 2008, pp. 68-71

In order to guarantee the access of the citizens to the public broadcasters the Law on Electronic Communications obliges the cable operators to include the national and regional programmes of the Bulgarian National Television and the Bulgarian National Radio in their packages of programmes and to broadcast them free of charge. Additionally, the Bulgarian Telecommunications Company is obliged to provide the analogue terrestrial broadcasting of the public broadcasters on a basis of a contract and at prices covering the costs related to this activity.²²¹

²¹⁹ MINISTRY OF FINANCE 2008, pp. 68-71

²²⁰ Article 49 of the Law on Radio and Television

²²¹ §2 of the Law on Electronic Communications



4.3.2. Funding of the Public Broadcasters

BNR and BNT prepare, fulfil, conclude and account independent budgets.²²² Their Management Boards approve the expenses of the regional radio and television centres and the other structural units on the basis of the overall budget.²²³ According to the Law on Radio and Television BNR and BNT should receive revenues from following sources:

- Radio and Television Fund;
- subsidy from the State budget;
- advertising and sponsorship;
- additional broadcasting related activities;
- donations and inheritances;
- interest and other revenue sources related to broadcasting.²²⁴

The initial concept for funding the public broadcasting activities in Bulgaria fore-saw the introduction of the Radio and Television Fund as of 1 January 2003.²²⁵ The State subsidy should have been subsequently decreased and the revenues from the Fund increased, so that it could have replaced the state funding as of 1 January 2007. However, a mechanism for collection of the Fund revenues was not established, so that the Fund is still not operational. Although the amendments of the Law on Radio and Television, passed in 2009, envisage that the Radio and Television Fund is to be introduced as of 1 January 2010, at the end of January such fund is still not established.²²⁶

In reality, the public service broadcasters in Bulgaria are financed mainly through a state subsidy. The subsidy has to be spent on the preparation, creation and the transmission of the national and regional programmes. Its volume is determined annually on the basis of the average programme production costs per hour approved by the Council of Ministers, regardless of the programme type.²²⁷ Furthermore, an expedient subsidy for long-term assets is provided according to a list annually approved by the Ministry of Finance, and encloses mainly the maintenance of the real estate properties of the public broadcasters.²²⁸ The expenditure part of the budget is made according to the classification for the expenses of the State budget as instructed by the Ministry of Finance.²²⁹ If the annual income exceeds the annual expenses, then the differ-

²²² Article 70 (1) of the Law on Radio and Television

²²³ Article 70 (2) of the Law on Radio and Television

²²⁴ Article 70 (3) of the Law on Radio and Television

²²⁵ OPEN SOCIETY INSTITUTE 2005, pp. 373-374

²²⁶ Article 2 of the Law on Radio and Television, transitional and final provisions

²²⁷ Article 70 (4) of the Law on Radio and Television

²²⁸ Article 70 (4) of the Law on Radio and Television. The list includes one broadcasting centre (the national radio and television centre), the regional centres and holiday apartments among others. See also OGNANOVA 2007, p. 24.

²²⁹ Article 70 (5) of the Law on Radio and Television

ence is included in the budget for the following year.²³⁰ The public broadcasters work out their own budgetary drafts, which are to be approved by the regulatory authority, CEM, and then adopted by the Parliament with the national budget for the forthcoming year.²³¹ Afterwards an independent financial audit of the public broadcasters is conducted by the Bulgarian National Audit Office.²³²

Table 4:
Breakdown of Revenues of BNR and BNT for 2004, 2006 and 2008
in EUR Million²³³

		2004	2006	2008
BNR	State Subsidy	16,3	18,5	26,3
	Commercial Revenues	0,7	0,8	1,4
	Other Revenues	0,2	0,4	0,1
	Total	17,2	19,7	27,8
BNT	State Subsidy	28,0	29,9	41,9
	Commercial Revenues	6,4	9,0	4,4
	Other Revenues	1,4	1,1	0,0
	Total	35,8	40,0	46,3

Source: MINISTRY OF FINANCE 2005, p. 87; BULGARIAN NATIONAL AUDIT OFFICE 2006, p. 8 and p. 11; EUROPEAN AUDIOVISUAL OBSERVATORY 2008, p. 34; MINISTRY OF FINANCE 2009a, pp. 135-137

The State subsidies allocated to the public broadcasters have been steadily growing in the last years (see Table 4). In 2008, for instance, BNR received a total subsidy of BGN 51,4 million (or EUR 26,3) including a subsidy of BGN 40,6 million (or EUR 20,7 million) for the preparation, creation and broadcasting of 82.716 hours of radio programming, an expedient subsidy for long term assets of BGN 6,8 million (or EUR 3,5 million) and an additional subsidy of BGN 4 million (or EUR 2,1 million) for the coverage of current payments to the Bulgarian Telecommunication Company (BTC).²³⁴ BNT received a total subsidy of BGN 81,8 million (or EUR 41,9 million) including a subsidy of BGN 57,8 million (or EUR 29,6 million) for the preparation, creation and broadcast of 21.960 hours of television programming, an expedient subsidy of BGN 9 million (or EUR 4,6 million) and an additional subsidy of BGN 15 million (or EUR 7,7 million) for the coverage of current payments to the BTC and for the payment of

²³⁰ Article 70 (6) of the Law on Radio and Television

²³¹ OGNANOVA 2007, p. 24-25

²³² Ibid, p. 25

²³³ EUR 1 = BGN 1,9558

²³⁴ EUR 1 = BGN 1,9558; MINISTRY OF FINANCE 2008, p. 69; MINISTRY OF FINANCE 2009, p. 136



royalties on various copyrighted materials including sport programmes among others.²³⁵

The second main financial source of the Bulgarian public broadcasters are commercial services such advertising and sponsorship but also technical and production services. These, however, form with EUR 4,4 million only a small portion of the total budget of BNR and BNT, as shown in Table 4. The major part of the commercial revenues is generated through advertising and sponsorship, but these remain relatively low, as the public broadcasters are subject of specific restrictions regarding such activities. For example, BNT is allowed to sell only 15 minutes of advertising time daily. It can broadcast up to 4 minutes of advertising per hour, while BNR can broadcast up to 6 minutes of advertising per hour.²³⁶ In comparison, commercial broadcasters performing public service functions are allowed to broadcast 6 minutes of advertising per hour, and other commercial broadcasters – up to 12 minutes per hour.²³⁷ Nevertheless, the effect of commercial incentives on the public broadcasters should not be underestimated, as these present the solely alternative funding source for the public broadcasters at the moment. The attempts to gain more commercial revenues were again demonstrated, for instance, in the claim of BNT's management to the Parliament to increase advertising time on its main channel *BNT1* in the early 2010.²³⁸

According to INDZHOV 2005 the present funding model of BNR and BNT causes three main problems:

1. The funding based on annual state grants, which are not sufficient for the modernisation and competitiveness of the public service broadcasters, eases the direct and indirect intervention in their operation. This seems to be the main reason, why an independency from the state could not be achieved in the past.
2. The advertising revenues, which have to be steadily adjusted to the more and more fierce competition on the advertising market, expose BNR and BNT to market mechanisms, which make the fulfilment of their complementary function as public service broadcasters very difficult.
3. As a result of the dependence solely on state and market revenues, BNR and BNT are not able to preserve their independent role in the political communication, which ultimately results in quality and audience losses for the public service broadcasters.²³⁹

The problems resulting from the inadequate funding model of BNR and BNT were also emphasized by media experts in the 2009 Media Sustainability Index report on Bulgaria. For instance, one of the panellists claims that “public media

²³⁵ MINISTRY OF FINANCE 2008, p. 71; MINISTRY OF FINANCE 2009, p. 136

²³⁶ Article 86 (1) of the Law on Radio and Television

²³⁷ Ibid

²³⁸ PRAMOVA 2010

²³⁹ INDZHOV 2005, p. 69

are not independent by way of funding. We actually don't have public media in their pure form. Yes, their management is appointed by an independent body, but they are not funded by the public via license fees. Public media are subsidized by the state, which puts them in a position of dependence."²⁴⁰

The debate on the funding of BNR and BNT has been ongoing since the adoption of the Law on Radio and Television in 1998 and is mainly concerned with the amount of advertising time allowed to be sold by the public broadcasters. Especially private broadcasters insist, that BNT should not be allowed to broadcast advertising. They claim, for instance, that the funding model consisting of state subsidy and advertising revenues distorts fair competition, and accuse BNT of offering higher prices for the acquisition of rights to broadcast particular attractive events, and thus of overbidding its private competitors. On the other side, BNR and BNT claim that the state subsidy is not sufficient to cover the necessary expenses for the fulfilment of their public remits.²⁴¹

Obviously, the current funding model puts the political independence of the public broadcasters in question and creates a climate of uncertainty. It surely undermines the ability of the broadcasters to plan ahead and to invest accordingly. Nevertheless, the opinion that the State subsidy should remain as main funding source of the public broadcasters is still dominant. In this case, however, the subsidy must be provided in a transparent way as compensation for the additional remit of the public broadcasters considering the public interest and the market prices. Therefore, the primary task of BNR and BNT should be to ensure transparency on the interdependence between its expenses and the services offered in order to fulfil the public remits. Furthermore, they should secure more control on the internal decision processes. For example, introducing a separate accounting regarding expenses covered by the subsidies and the expenses realised by revenues coming from advertising, sponsoring and other commercial activities, would formally tie the particular type of funding to the particular types of programmes and would allow a more precise funding, i.e. targeted funding. Finally, the introduction of a standardised annual reporting system, accessible to the general public would be an important step towards enabling public control over BNR and BNT.

4.3.3. Governance of the Public Broadcasters

The governance structure of both Bulgarian public service broadcasters, BNR and BNT, is defined in the Law on Radio and Television. Currently it consists of the Management Board and the Director General. The members of the Management Board and the Director General carry out their activities on the basis of contractual agreements assigning the managerial duties to them.²⁴²

²⁴⁰ IREX 2009, p. 36

²⁴¹ OPEN SOCIETY INSTITUTE 2005, p. 377; OGNANOVA 2007, p. 25

²⁴² Article 56 of the Law on Radio and Television



The Management Boards of BNR and BNT consist of five members each including the Director General, who is also Chair of the Board.²⁴³ The other members of the Management Board are proposed by the Director General of each public broadcaster and then approved by the regulatory authority, CEM.²⁴⁴ The mandate of the Management Boards of BNR and BNT is three years, whereby one person can be elected for no more than two consecutive terms.²⁴⁵ An elected person cannot simultaneously be a member of the Management Boards of both public broadcasters, and she or he cannot be a member of one of them and of the CEM at the same time.²⁴⁶ Members of the Management Boards can only be persons with Bulgarian citizenship, residing on the territory of the country, with higher education and professional experience in the field of broadcasting, culture, journalism, electronic communications, law or economics.²⁴⁷ Following persons cannot be members of the Boards:

- persons, who have been sentenced to prison for premeditated crime of general nature;
- sole entrepreneurs, owners of capital of trade companies, partners, managers, procurators or members of managing or control bodies of trade companies and co-operations;
- persons, who have been employed or have been informants of the former State Security.²⁴⁸

The Management Boards of BNR and BNT exercise various functions. Their main tasks cover financial and administrative aspects of the management of the public broadcasters. For instance, the responsibilities of the boards include:

- determination of the basic directions of development, the volume and structure of the programme;
- adoption of regulations regarding the structure and organisation of the broadcasters, the salaries, the payments to external collaborators, the editorial activities, the advertising activities, the maintaining and usage of archives and the external and joint productions;
- establishment of expert and advisory councils and determination of the order of carrying out their activities;
- adopting the structure and the occupations of personnel, the conditions and the order of concluding contracts with external collaborators and journalists;

²⁴³ Article 58 of the Law on Radio and Television. In absence of the Director General of BNR and BNT, she or he has to authorise a member of the Management Board as her or his substitute.

²⁴⁴ Article 58 of the Law on Radio and Television

²⁴⁵ Article 60 of the Law on Radio and Television

²⁴⁶ Article 60 of the Law on Radio and Television

²⁴⁷ Article 59 (1) of the Law on Radio and Television

²⁴⁸ Article 59 (2) of the Law on Radio and Television

- endorsement of all contracts for advertising and sponsorship, as well contracts exceeding the value fixed in the rules of operation.²⁴⁹

One important responsibility of the Management Boards of BNR and BNT concerns budgetary issues. The respective Board adopts a budget draft including the requested state subsidy and submits its proposal after approval from the CEM to the Ministry of Finance for inclusion in the draft of the Law on the State budget.²⁵⁰ Furthermore, the Board adopts the budget and approves the Director General's report on the fulfilment of the budget.²⁵¹

The Director General of each of the public broadcasters is appointed by the regulatory authority CEM.²⁵² She or he has to fulfil the same eligibility requirements as those for members of the CEM.²⁵³ Furthermore, the candidate has to possess no less than five years of professional experience in radio or television station, respectively. The mandate of the Directors General of BNR/BNT, is three years, whereby they cannot serve more than two consecutive terms.²⁵⁴ The mandate of the Directors General can be terminated ahead of terms on the same grounds as those for members of the CEM. This could be achieved also, if she or he has committed (or admits the commitment by other persons) of gross or systematic violation of the provisions regarding the principles of carrying out the activity of radio and television operators.²⁵⁵

The main responsibilities of the Director General include:

- carrying out the programme policy;
- carrying out the operative management of BNR, respectively of BNT and their property;
- proposing members of the Management Board to the CEM (and also proposing a termination of member's mandate);
- convening and chairing the meetings of the Management Board;
- concluding and terminating the contracts of employees;
- representing BNR, respectively BNT before all individuals and corporate bodies in the country and abroad;
- organising the preparation of the budget draft and presenting it to the Management Board for approval;

²⁴⁹ Article 62 of the Law on Radio and Television

²⁵⁰ Article 62 (5) of the Law on Radio and Television

²⁵¹ Article 62 (7) of the Law on Radio and Television

²⁵² Article 66 (1) of the Law on Radio and Television; see also OGNYANOVA 2007, p. 26

²⁵³ See section 4.2.1. of this work

²⁵⁴ Article 66 (1) and (2) of the Law on Radio and Television

²⁵⁵ Article 66 (3) of the Law on Radio and Television



- organising the fulfilment, conclusion and accounting of the budget and presenting it for adoption by the Management Board.²⁵⁶

Financial supervision of the public broadcasters is conducted also by the Bulgarian National Audit Office, which publishes an annual report on the financial administration of BNR and BNT. Furthermore, the internal financial audit of the BNT is conducted by a specialised department, which is subordinated directly to the Directors General.²⁵⁷

Besides the Management Board and the Director General the overall management structure of BNR and BNT includes also a Public Council and several internal departments as well as expert and advisory councils.²⁵⁸ The various councils are established by the Management Board and fulfil special tasks regarding programme content, production organisation and development of internal regulations. BNT, for instance, established a Public Council in 2004, which currently consists of 13 members. The Council of BNR consists of 11 members. All members of the Public Councils are recognised persons of public life (scientists, artists etc.).²⁵⁹ The tasks of the Council concern mainly monitoring of the programme output.²⁶⁰ The exact responsibilities and the results of the work of the Councils, however, are not transparent to the general public. The Law on Radio and Television does not require the establishment of a Public Council and their tasks are no further specified. Moreover, not only the nomination criteria and the selection of its members, but also information on its functions and its meetings are not made public to date.

The governance structure of BNR and BNT reflects the problems, which Bulgaria is facing on its way to democracy: difficulties in the establishing of structures representing the civil society, lack of public control and transparency of the internal decision-making processes.²⁶¹ For instance, the transparency regarding BNT's reforms aiming its transformation from former state to public broadcaster is not sufficient. Information which could enable public control over the broadcaster's financial, managerial and programme activities is either not provided to the public or the provided information is not sufficient and not structured enough, so that it doesn't allow the general public to gain more profound understanding of the internal processes.

Another reason for concern poses the concentration of responsibilities in the hands of the Director General. On the one hand, the decisions regarding the strategic development of the public broadcasters are taken collectively by the Management Boards. On the other hand, the main responsibilities for these decisions and the resulting consequences are carried solely by the Director Gen-

²⁵⁶ Article 68 (1) of the Law on Radio and Television

²⁵⁷ OGNANOVA 2007, p. 26

²⁵⁸ Ibid

²⁵⁹ BNT, Website: <http://www.bnt.bg>. BNR 2009a, p. 67

²⁶⁰ SPASSOV 2008, p. 11

²⁶¹ OGNANOVA 2007, p. 29

eral without adequate mechanisms for collective responsibility and accountability. This set-up can easily become a source of pressure in the management bodies and can cause a negative effect on the motivation of the person embodying the position of the Director General. In reverse, the concentration of power in the hands of the Director opens an opportunity to behave more autocratic and to enforce actions serving particular interests, which will not always be the interests of the public. Additionally, the mandate of three years is obviously too short to develop and implement a long-term strategy for the public broadcasters and, given that the government term in Bulgaria is four years, hides the risk of political manipulation as this has happened many times in the past.²⁶² The threat of political interference is also emphasised by a panellist of the 2009 Media Sustainability Index: “The editorial independence of public operators is laid down in the law, but their executives are politically appointed. There is an axis of political influence that goes from the regulator to the boards of public media.”²⁶³

4.3.4. Programme Framework

The general programme framework of the public broadcasters in Bulgaria is provided by their remits as stipulated in the Law on Radio and Television. According to Article 7 LRT they have to:

- provide programmes for all citizens of the Republic of Bulgaria;
- contribute to the development and popularisation of the Bulgarian culture and Bulgarian language, as well as of the culture and the language of the citizens in compliance with their ethnic belonging;
- provide through their programmes access to the national and European cultural heritage;
- include in their programmes broadcasts which inform, educate and entertain;
- apply the new information technologies;
- reflect the various ideas and convictions in the society through pluralism in the points of view in each and every news broadcast and current report on a political and economic subject;
- contribute to the mutual understanding and tolerance in the relations between people;
- provide possibility to the citizens to acquire information regarding the official position of the state on important issues of public life.

The assessment and the regulation of the BNR and the BNT with respect to their public service remits are carried out by the Council for Electronic Media (CEM).²⁶⁴ Beyond their remits, BNR and BNT are obliged to provide immediately and free of charge programme time for official announcements of repre-

²⁶² OPEN SOCIETY INSTITUTE 2005, pp. 279 et seq

²⁶³ IREX 2009, p. 36

²⁶⁴ Article 33 (2) of the Law on Radio and Television



representatives of state bodies in cases of calamities or direct threats to the life, security or the health of the Bulgarian population.²⁶⁵ Additionally, the President of the Republic, the Chairman of the National Assembly, the Prime Minister and other state representatives have the legal right of address on BNR and BNT. Both public broadcasters are also obliged to provide immediately and free of charge programme time for direct broadcasting of plenary sessions of the Parliament upon its decision.²⁶⁶ Furthermore, BNR and BNT can provide programme time to religious organisations such as the Bulgarian Orthodox Church or organisations of other officially registered religions.²⁶⁷

The programmes of the radio and television operators in Bulgaria have to be broadcasted in the official language according to the Constitution of the Republic of Bulgaria.²⁶⁸ Exceptions are allowed for individual broadcasts in the case that they have educational purpose or are dedicated for Bulgarian citizens whose mother tongue is not Bulgarian, listeners or viewers from abroad, or when foreign programmes are retranslated.²⁶⁹ Furthermore, the Bulgarian public broadcasters are obliged to broadcast programmes for Bulgarian citizens, whose mother tongue is not Bulgarian, including programmes in their languages.²⁷⁰ BNT, for instance, broadcasts ten minutes of news in Turkish since 2000, as 9,4 % of the Bulgarian population are ethnic Turks.²⁷¹

BNT has also to consider the provisions of the EU “Television without Frontiers” Directive on European productions (at least 50 % of the total annual programming time) and independent productions (at least 10 % of the total annual programming time) stipulated in Article 10 (2) of the Law on Radio and Television. Further provisions regarding the programme framework of BNT are specified in its programme licence and include:

- European and Bulgarian productions – at least 74,9 % annually,
- BNT own productions – at least 36,7 % annually,
- News – at least 5,1 % of the daily programme time,
- Current affairs programmes – at least 16,6% of the weekly programme time,

²⁶⁵ Article 51 of the Law on Radio and Television

²⁶⁶ Article 52 of the Law on Radio and Television

²⁶⁷ Article 53 of the Law on Radio and Television

²⁶⁸ Article 12 (1) of the Law on Radio and Television

²⁶⁹ Article 12 (2) of the Law on Radio and Television

²⁷⁰ Article 49 (1) of the Law on Radio and Television

²⁷¹ BNT’s broadcasts in Turkish have caused various reactions in Bulgarian society and have often been criticised by nationalists’ movements. In August 2009, for instance, over 12.000 Bulgarian citizens have signed a petition against the news in Turkish on BNT and thus brought the issue on the agenda of the Parliament. Consequently Volen Siderov, the leader of the nationalist party *Ataka*, proposed amendments of Article 49 LRT, which would have negative impact on the freedoms of Bulgarian minorities and the public mission of BNR and BNT. See SEILER 2009; STOILOVA 2009; UZUNOVA 2009.

- Educational programmes – at least 3,7 % of the weekly programme time,
- Cultural, scientific and religious programmes – at least 4,7 % of the weekly programme time,
- Youth and children programmes – at least 7,6 % of the weekly programme time,
- Programmes supporting the integration of underprivileged groups – at least 1,8 % of the monthly programme time,
- Programmes for Bulgarian citizens whose mother tongue is not Bulgarian – at least 0,3 % of the annual programme time.²⁷²

Although BNT has developed internal monitoring mechanisms to ensure that its programme meets these provisions and reports regularly its programme parameters to the CEM and the Ministry of Finance, there are still no publicly accessible statistics and monitoring reports covering its programme output. Improvements on this point are necessary in order to secure public control of BNT and would be a positive sign for its development as a public service broadcaster.

4.4. Commercial Broadcasting

4.4.1. Commercial Broadcasting Services

Commercial broadcasting in Bulgaria has experienced enormous positive developments in recent years, resulting mainly from the overall economic improvements of the business environment – the country's economy has been steadily growing for the last ten years and the advertising market is rapidly expanding. The favourable market setting conditions have also attracted large foreign media enterprises, such as News Corporation, Modern Times Group and Central European Enterprises, which have made huge investments in local broadcasting media. As a result, however, the sector is now characterised by concentration of ownership in the hands of a few big broadcasters controlling large audience shares and many small domestic broadcasters with restricted financial resources and lower quality.

Currently there are three commercial television broadcasters with national terrestrial licences: *bTV*, *Nova Television* and *PRO.BG* (former *TV2*). These channels have the highest technical penetration rate and are therefore most likely to attract advertising revenues. Smaller television operators are distributed nationally over cable or satellite, which is economically feasible due to the eased licensing procedure. Table 5 gives an overview of the main Bulgarian commercial television channels.

The leader in the commercial radio market is *Darik Radio*, which is the only radio station with a national licence for terrestrial radio broadcasting. The other players on the commercial radio market are smaller stations, which are organised in radio networks covering mainly the capital Sofia and the largest cities.

²⁷² OPEN SOCIETY INSTITUTE 2005, pp. 387-388; OGNANOVA 2007, p. 28



The formation of radio networks in Bulgaria has been encouraged by the difficulties in issuing national broadcasting licences.²⁷³ The collection of local licences covering major cities appears to be much better strategy, as the fees paid for local licences are much lower than these for national licenses and also ensure the reach of a significant part of the city audience, which is the main target of the advertising industry. One of the largest radio networks is that formed by the first radio station in Bulgaria – *FM+*. The station was established in 1992 and is now owned by the American company Emmis Communication.

Table 5:
Main Commercial Television Channels in Bulgaria, 2008

Channel	Launch	Distribution	Technical Penetration	Programming
BTV	2000	T, C, S	99,90%	Generalist
NOVA TV	1994	T, C, S	95,30%	Generalist
PRO.BG (TV 2)	2007	T, C, S	76,00%	Generalist
DIEMA	1999	C, S	67,30%	Movies
SKAT	1992	C, S	66,20%	Generalist
GTV	2005	T, C, S	65,80%	Movies
PLANETA TV	2001	C, S	65,00%	Music
DIEMA 2	2003	C, S	65,00%	Movies
KANAL 3	1994	C, S	59,70%	Generalist
M-SAT	1996	C, S	58,50%	Generalist
DIEMA FAMILY	1999	C, S	58,50%	Movies
TV EVROPA	2001	C, S	58,30%	News
7 DNI	1995	C, S	56,10%	Generalist
FOX LIFE	2005	C, S	55,70%	Movies
BBT	2003	T, C	55,40%	Generalist
TV 7	2005	C, S	54,10%	Generalist
MM	1997	C, S	49,60%	Music
FOX CRIME	2006	C, S	49,10%	Movies
RING TV	1998	C	46,70%	Sports

Source: IP INTERNATIONAL MARKETING COMMITTEE 2009, p. 109.

4.4.2. Funding of the Commercial Broadcasters

The main revenue sources of the commercial broadcasters are advertising, sponsorship and programme sales. Since BNT and BNR gave up their monopoly positions on the advertising markets, revenue streams have concentrated on their commercial competitors. The market entry of *bTV* in 2000 had a dramatic impact on the whole television market. Within a year the broadcaster was able to increase its share of the television advertising revenues from 14,3 % in 2000 to 41,8 % in 2001, and thus became the new market leader.²⁷⁴ Figure 14 gives

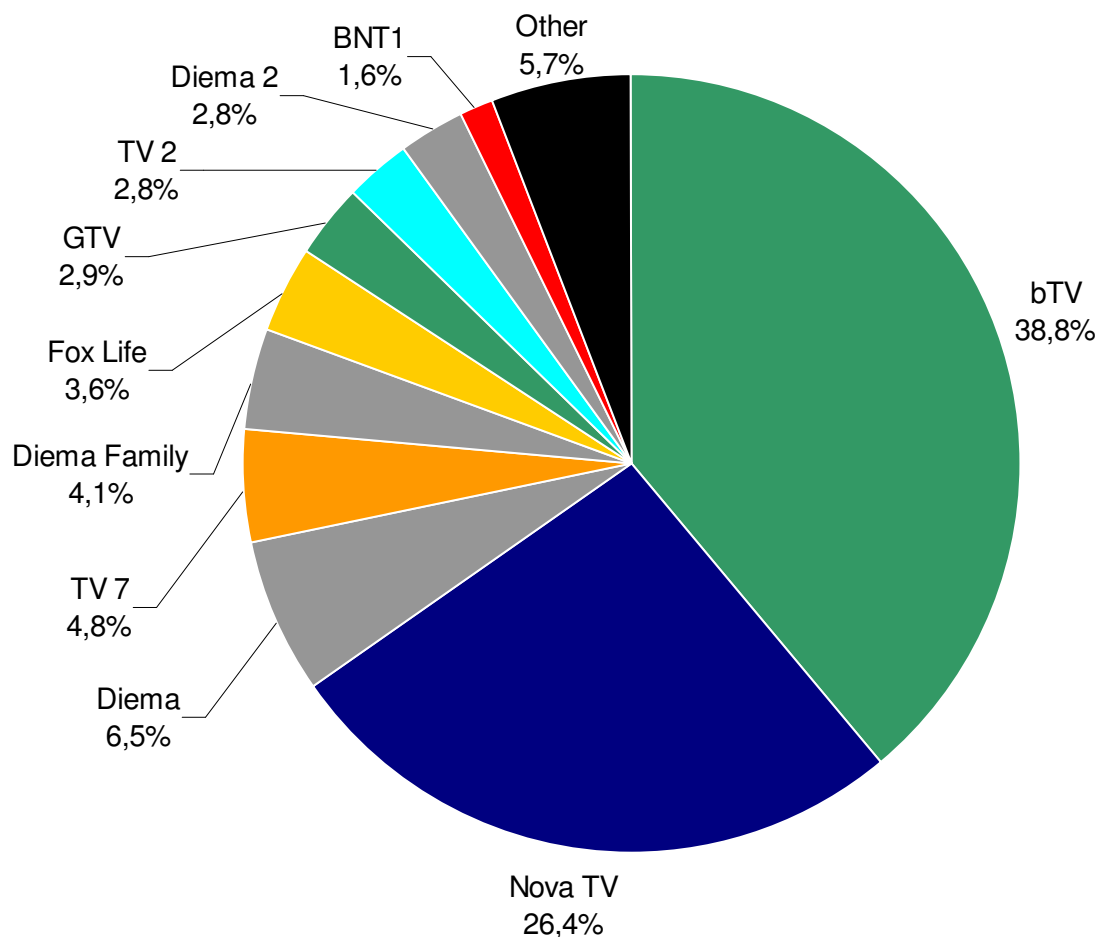
²⁷³ OPEN SOCIETY INSTITUTE 2005, p. 396

²⁷⁴ IP INTERNATIONAL MARKETING COMMITTEE 2001, p. 323; IP INTERNATIONAL MARKETING COMMITTEE 2002, p. 330

an overview of the advertising market shares of the main television broadcasters in 2008.

The distribution of the advertising revenues is highly concentrated in the hands of two national television broadcasters, *bTV* and *Nova TV*. For instance, in 2007 the cumulated shares of gross advertising revenues for both broadcasters reached 75,3 % according to the data reported by IP INTERNATIONAL MARKETING COMMITTEE 2007. In contrast, the radio broadcasting market appears to be less concentrated. However, statistical data on advertising market shares of the radio broadcasters is hard to obtain, as it is still not available to the general public.

Figure 14:
Advertising Market Shares of Main Television Channels, 2008



Source: Author's illustration based on
IP INTERNATIONALMARKETING COMMITTEE 2009, p. 115

The operating revenues of main Bulgarian broadcasters for 2007 and 2008 are summarised in Table 6. For the purpose of this work data on annual revenues of a total of 25 commercial radio and television broadcasters was collected. The data was obtained from the broadcasters' financial statements. Most of them



were publicly accessible through the internet portal of the Bulgarian Registry Agency.²⁷⁵

Table 6:
Operating Revenues of Main Broadcasters in Bulgaria in EUR Thousand,
2007 and 2008²⁷⁶

Company	Services	2007	2008
Balkan News Corporation EAD	bTV	76.749	82.024
Nova Television – First Private Channel EAD	NovaTV, Nova+	42.588	44.841
Diema Vision EAD	Diema, Diema 2, Diema Family, MM	6.068	13.884
Fox International Channels Bulgaria EOOD	Fox Life, Fox Crime	3.852	5.637
Darik Radio AD	Darik Radio, Darik TV	3.996	4.893
Other Commercial Broadcasters		13.227	20.526
Total		146.480	171.804

Source: Companies' Financial Statements

Although state funding is regulated, formal legal guarantees of editorial independence exist and BNR and BNT as public broadcasters are the only media allowed to receive state funding, a practice, which bears the risk of non-transparent state or municipal funding of media outlets, emerged in 2008. These covert state funding methods concern so-called media partnerships between media outlets and state administration, which cooperate in publicising the achievements and progress made on various state or EU funded projects or as Konstantin Markov, honorary chair of the Association of Bulgarian Broadcasters (ABBRO), puts it: "There's concealed state funding through media partnership contracts and joint coverage projects."²⁷⁷ For instance, in 2008 the government allocated around BGN 4 million (or EUR 2 million) to the media coverage of series of celebrations of the 100th anniversary of Bulgarian independence. These funds were scheduled to be paid to participating media outlets about the time of the start of the campaigns for the next general elections. Such practices could be beneficial to current local and national state administration, as it could possibly enjoy positive exposure and, while it's opponents are put at disadvantage.²⁷⁸

²⁷⁵ Bulgarian Registry Agency, Trade Register, Website, <http://www.brra.bg/>.

²⁷⁶ EUR 1 = BGN 1,9558. AD – Public Limited Company, EAD – One-Person Public Limited Company, EOOD – One-Person Private Limited Company. See Appendix, Table 19 for a detailed view of the revenues of all commercial broadcasters.

²⁷⁷ IREX 2009, p. 40.

²⁷⁸ Ibid.

4.4.3. Ownership Structures and Concentration

According to BENNETT 1998 there are three phases in the development of the post-communist media landscape:

- *Phase 1*: de-monopolisation and decentralisation of the former purely state broadcasting system,
- *Phase 2*: introduction of new legislation and professionalisation of the journalistic work,
- *Phase 3*: consolidation of the system followed by a new process of concentration within the sector.²⁷⁹

The situation in Bulgaria confirms this tendency. Media concentration benefits from the lack of enforceable restrictions regarding media concentration. The Law on Radio and Television contains only three relevant articles: Article 105 LRT, Article 116c (3) LRT and Article 108 LRT. Article 105 LRT, for example, sets some specific provisions, which prohibit the issuing of licenses to legal entities active in the advertising business. In reality, however, these provisions are highly controversial, as they can be easily bypassed through the introduction of a 'straw man'. In most of the cases the real owner of the broadcasting company functions then formally as a 'consultant' of the particular company, but still has a significant influence on the operation of the broadcaster.²⁸⁰ According to Article 116c (3) LRT persons or other persons related to her or him in the context of the Commercial Law are not allowed to receive a programme licence, if they already hold the same licence for radio and television activity with regional or local range.²⁸¹ These provisions do not contribute to the securing of pluralism, because of two reasons. Firstly, the danger of the introduction of a 'straw man' is still present. Secondly, the provisions are applicable only to terrestrial broadcasters, who broadcast in a regional or local range. In reality this regulation excludes all the programmes broadcasted via cable or satellite, which are not subject to a licence procedure, but to a registration only regime. Another provision, which does not distinguish between ways of transmission, is stipulated in Article 108 LRT. According to it candidates for a licensing procedure have to declare that they do not possess shares, stocks or other rights of participation in other broadcasting companies above the admissible amount according to the Bulgarian anti-monopoly legislation. The problems here are threefold. Firstly, it will be difficult for a licence applicant to guess, whether she or he possesses shares above the admissible amount. Moreover, it is most unlikely that applicants would always make a statement against their own interests. Secondly, there is no foregoing procedure by the Commission for Protection of Competition, the Bulgarian anti-monopoly authority, which could review and evaluate the particular case. Thirdly, there is no provision regarding a co-

²⁷⁹ BENNETT 1998, p. 201; THOMASS 2007, S. 232

²⁸⁰ OGNANOVA 2006; PALANKOVA 2008, pp. 96-97; CROSS 2009

²⁸¹ Exceptions of these provisions are the public broadcasters, BNR and BNT, and also operators broadcasting via digital terrestrial networks.



operation between CEM and the Commission for Protection of Competition in a licensing procedure. Lastly, these two provisions restrict only the external growth of the broadcasting companies. Regulations regarding the internal growth of broadcasters do not exist.²⁸² The Law on Radio and Television does not include any further anti-monopoly provisions, but mentions the application of the general competition legislation in such cases.²⁸³

The Law on Competition Protection aims to ensure the protection and the conditions for the promotion of competition by preventing agreements, decisions and cartel practices, abuse of monopolistic and dominant market positions, concentration of economic activities, unfair competition and other actions that may harm competition.²⁸⁴ However, the impact of this legislative framework on media concentration in Bulgaria has been very slight, as it does not pose any specific restrictions on horizontal or diagonal concentration in the media sector. Nevertheless, there have been appeals to the Competition Protection Commission (CPC), the anti-monopoly authority in Bulgaria, regarding cross-media-ownership. The most prominent case is that of the German publishing company *Westdeutsche Allgemeine Zeitung* (WAZ), which has held large shares of the Bulgarian companies 'Media Holding' and the 'Bulgaria' newspaper group and was therefore accused in monopolisation of the relevant advertising market. Regarding vertical concentration, however, in 2009 the Law on Radio and Television has been supplemented with Article 105 (4) No.7, which prohibits the issuance of broadcasting licenses to any entities (physical or legal), which are shareholders or owners of advertising companies.

Foreign capital plays also an important role on Bulgarian broadcasting market. The two main commercial television broadcasters, *bTV* and *Nova TV*, are owned by large foreign enterprises. The most successful channel in Bulgaria *bTV*, for instance, is officially operated by Balkan News Corporation. As already mentioned it was the first private commercial broadcaster to receive a national broadcasting license in 2000. According to the Bulgarian Registry Agency Balkan News Corporation is a 100 % subsidiary of Rupert Murdoch's News Corporation. The establishment of the company in Bulgaria was highly controversial, as it was often referred to be connected with Krasimir Guergov, owner of one of the first advertising agencies in Bulgaria and currently chairman of the Bulgarian Advertising Agencies Association.²⁸⁵ Further concerns included also the links and the influence of Guergov on the people meter system TNS TV plan.²⁸⁶ The existence of close ownership ties between media and advertising structures was also criticised by the media expert Danail Danov in the 2009 Media Sustainability Index report on Bulgaria: "The existence of conglomerates and sym-

²⁸² PALANKOVA, pp. 97-99

²⁸³ See Article 108 of the Law on Radio and Television.

²⁸⁴ Article 1 and Article 2 of the Law on Competition Protection

²⁸⁵ POPOVA 2004, p. 103; OPEN SOCIETY INSTITUTE 2005, p. 395; IBROSCHEVA/RAICHEVA-STOVER 2007, p. 228; IBROSCHEVA/RAICHEVA-STOVER 2009, p. 97

²⁸⁶ POPOVA 2004, p. 99; OPEN SOCIETY INSTITUTE 2005, p. 398

biosis between outlets and audience measurement agencies provide opportunities to break the rules of good business. There are still ways to influence editorial policies through funding. In big commercial outlets, influence is mostly economic, while the small are both politically and economically dependent.”²⁸⁷ The fact that the owner of *bTV* is News Corporation became clear after the publication of the first annual financial statement of the Bulgarian company in 2001. In the subsequent years, the financial statements indicated that the company is developing quite well. In 2008, for instance, total revenues accounted for EUR 82 million an increase of almost 7 % against 2007 (see Table 6). The influence of Guergov, however, remained controversial, as he was initially presented as a consultant of *bTV* by its executive director, Albert Parsons. Meanwhile, Balkan News Corporation is continuing to expand. For instance, in October 2006, the company acquired the broadcaster CJ, which operates the local radio stations *NJoy*, *Classic FM* and *Jazz FM*. Balkan News Corporation operates also *GTV* (since 2009 *bTV Comedy*), which offers mostly entertainment content.²⁸⁸ News Corporation operates also two cable programme services – *Fox Life* and *Fox Crime*, which are part of the Fox International Channels Network (see Table 7).

Nova TV was established in 1994 as the first private television broadcaster in Bulgaria. In 2000 the broadcaster was acquired by the Greek company Antenna Group through its subsidiary in Bulgaria, Antenna TV. After multiple attempts, *Nova TV* received a national broadcasting licence in 2003 and became so the second private national television in the country. In 2008 *Nova TV* was acquired by the Swedish Modern Times Group (MTG). MTG also broadcasts a few pay-per-view channels through its affiliated company Viasat World Limited, UK. In 2009 MTG announced that it intends to acquire Diema Vision EAD, which broadcasts *Diema*, *Diema 2*, *Diema Family* and the music channel *MM*, and was to that point jointly operated by MTG and Apace Media Plc. The acquisition was approved by the Competition Protection Commission (CPC) and MTG gained indirect sole control over Diema Vision EAD through its subsidiary Nova Television – First Private Channel EAD. The CPC argued that the concentration would not significantly affect the market, as the position of MTG would not change after acquiring sole control of Diema Vision EAD. The Commission stated that the market share of MTG did not exceed the 25 % threshold and would not increase as result of the acquisition.²⁸⁹ Based on the data presented in Figure 14 the accumulated advertising market share of MTG would account for almost 40 %. Moreover based on the operating revenues of the broadcasters included in the sample of this study, MTG would achieve a revenue share of almost 34 %. News Corporation and MTG possess thus a cumulated advertising market share of approximately 85 %, and a cumulated revenue share of 87 %.

²⁸⁷ IREX 2009, p. 40

²⁸⁸ OPEN SOCIETY INSTITUTE 2008, p. 34

²⁸⁹ NIKOLOVA 2009f



Table 7:
Foreign Ownership in the Bulgarian Broadcasting Industry

Company	Broadcasting Services
News Corporation	bTV
	GTV (bTV Comedy)
	Fox Crime
	Fox Life
	Radio N-Joy
	Classic FM Radio
	Jazz FM Radio
Modern Times Group (MTG)	Nova TV
	Diema
	Diema 2
	Diema Family
	Television MM
Central European Media Enterprises (CME)	Television PRO.BG
	Television Ring BG
	Radio Pro.FM
SBS Broadcasting/ProSiebenSat.1 Media Group	Veselina (Radio & Television)
	The Voice (Radio & Television)
	Radio Vitosha
	Radio Atlantik
Communicorp Group	Radio 1
	Radio 1 Rock
	BG Radio
	Radio Veronika
	Radio NRJ
	Radio Nova
	Radio City
	City TV
Emmis Communications	Radio FM+
	Radio Fresh!
	Star FM

Source: Based on CEM's Public Registry on Bulgarian Broadcasting Media.²⁹⁰

It is also interesting to consider the case of *PRO.BG* (former *TV2*), which is now owned by Central European Media Enterprises (CME). *TV2* appeared on the broadcasting scene in 2007, as it ignored the licensing process and announced that it starts its regular broadcast. The station was supposed to be connected to, but never formally associated to Krasimir Guergov. The operation of *TV2* has been made possible through the combination of a package of telecommunications licenses owned by the company CTN, which allowed it to broadcast on 27

²⁹⁰ The public registry is accessible through CEM's website, <http://www.cem.bg>.

regional frequencies, and a programme licence obtained by TV2 in 2000 from the regulatory authority, NRTC - the predecessor of CEM. By doing this, the broadcasters achieved almost national coverage.²⁹¹ In 2008 CME acquired 80 % interest in two Bulgarian television channels: the *TV2* channel and *Ring TV*, a sports cable channel. In this context the company has stated that it enters a consulting agreement with Krasimir Guergov who will provide expertise and development of the channels and the other properties of CME in Bulgaria.²⁹²

The radio broadcasting market appears to be much less concentrated, but consolidation processes have already started. The main driving force behind them is again the entrance of foreign capital. In the last few years, for instance, international companies such as SBS Broadcasting (ProSiebenSat.1 Media Group), Communicorp Group and Emmis Communications have acquired several radio stations including some of the biggest Bulgarian radio networks (see Table 7).

The contribution of foreign capital to the development of domestic post-communist media landscape has often been described as ambivalent. The presence of large media enterprises such as News Corporation, Modern Times Group, Central European Enterprises and the WAZ-Group is highly controversial. On the one hand, the foreign direct investments in the media market had a positive influence on the development of the Bulgarian media landscape mainly in terms of capital and knowledge supply. On the other hand, the concentration process in the media market poses a major problem suppressing the economic independence and the growth of quality domestic media. As Dimitar Lipovanski of the Association of Bulgarian Broadcasters (ABBRO) notes for the 2008 Media Sustainability Index report on Bulgaria: "The consolidation of the market is practically obliterating regional and local outlets. The state has no clear view of whether it wants local media or not. The EU promotes regions and decentralization. But local media here are economic weaklings, and those that have been around long enough are fed up. Whenever a big player is buying, they readily sell."²⁹³

4.4.4. Programme Framework

The Law on Radio and Television sets some basic principles that should guide all kinds of broadcasters in carrying out their activities:

- guaranteeing the freedom of opinion and expression of opinion;
- guaranteeing the freedom of information;
- protection of the confidentiality of information sources;
- protection of the personal inviolability of the citizens;
- non-admission of programmes suggesting intolerance among citizens;

²⁹¹ OPEN SOCIETY INSTITUTE 2008, p. 34; IBROSHEVA/RAICHEVA-STOVER 2009, p. 102

²⁹² CME 2008

²⁹³ IREX 2008, pp. 29-30



- non-admission of programmes contradicting the good manners, especially if they contain pornography, praising or freeing from blame cruelty or violence or instigate hatred based on racial, sexual, religious or national nature;
- guaranteeing the right to response;
- guaranteeing copyright and other related rights in their broadcasts and programmes;
- preservation of the purity of the Bulgarian language.²⁹⁴

The provisions of the European Directive “Television without Frontiers” on television programmes are codified in Article 10 (2) and (3). Thereafter at least 50 percent of the total annual programme time has to be allocated for European productions and 10 percent of the annual programme time has to be allocated for European productions created by external producers.

The Law on Radio and Television imposes specific obligations on the public, as well as on the commercial broadcasters with the aim to secure the fundamental right of the citizens in receiving impartial and accurate information. For instance, according to LRT, radio and television bear the responsibility of the content of their programmes.²⁹⁵ Furthermore, they are obliged to ensure that the news, as informational facts, is separated from the comments on them.²⁹⁶ Commercial broadcasters, as well as public service broadcasters have to follow the guidelines stipulated in Article 10 (1) LRT, and also to comply the provisions of the EU “Television without Frontiers” Directive.²⁹⁷ Specific programme obligations on each broadcaster are listed in their individual programme license. The regulatory authority, CEM, monitors the compliance of the broadcasters’ programmes with the requirements of both the Law on Radio and Television as and the broadcasters’ licence. Table 8 compares the programme obligations listed in the licenses of the two largest commercial television broadcasters, *bTV* and *Nova TV*, and the public television broadcaster, BNT.

The comparison between the programme obligations in the license of BNT and the two biggest commercial broadcasters demonstrates astonishing similarities. All three broadcasters have similar responsibilities regarding their programme quotas. But more surprisingly is the fact that *bTV* and *Nova TV* have higher quotas than the public broadcaster especially in the fields of news, educational programmes and independent producers’ productions. *Nova TV* has even higher quotas than BNT regarding cultural, scientific and religious programmes, programmes supporting the integration of underprivileged groups and programmes for Bulgarian citizens whose mother tongue is not Bulgarian, which are all areas that normally fall under the remits of a public service broadcaster. These facts set some serious doubts on the public functions of BNT, but also

²⁹⁴ Article 10 (1) of the Law on Radio and Television

²⁹⁵ Article 17 (1) of the Law on Radio and Television

²⁹⁶ Article 17 (6) of the Law on Radio and Television

²⁹⁷ See section 3.3.2 for details on the guidelines.

demonstrate that the commercial broadcasters are trying to fill the gap although they have to act according to the market principles.²⁹⁸

Table 8:
Minimum Programme Requirements
Listed in the Licenses of the Three Largest Broadcasters in Bulgaria

Programme Category	BNT	bTV	Nova TV
News	5,1% daily	7% weekly	6% daily
Information and Commentary	-	12% weekly	-
Current Affairs	16,6% weekly	-	8% weekly
Educational	3,7% weekly	7% weekly	5% weekly
Cultural, Scientific and Religious	4,7% weekly	2% weekly	5% weekly
Children and Youth	7,6% weekly	10% weekly	6% weekly
Integration of Underprivileged Groups	1,8% monthly	1% monthly	2% monthly
Programmes for Bulgarian Citizens whose Mother Tongue is not Bulgarian	0,3% annually	-	0,5% annually
European and Bulgarian Production	74,9% annually	55% annually	65% annually
Own Production	36,7% annually	26% annually	32% annually
Independent Producers' Production	10% annually	13% annually	14% annually
Additional Requirements	News in Turkish	-	-
Additional Services	Teletext	-	Internet

Source: OPEN SOCIETY INSTITUTE 2005, pp. 403-404, DANOV 2007, pp. 11-12 and OGNANOVA 2007, p. 28.

Beyond explicit programme obligations, the Law on Radio and Television requires also the editorial independence of the electronic media and the journalists to be guaranteed.²⁹⁹ For instance, every opinion should be expressed freely.³⁰⁰ The independence of journalists and creative workers from any kind of pressure is guaranteed. According to Article 11 (2) LRT journalists are not allowed to receive any instructions for their activities from persons or groups outside the management bodies of the broadcasting organisation. The journalists are also entitled to refuse the fulfilment of a task contradicting to their personal convictions. Article 11 (5) and (6) regulates the editorial statute between journalists and management bodies. According to the legislative framework the freedom and the personal responsibility of the journalistic, and its ethical norms

²⁹⁸ See also OPEN SOCIETY INSTITUTE 2005, p. 404

²⁹⁹ Article 11 of the Law on Radio and Television

³⁰⁰ Article 11 (2) of the Law on Radio and Television



have to be guaranteed and the ways of decision making have to be established. Furthermore, an internal body for the settlement of disputes regarding the journalistic works on the programs can be established. The agreement upon the editorial statute is not binding and is left to the personal judgement of the contracting parties.³⁰¹

In order to comply with these requirements, *bTV* has adopted internal editorial guidelines ensuring the independence of the news department from the broadcaster's management. This would include the clear separation of the news or other editorial departments from the sales or marketing departments. For instance, *bTV* has implemented an information system for broadcasting management, which does not allow paid or sponsored messages to appear in the news reports, and ensures so the editorial content from advertisements.³⁰² However, such good practices seem to be the exception, rather than the rule. The practical implementation of the provisions stipulated in the Law on Radio and Television appears to be much more difficult. For instance, the contracts between broadcaster's management and journalists often include a clause obliging them to "to carry out any task that might be required of them", which carries hidden potential for violations on journalistic independence. Another important issue is self-censorship. Whereas in public media it seems to be driven by both public and economic interests, in the commercial media economic interests prevail.³⁰³ As Yuliana Tonchenva, a media expert and participant of the panel for the 2009 Media Sustainability Index puts it: "There are ethical standards, but there are also rewards for coverage. There's self-censorship, too, most often driven by business, not political reasons."³⁰⁴

³⁰¹ Article 11 (5) of the Law on Radio and Television

³⁰² OPEN SOCIETY INSTITUTE 2005, pp. 404-405

³⁰³ *Ibid*, p. 400

³⁰⁴ IREX 2009, p. 37

5. Evaluation of the Broadcasting System

After the analysis of the context in which the Bulgarian broadcasting system is embedded, and of its organisational and financial peculiarities, the system can now be evaluated using the theoretical concept introduced in section 2. For this purpose two criteria are going to be considered: the funding structure and the programme output. As a first step the status quo of the system will be estimated. Subsequently changes in the context conditions and in the funding structures as well as their impacts on the system will be evaluated.

5.1. Status Quo of the Bulgarian Broadcasting System

5.1.1. Consideration of the Revenue Structures

For the evaluation of the broadcasting system the annual revenues of the broadcasters are consolidated, as shown in Table 9. In order to correctly estimate the location of each group i.e. public and commercial broadcasters, and of the system as a whole, some of the revenues have to be reallocated, as they can not be considered as pure revenues.

Table 9:
Reallocated Revenues of Main Bulgarian Broadcasters in EUR Million, 2008³⁰⁵

Broadcaster	Budget	Civil Revenues	Reallocated Civil Revenues	State Revenues	Reallocated State Revenues	Commercial Revenues	Reallocated Commercial Revenues
BNR	27,70	0,00	2,10	26,30	22,36	1,40	3,24
BNT	46,30	0,00	3,35	41,90	35,62	4,40	7,33
Total PSB	74,00	0,00	5,46	68,20	57,97	5,80	10,57
bTV	82,00	0,00	3,28	0,00	5,74	82,00	72,98
Nova TV	44,80	0,00	1,79	0,00	3,14	44,80	39,87
Diema	13,90	0,00	0,00	0,00	0,28	13,90	13,62
Fox	5,60	0,00	0,00	0,00	0,11	5,60	5,49
Darik	4,90	0,00	0,10	0,00	0,34	4,90	4,46
Other Commercial	20,50	0,00	0,13	0,00	0,84	20,50	19,53
Total Commercial	171,70	0,00	5,30	0,00	10,45	171,70	155,95
TOTAL	245,70	0,00	10,76	68,20	68,42	177,50	166,52

Source: Author's calculations based on KOPS 2007, p. 37 et seq;
KOPS/KHABYUK 2007, p. 25 et seq.

³⁰⁵ EUR 1 = BGN 1,9558



The revenue structures of the public service broadcasters are considered first. The major share of BNR's and BNT's revenues stems from a direct state subsidy (see also section 4.3.2. of this work). BNR, for instance, received state grants of EUR 26,30 million in 2008, while BNT received a total of EUR 1,90 million as a state subsidy. Additionally, both broadcasters have generated some commercial revenues. In 2008, BNR has generated a total of EUR 1,40 million through commercial revenue sources, while the corresponding figure for BNT is EUR 4,40 million. Revenues from other revenue sources will be neglected, as the reported figures are close to zero and their influence on the location of the broadcasters would be only marginal. Thus, the total revenue of BNR accounts for EUR 27,70 million and that of BNT for EUR 46,30 million. The public broadcasting system has then a budget of total EUR 74,00 million.

The revenue structure of BNR and BNT is quite decisive. The high portion of state revenues suggests that both broadcasters should be located near the state pole, as state revenue forms more than 90 % of the total budget. Of course, there are good reasons to do so. Firstly, the level of the state subsidy is determined by the Ministry of Finance regardless of the programme type – a circumstance that can be easily misused as an instrument to discipline the broadcasters. Secondly, the governance structure of both broadcasters is still highly politicised with CEM appointing and approving the main managerial bodies and is centralised in the hands of the Directors General as the main locus of executive power in the public broadcasters.

BNR and BNT, however, cannot be treated as broadcasters influenced solely by the state and the commercial sector, as improvements in their organisational structures allowing a consideration of the public interest to a certain degree may be observed. Firstly, the annual state subsidy for both broadcasters has to be approved by the Parliament, which is the legitimate representative of society in a democracy. Secondly, the provisions of the Law on Radio and Television regarding BNR and BNT and the requirements set in their programme licences offer a good ground for the provision of programmes, which are in line with the public interest. Thirdly, although the Law on Radio and Television does not regulate the direct civil participation in the structures of BNR and BNT, both broadcasters have made attempts to improve this by establishing Public Councils on their own and giving thus an opportunity for the civil society to exercise a certain influence on the programme output. Lastly, both broadcasters are signatory of the newly established Ethical Code of the Bulgarian Media, which appears to strengthen editorial independence and public interest. For all these four reasons some portion of the state revenues has to be reallocated in favour of the civil society. Its amount, however, can only be approximated. Therefore it is assumed that the influence of these factors would not be significant, as the monitoring of the programme output of the public broadcasters, for example, is still not sufficient, the appointment procedures of members of the respective Public Councils and their responsibilities are only partly transparent and obviously do not affect the sources or the level of funding or the governance structure of the public broadcasters. Additionally, the supervision of the compliance

to the Ethical Code and the implementation of further self-regulating practices are still not sufficiently effective. Therefore a reallocation of 2 % for each of the four points is suggested, so that a total of EUR 5,46 million or 8 % of the state revenues are reallocated to the civil sector.

Additionally, a reallocation of state revenues in favour to the commercial sector is made, as advertising and sponsorship remain the sole alternative funding sources to the public broadcasters and expose them to the forces of the market. To highlight this tendency a total of EUR 4,77 million or 7 % of the total state subsidy is reallocated to the commercial sector. The total amount reallocated to the commercial sector is thus EUR 10,57 million. The resulting revenue structure of the public broadcasters in Bulgaria is shown in Table 9. The corresponding vector for public broadcasting system (BG PSB) is then: (7, 78, 15). These results are illustrated in Figure 15.

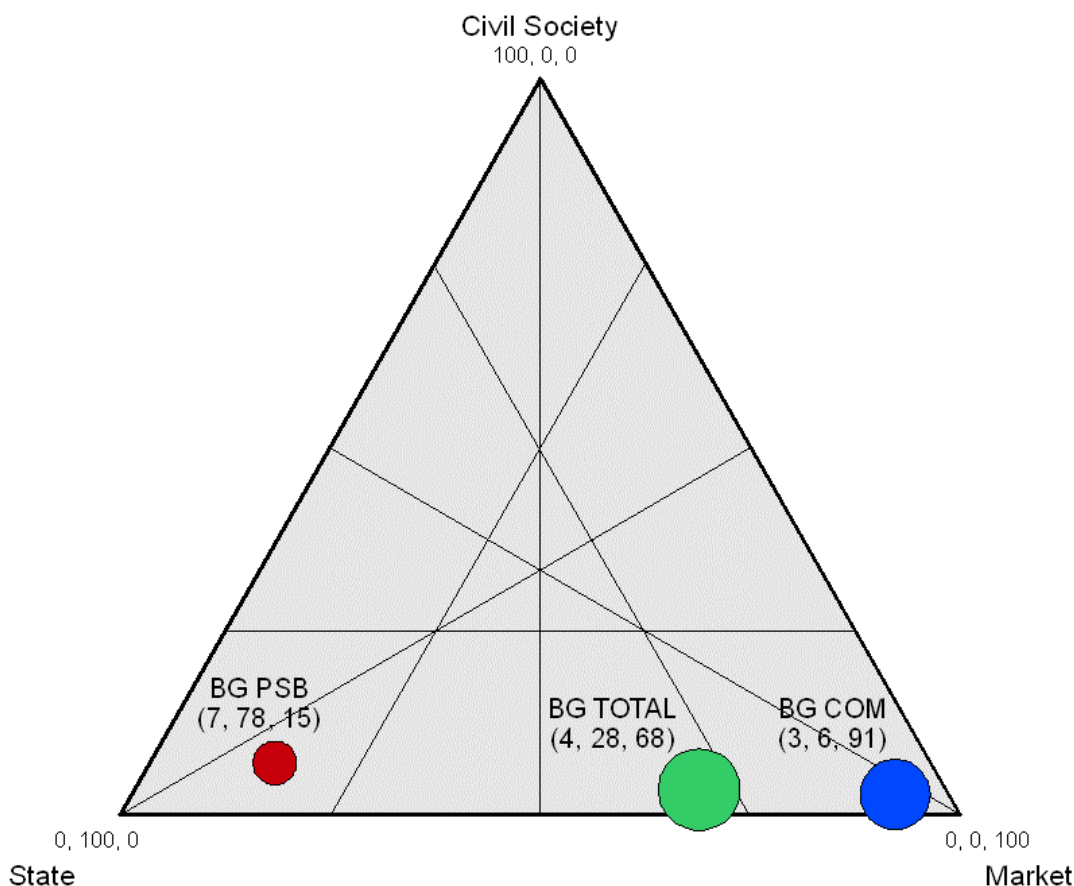
The revenue structure of the commercial broadcasters is considered next. The primary revenue source of the private broadcasters in Bulgaria is advertising. Revenue data for the five largest broadcasters is presented in Table 9. The remaining thirteen commercial broadcasters in the sample are summarised in a category entitled 'other commercial broadcasters'. The revenues of all commercial broadcasters are allocated completely to the market sector, as these have not received any explicit state subsidies or revenues generated through the civil sector. The commercial revenues of the private broadcasters represent then the total budget, which the market sector has at its disposal.

The revenues of the commercial sector, however, should be also subject of reallocation. Because an exact determination of these reallocations is not possible, only rough approximations can be performed. Firstly, private broadcasters are to a certain extent restricted in their activities. In order to start a broadcasting activity, the operators need a programme licence from the CEM, which obliges them to meet some minimum requirements in their programmes. If a broadcaster violates these provisions, then it has to pay fines to the regulatory body or even lose its licence. As shown in section 4.4.4., the provisions set by the licences of the two main broadcasters in Bulgaria, *bTV* and *Nova TV*, are very similar to those of the both public broadcasters and in some cases even more restrictive. Because the programme monitoring system in Bulgaria seems to be not sufficiently efficient, there is a good reason to believe that deviations from these provisions are not only possible, but also very probable. Therefore, the total amount reallocated to the civil sector accounts only of 2 % of the total revenues of these two broadcasters. Another restriction on the operation of private broadcasters in Bulgaria is set by the voluntary Ethic Code for the media. Just as it was suggested for the public broadcasters, a reallocation of further 2 % on total revenues is performed for the broadcasters included in the sample, which are signatory of the Ethical Code. These are *bTV*, *Nova TV*, *Darik Radio*, *BBT*, *TV Evropa*, *Radio FM+* and *7 Dni*. So the corresponding revenues reallocated to civil sector are EUR 3,28 million (or 4 % of the overall budget) for *bTV*, EUR 1,79 million (or 4 % of the overall budget) for *Nova TV*, EUR 0,10 million (or 2 % of the overall budget) for *Darik Radio* and EUR 0,13 million for the re-



maining broadcasters in the category 'other commercial broadcasters' signatory of the Ethical Code. The total revenues reallocated from the commercial to the civil sector accounts then for EUR 5,30 million or 3 % of the total budget of the commercial broadcasters.

Figure 15:
Graphical Exposition of the Reallocated Revenue Structures of
Main Bulgarian Broadcasters by Sector



Source: Author's illustration based on KOPS 2007, pp. 37 et seq and KOPS/KHABYUK 2007, pp. 25 et seq.

Although commercial media outlets do not explicitly receive state revenues, practices of covert state funding have emerged and should be taken into account also (see section 4.4.3. of this work). Because exact figures on these revenues could not be obtained, they can only be estimated. The impact of these funding methods would be not significant, as they concern only part of the commercial broadcasters, are still not widespread and are tied only to specific state projects with limited financial resources. To illustrate these latent political pressures 2 % of the total revenues of all commercial broadcasters or EUR 3,43 million are reallocated to the state sector. Additionally, non monetary state influences should be considered. These refer mainly to the licensing procedures as well as to the behaviour of the regulatory bodies in Bulgaria, which appear to be at least to some extent subject of politicisation and governmental influence. Therefore a total of EUR 7,02 million or 5 % of the revenues of each

commercial broadcaster with licence for analogue terrestrial broadcasting in the sample are reallocated to the state sector.³⁰⁶ Thus, the total revenues reallocated from the commercial broadcasters to the state sector account for EUR 10,45 million or 6 % of the total budget of the commercial broadcasters. The commercial sector (BG COM) receives the vector (3, 6, 91), as illustrated in Figure 15.

According to these revenue reallocations the Bulgarian broadcasting system can be described using the model introduced in section 2.4. The dots in Figure 15 represent the various groups of broadcasters. The size of a dot represents its relative economic size in terms of revenues. The coordinates of each dot defines the estimated location of each broadcasting sector in the 'magic triangle'. The dot entitled BG PSB represents the public broadcasters, the dot BG COM – the commercial broadcasters, and the dot BG TOTAL - the aggregated revenues for the Bulgarian broadcasting system. The whole broadcasting sector has the coordinates (4, 28, 68) and is thus located near the commercial corner. There are influences from the voluntary sector too, but these are relatively slight compared to the state and especially to the commercial influences. Therefore the Bulgarian broadcasting system can be described as 'state influenced commercial broadcasting system'.

5.1.2. Consideration of the Programme Output

If the revenue structures of the broadcasting organisations are considered as input factors and programme content as output, then according to the theoretical framework introduced in section 2, there should be a certain resemblance between revenue and programme output. Firstly, such a consideration could be approached from a statistical point of view.

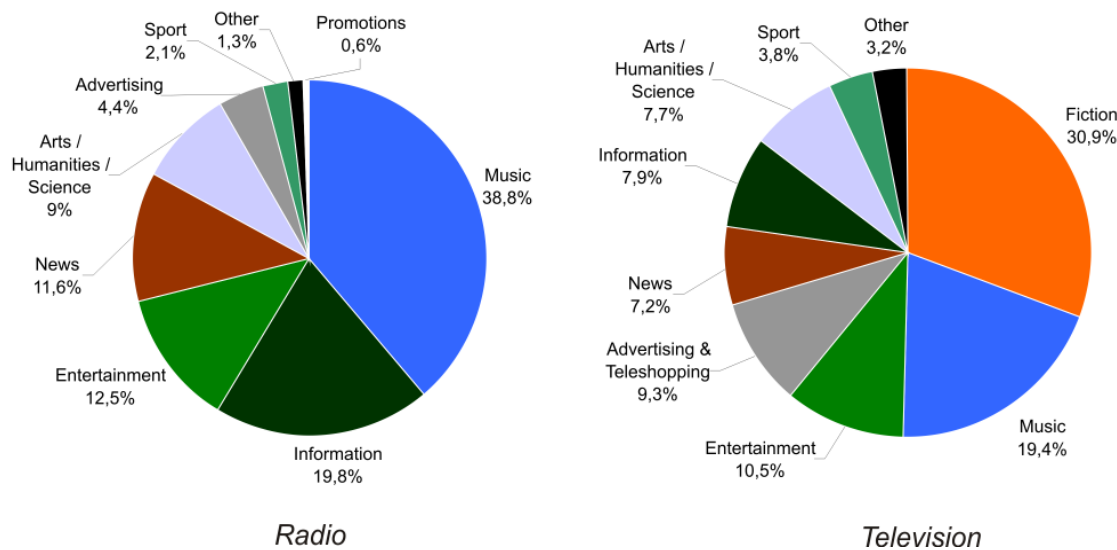
For Bulgaria such approach appears to be problematic, as statistical data on the programming of BNR and BNT as well of the commercial broadcasters is not provided on a regular basis. The National Statistical Institute of the Republic of Bulgaria (NSI), for instance, collects annual statistical data on programme output (in terms of broadcasted hours by genre) for the television and radio sector. In 2008 NSI considered 114 radio operators and 119 television operators with 796.683 hours of radio programming and 747.036 hours of television programming (see Figure 16).

The major part of the programme output of Bulgarian radio and television is formed by genres such as music, fiction and entertainment in general with an aggregated share of 51,3 % for radio and 60,7 % for television. This finding is not surprising, as both sectors are dominated by radio stations with mainstream format and television channels with generalist programming. The data reflects also the general tendency for the provision of more entertainment and less information, which resulted from the far going liberalisation of both markets.

³⁰⁶ These are in particular: *bTV*, *Nova TV*, *Darik*, *BBT*, *GTV* and *PRO.BG*; see Table 5.



Figure 16:
Radio and Television Programme Output in Bulgaria by Genre, 2008³⁰⁷



Source: Author's illustration based on NSI 2009c.

The observed trend is also confirmed by independent structural content analysis of the programmes of the main television broadcasters in Bulgaria. INDZHOV 2005, for instance, observed following development of the programme output of the main broadcasters in the period 1990-2003:

- 1990: High information provision in the programmes of BNT (46 %) in the first year after the fall of the Communist regime with politics as main topic;
- 1996: The share of information on the programme of *BNT1* reduces to 39 %, and is simultaneously differentiated; the information division at *Nova TV* is underdeveloped, the information share is relatively low (26 %);
- 2001: The provision of information on *BNT1* reduced to 37 %, that of *Nova TV* increases up to 32 % and that of *bTV* lies significantly lower at 26 %;
- 2003: Information on *BNT1* reduces further to 36 %, but depoliticisation of the broadcasted content increases; the information provision of the largest private channels remains at relatively low level: *bTV* - 24 %, and *Nova TV* – 18 %.³⁰⁸

At that point of time the programmes of the private broadcasters are already dominated by entertainment features. Late night shows, quizzes and reality shows based on internationally successful formats conquer the prime time and are still dominating it. Although the programming of *BNT1* has experienced some development towards less provision of information, it has been gradually depoliticised, which offers a ground for the introduction of programmes considering to a larger extent the interests of the public.

³⁰⁷ See Appendix, Tables 21 and 22 for a detailed view of the programme output.

³⁰⁸ INDZHOV 2005, pp. 218-219

This general tendency is also confirmed by DANOV 2007, who monitored 150 news entries on *BNT1* and 188 on *bTV* in April 2007. His main findings are:

- almost equal share of the news entries is dedicated to news from the country (outside the capital, Sofia): 11 % for *BNT1* and 14 % for *bTV*, although such requirement is not stipulated in *bTV*'s programme licence;
- clear tendency towards more sensational and popular content of the news; for instance, both broadcasters dedicate significant amount of time to crime reports: 17 % for *BNT1* and 19 % for *bTV*;
- *BNT1* devoted 21 % of its prime time news to domestic politics, while that share for *bTV* was only 11 %;
- similar coverage of topics regarding welfare policies, healthcare, ecology, culture and art with a difference of only 2-3 % in favour of *bTV*.³⁰⁹

The similarities in the news broadcasts of both television broadcasters demonstrate the attempts of BNT to react adequately to the rising competition from the commercial sector. On the other hand, the struggle for commercial revenues could be interpreted as an attempt of the public broadcaster to gain a financial independence from the state. Nevertheless, according to the 2009 Media Sustainability Index report on Bulgaria “the ability of BNR and BNT to reflect the diversity of opinions is making notable progress. The panellists appreciated the non-partisan and pluralistic performance of the public media. Recent developments in public media have resulted in an increased share of socially significant topics and issues of national importance. Programs like “Referendum” and “The Big Read” on BNT are motivating and involving citizens in dialog.”³¹⁰

5.2. The Impact of Digitalisation

The development of the Bulgarian broadcasting landscape at the beginning of the digital age reveals some major trends. The media industry is relatively well-developed and the technological conditions for broadcasting transmission are favourable for the introduction of digital radio and television services. Despite these developments, the regulatory framework for a digital switchover still lacks a sufficient coordination between the specific legal provisions and the relevant authorities. Moreover, the introduction of terrestrial digital broadcasting is being massively politicised and offers fertile ground for conflicts between media lobbies struggling to enforce the various interests they present. Therefore, this section deals with two of the main issues in the transition from analogue to digital broadcasting, namely the improvement of media pluralism and the promotion of public interest. The analysis begins with a discussion of the challenges posed by digitalisation to the old analogue environment, even if it is considered solely as a technical process. Afterwards a review of the regulatory framework for the digital transition in Bulgaria is provided. Finally, the impacts of digitalisation on the status quo of the Bulgarian broadcasting sector are assessed.

³⁰⁹ DANOV 2007, pp. 12-14

³¹⁰ IREX 2009, p. 39



5.2.1. Digital Broadcasting: Changing the Environment

The broadcasting environment is about to change firstly from a technical perspective. The digitalisation process requires, first and foremost, the upgrade of the existing infrastructure of the broadcasters on the one hand, and that of the consumers on the other.³¹¹ In both cases the upgrade of the equipment is very costly and both sides have to bear significant switching costs. Broadcasters, however, are in a favourable position, as they can add value to their service either through better technical quality of the supplied service or simply by supplying more services using less resources in terms of frequencies. For the households, the switching to the new technology seems to incur significant financial investments that they would not take, especially if the need to upgrade the equipment is not obvious and if their purchase power is not sufficiently high, as this is the case at the present moment in Bulgaria. Therefore governments and other public bodies should promote the benefits of digital broadcasting and ensure that the transition from analogue to digital is socially acceptable.³¹²

The second driving force from economic point of view is the increased demand for television programmes and attractive content, as a result of the multiplication in the number of channels.³¹³ The delivery costs in the digital world are no longer an issue, but simultaneously a great number of media outlets are competing for scarce content. This in turn increases the high fixed costs, while the marginal costs are approaching zero. The cost structure typical for broadcasting is thus reinforced by digitalisation. As a consequence the concentration in the market is about to increase.³¹⁴ This poses a great threat on pluralism, as concentration restricts the diversity of media ownership, and therefore potentially the programme diversity.³¹⁵ These developments bear a hidden danger especially to countries like Bulgaria, where the broadcasting market is dominated by a few financially powerful foreign media companies and restrictions on media ownership are extremely lax.

The digital switchover poses a great challenge especially to smaller countries in Europe like Bulgaria, Macedonia or Greece, as their media markets cannot replicate the development of the larger markets in the European Union and are in most of the cases either not or badly regulated. Moreover, smaller countries suffering from political and economic problems face much greater difficulties in implementing EU policies, either because the adopted national policy appears to be inadequate or because of lack of consensus about its practical implementation. In addition, globalisation and EU integration can eventually promote the marginalisation of both production and culture of smaller countries, putting them

³¹¹ MARSDEN/ARIÑO 2005, p. 11; IBROSHEVA/RAICHEVA-STOVER 2009, p. 93

³¹² IOSIFIDIS 2007, pp. 7-8

³¹³ MARSDEN/ARIÑO 2005, p. 12; IBROSHEVA/RAICHEVA-STOVER 2009, p. 94

³¹⁴ MOTTA/POLO 1997, p. 311

³¹⁵ PERUŠKO/POPVIČ 2008, p. 167

at a disadvantage.³¹⁶ In this context the role of public service broadcasting has been accentuated especially in achieving the European Union's basic principles and the objectives fixed in the Lisbon strategy.³¹⁷ As major producers and providers of European and national content and driving force of the digital switch-over, public service broadcasters have to ensure the access to a wide range of quality content for all citizens, and thus to bridge over the digital divide, as well to promote pluralism, freedom of information and expression, and the growth and diversity of creative industries.³¹⁸ The way these challenges are met by the Bulgarian broadcasting system requires the examining of the existing regulatory context for digital broadcasting, which is the focus of the discussion next.

5.2.2. Regulatory Framework for the Digital Switchover

The first attempts to regulate the digital switchover in Bulgaria were made in the late 2005 with the elaboration and adoption of the Strategy for the Development of the Radio and Television Broadcasting by Terrestrial Transmitter. The Strategy identifies digitalisation as main priority for the further development of the broadcasting sector in Bulgaria. The authors, the Council for Electronic Media (CEM) and the Communications Regulation Commission (CRC), defined two stages of the implementation of the Strategy. In the first stage, 2006-2008, a national frequency plan for the introduction of digital terrestrial television broadcasting had to be elaborated.³¹⁹ In the second stage, 2007-2008, pilot projects for digital terrestrial television (DVB-T) and digital terrestrial radio (DAB) had to be developed and introduced in several regions in Bulgaria. Further the conditions for BNT's access to digital broadcasting had to be guaranteed.³²⁰ The Strategy does not cover specific details of the transition to digital broadcasting; moreover it only outlines the general framework for its development.

A more profound basis for the digitalisation process is provided by the Plan for Introducing Digital Terrestrial Television (DVB-T) in the Republic of Bulgaria drafted by the State Agency for Information Technology and Communications (SAITC) in 2006.³²¹ According to the Plan, the transition from analogue to digital broadcasting shall also be scheduled in two phases.³²² The first 'launch' phase, 2008-2010, saw the building of three national multi-frequency networks and twelve regional single-frequency networks. In the second 'transition' phase,

³¹⁶ PAPATHANASSOPULOS 2007, p. 106

³¹⁷ The objectives comprise the creation of the most competitive economy and the development of employment and social cohesion through an economy based on knowledge; see EBU 2004, p. 8.

³¹⁸ EBU 2004, p. 9

³¹⁹ CEM/CRC 2005, p. 7

³²⁰ Ibid, p. 8

³²¹ The SAITC was created in 2005 with the aim to implement the state policy regarding electronic communications and information society. See Law on Electronic Communications, Chapter III for further details on SAITC.

³²² SAITC 2008, pp. 11-13



scheduled for 2010-2012, three new national networks (one of them based on DVB-H technology) and thirteen new regional networks have to be build. According to its schedule all terrestrial analogue broadcasting facilities should be switched off by December 2012. In order to fulfil the second phase, the SAITC mentions that radio frequency spectrum has to be freed by the broadcasters with national coverage. These will have to receive the right to use radio frequency spectrum in the first phase of the digitalisation process. Thus the first three operators of national digital terrestrial networks will be obliged to broadcast their programmes on a 'must carry' principle.³²³ The Plan also specifies steps the state has to undertake in order to support the introduction of digital broadcasting services in Bulgaria.³²⁴ For instance, the state has to elaborate a clear strategy and undertake measures for promoting and advertising digital broadcasting. It should also create reasonable conditions for the provision of consumer equipment at affordable prices and for covering the country with a high-quality signal. The Plan proposes also some amendments of the existing regulatory framework in order to successfully implement digital terrestrial broadcasting.³²⁵ The Plan was adopted by the Council of Ministers in early 2008.³²⁶

In 2007 the National Assembly passed the new Law on Electronic Communications (LEC) replacing the Law on Telecommunications. The LEC regulates all issues regarding the development of digital terrestrial broadcasting. Accordingly, the CEM and the CRC shall cooperate in issuing licences for digital terrestrial broadcasting. The CEM continues to issue programme licences to radio and television operators, while the CRC issues licences for the transmission of electronic communications via digital terrestrial networks. Company, which has received a licence from the CRC, has the right to distribute licensed programmes over digital terrestrial networks. Thus a radio and television operator has to sign a contract with the company holding a frequency licence in order to distribute its programme.³²⁷ Furthermore, the LEC gives the right to CRC to grant licences to radio and television operators for the usage of radio frequency spectrum until new permits for digital transmission are issued.³²⁸ As a result the CEM is no longer responsible for granting licences for analogue broadcasting and these powers are transferred to the CRC, which is a state authority. According to media experts this provision may cause an equal treatment of operators competing in the same market, namely those with programme licences from the CEM and those who have been given the right to operate within an assigned frequency by the CRC. The difference between those two groups is that the first one has to meet certain programme requirements included in their licences, while the second one is not obliged to meet any pre-determined criteria concerning the broadcasted content.³²⁹ Although

³²³ Ibid, p. 13

³²⁴ Ibid, pp. 18-19

³²⁵ Ibid, pp. 19-21

³²⁶ NIKOLOVA 2008b

³²⁷ Article 47 of the Law on Electronic Communications

³²⁸ §5 (2) of the Law on Radio and Television

ria concerning the broadcasted content.³²⁹ Although some 51 members of the National Assembly have appealed to the Constitutional Court of Bulgaria, the controversial provisions have been declared for compatible with the Constitution and remain in force until today.³³⁰

The last piece of legislation governing the digital switchover in Bulgaria is provided by the so called Law on Public Radio Broadcasting (LPRB), published on 19 May 2009 in the State Gazette.³³¹ The LPRB regulates the State participation in the programme distribution of BNR and BNT via digital terrestrial networks.³³² According to Article 2 LPRB the State guarantees the broadcasting of the programmes of BNR and BNT by incorporating a state-owned enterprise, which builds and operates an electronic communications network for digital terrestrial broadcasting. The enterprise, called National Company 'Public Digital Radio Broadcasting', shall receive permission from the CRC for the usage of an individually assigned scarce resource – radio frequency spectrum for electronic communications via network for digital terrestrial broadcasting.³³³ The management of the public enterprise shall include the Minister of Finance, the management board (four members) and the executive director, all to be elected by the President upon a proposal of the Prime Minister.³³⁴ The public company shall be financed through the state budget, income from fees paid by the operators whose programmes are to be broadcasted and income from commercial activities.³³⁵ Thus, BNR and BNT shall pay a fee to the national company for broadcasting of their programmes, which comprises remuneration for covering the maintenance of the network for digital terrestrial broadcasting and a profit in terms of the Corporate Income Tax Act.³³⁶ According to some media experts, the introduction of these provisions by the political majority at that point of time, consisting mainly of BSP and MRF, can be seen as an attempt to maintain control over the digitalisation process and the media in Bulgaria after the parliamentary and EU elections in June 2009.³³⁷ It should be noted that the Bill for the Law has happened without the public discussions or consultations with the ma-

³²⁹ NIKOLOVA 2009b

³³⁰ NIKOLOVA 2009e

³³¹ NIKOLOVA 2009d

³³² Article 1 of the Law on Public Radio Broadcasting

³³³ Article 6 of the Law on Public Radio Broadcasting

³³⁴ The mandate of each of the members of the management board, including the executive director, shall be 6 years and thus exceeding the legislative period of the next government in charge, which is 4 years. See Article 9 and Article 11 of the Law on Public Radio Broadcasting.

³³⁵ Article 20 of the Law on Public Radio Broadcasting

³³⁶ Article 21 of the Law on Public Radio Broadcasting

³³⁷ NIKOLOVA 2009c



major stakeholders, namely the CEM, the CRC, the BNR and the BNT.³³⁸ In addition, during the second reading of the Bill the Parliament has decided unexpectedly to increase the number of the members of the CRC from five to eleven, and then later to reduce it to nine.³³⁹

Although existing legislation attempts to support the development of digital broadcasting in Bulgaria, it has been highly politicised. The politicisation comes either directly from the State, as in the case of the LPRB, or rather indirectly through the CEM and the CRC, as these are not entirely independent from the political conjuncture. As a result the sector suffers severely of this insecurity, as it is rather difficult to anticipate the future development of the regulation framework. This poses great danger for the further development of the public broadcasting system in Bulgaria, as it is still highly dependent from the State, both in terms of funding and administration. The commercial players in the market seem to be in a much favourable position, as they enjoy greater autonomy, are much successful in lobbying for their interests and have the capacity to deal more flexibly with technological issues.³⁴⁰

5.2.3. Impacts on the Status Quo

The key issue to the public broadcasters in Bulgaria in the course of digitalisation refers firstly to the content supplied and the technology in use. As main producers and broadcasters of national content, BNT and BNR could maintain their important role by preserving national cultural heritage and encouraging Bulgarian audio-visual production. Practically, that would require the digitalisation of the archives and creating a database of all archived materials, which is a very costly procedure. Digitalisation can also be seen as a prerequisite to increase BNR's and BNT's transmission time.³⁴¹ For instance, the introduction of thematic channels for national and European productions would significantly improve the quality of public broadcasters' programming and strongly support the national creative industry. Furthermore, BNR and BNT should not remain monopolists in the public service domain. Other broadcasters rooted in the civil society or commercial broadcaster wishing to invest in public service content should also be encouraged, be it through financial means or through eased licensing or organisational procedures. Though, this would require more sophisticated and regular monitoring system than the existing one. Appropriate steps, however, have been not or not sufficiently undertaken, as the digitalisation is constantly in delay due to the lack of clear governmental vision about how to execute the transition or to particular political and economic interests, which influence the process. Although, the management of the national public broad-

³³⁸ For instance, the Bill went from first to second reading in just two weeks and the interested parties had only 72 hours to submit their proposals; see NIKOLOVA 2009c.

³³⁹ NIKOLOVA 2009c and § 6 of the Law on Public Radio Broadcasting

³⁴⁰ SPASSOV 2008, p. 10

³⁴¹ *Ibid*, p. 15

casters, BNR and BNT, has set digitalisation as a key priority and see it not only as a technical process, but also as an opportunity for further development of their programme output, the problems remain rather organisational and stem mainly from the state policy regarding public service broadcasting. The PSB system in Bulgaria is still highly dependent on funding from the state budget and this dependency has even increased, as governments are steadily introducing new ways for political control. Furthermore, market liberalisation is still high on the media policy agenda in Bulgaria, as the market is perceived as a balancing factor preventing the recurrence of a political monopoly.³⁴² The struggle of the Bulgarian public service broadcasters to abolish state interference and to respond adequately to commercial competitors has almost undermined their public mission and weakened their position on the audience market. In a new digital environment with new competitors entering the market, old competitors becoming even stronger and new adequate policy towards state independence absent, this position will become even more marginal putting the existence of the national broadcasters more and more into question.

The digitalisation of the terrestrial broadcasting in Bulgaria will also have deep impacts on the commercial sector. For instance, as proposed by the Plan for Introducing Digital Terrestrial Television (DVB-T) in the Republic of Bulgaria some amendments have been done in the Law on Radio and Television in order to successfully complete the digital transition. Accordingly, the CEM is obliged to issue licences for digital terrestrial broadcasting to operators, who fulfil following conditions:

- Operators possess licenses for radio and television activities with national coverage on the basis of previous tenders;
- Operators transmit their programmes over electronic communication networks for terrestrial analogue radio transmission;
- The Electronic communication networks ensure access to their programmes of at least 50 % of the country's population.³⁴³

These conditions are met firstly by the public television broadcaster BNT, but also by the two largest broadcasters, namely Balkan News Corporation EAD and Nova Television – First Private Channel EAD.³⁴⁴ Moreover, according to § 37a LRT, the operator of a digital terrestrial network for electronic communications is obliged to broadcast also other programmes, which at the start of the first phase are distributed via analogue terrestrial networks and cover at least 50 % of the territory of the country. These provisions can be applied to two further big commercial broadcasters, namely *PRO.BG* (former *TV 2* now owned by Central European Media Enterprises) and *TV 7*, which received licences for nationwide broadcasting in 2009 under highly controversial circumstances. As a result, the newly adopted legislative framework secures the transition of the

³⁴² PERUŠKO/POPVIČ 2008, p. 166; SPASSOV 2008, p. 16

³⁴³ § 37 of the Law on Radio and Television, Transitional and Concluding Provisions of the Law on Amendment and Supplementation of the Law on Radio and Television.

³⁴⁴ NIKOLOVA 2009a



biggest commercial players in the market into the digital age on a 'must carry' principle. Although the present government attempts to amend the relevant legislation, changing the already established media order would be a very difficult task if not even an impossible one. Thus the status quo of the Bulgarian broadcasting system is about to change in a rather negative way with increased state control over public broadcasters, more economic freedom to the largest commercial players on the market and civil society as well as small domestic media outlets excluded from the benefits of digital broadcasting.

5.3. Alternative Funding of Public Service Broadcasting

Considering the disadvantages created by the current funding model of the public service broadcasting system in Bulgaria and the forthcoming negative impacts of digitalisation, following section aims to provide and examine an alternative funding scheme for public broadcasting. By this means the fulfilment of the public remit of the public broadcasters can be optimised. An alternative financing model for the commercial broadcasters can be neglected, as their fundamental goal is not the fulfilment of a public remit, but rather profit maximisation, resulting in broadcasting of attractive programme content. Therefore, their financing model is primarily based on commercial revenues, i.e. advertising and sponsorship in a narrow sense. Admittedly, there is market failure in the provision of certain kind of programme output; the commercial broadcasting system, however, ensures efficiency of the market and takes consumer preferences into consideration. This is a solid argument for the existence of private broadcasters besides the public ones. Following section provides an overview of possible alternative funding sources for the public broadcasters in Bulgaria and analyses the enforcement of the alternative funding model afterwards. Finally an evaluation of the impacts on the status quo is performed.

5.3.1. Alternative Funding Sources

The traditional and perhaps the most appropriate source of funding for public service broadcasting is the broadcasting fee paid by listeners or viewers.³⁴⁵ It exists in many European countries.³⁴⁶ The broadcasting fee is considered either as a fee paid for the reception of public broadcasting services, or as a kind of tax (entirely or partly) allocated to the public service broadcasters.³⁴⁷ Usually the obligation on radio and television households to pay the fee is independent of whether the households actually consume the services of the public broadcasters. This feature of the broadcasting fee distinguishes it from the subscrip-

³⁴⁵ EBU 2000, p. 9; KOPS 2000a, pp. 8-9

³⁴⁶ For instance revenues from broadcasting fee form the major part of the budget of public service broadcasters in Croatia, Czech Republic, France, Germany, Italy, Republic of Macedonia, Romania, Slovakia, Slovenia and United Kingdom; see OPEN SOCIETY INSTITUTE 2005, pp. 169-170 and EUROPEAN AUDIOVISUAL OBSERVATORY 2008, p. 153, p. 51, p. 115, pp. 60-61, p. 184, p. 271 and p. 131.

³⁴⁷ EBU 2000, p. 10

tion fee paid to commercial pay-TV broadcasters, but also from general taxes, e.g. income taxes, as they do not flow directly into the state budget and are usually paid for particular kind of services, i.e. broadcasting programmes.³⁴⁸ The obligation to pay the fee is in most of the cases codified in law, as it represents a mandatory fee.³⁴⁹ The amount payable or at least the criteria and the procedures for setting the amount are often formulated in a law. In some countries, however, the fee is determined by the Parliament, the Government or a particular Ministry. The main criterion in determining the level of the fee is the financial need required for the fulfilment of the public service remit. Therefore the public service broadcasters have to specify as narrowly as possible those needs and estimate the development of other revenue, e.g. commercial revenue, which has to be taken into account. In order to prevent any political pressure on the process of the fee level determination, it is necessary to make the decision-making process as objective and transparent as possible.³⁵⁰ Regarding the collection of the fee there are basically four options:

- by the broadcasters themselves, or by a collecting agency set up by them.³⁵¹
- by public authorities, e.g. tax or media specific authorities;
- by third parties entrusted by the law to perform the task of collecting the fees, e.g. electricity, telecommunications or other utility companies;
- by third parties which received the task after a public tender.³⁵²

The most efficient and objective among these options is the collection by electricity companies especially in countries which do not possess a well developed administration infrastructure. It seems almost impossible to finance the entire fulfilment of the public service remit, as the level of the broadcasting fee has to remain socially acceptable. This holds especially for smaller countries and countries with relatively low per capita income, such as Bulgaria. The revenue from broadcasting fees has also very limited potential to grow, and is in most of the cases very unpopular and politically difficult to implement. Nevertheless the revenue from broadcasting fees is stable and predictable, reduces the dependence on commercial revenues and state allocations and establishes an important link between the public broadcasting organisation and its listeners and viewers.³⁵³

³⁴⁸ KRUSE 2000, pp. 20-22

³⁴⁹ According to the general principle of solidarity, however, there are also cases where no broadcasting or reduced ones have to be paid, e.g. where the annual income of households is below certain amount, or in cases of unemployment, disability or for other social reasons. EBU 2000, p. 11

³⁵⁰ For instance, this could include consultations with the public broadcasting organisations and/or measures to avoid ad hoc decision-making, e.g. through the introduction of an automatic inflation adjustment; see EBU 2000, p. 12.

³⁵¹ For example, the GEZ in Germany is such an organisation; see EBU 2000, p. 12.

³⁵² EBU 2000, pp. 12-13

³⁵³ Ibid, p. 13



Another funding source, which has gained importance recently, is the so called concession fee, i.e. fee paid by commercial broadcasters for their broadcasting licenses and for the use of public resources (frequencies). Such fees are mainly used for financing the independent broadcasting authorities and rarely for funding of public service broadcasting. However, the imposition of this levy on the commercial revenues of private channels for the purpose of funding public broadcasters requires a ban on advertising and sponsorship on their public channels.³⁵⁴ The revenue from concession fees can cover only small part of the public broadcasters' financial needs and is relatively unstable and unpredictable, as it is dependent on the success of commercial competitors. On the other hand, such funding reduces the pressure to maximise audience shares and to serve the preferences of the majority of viewers.³⁵⁵

As none of the suggested funding sources alone would be sufficient to provide the necessary financial resources, it is obvious that mixed funding is the only mean to secure stable funding for the fulfilment of the public service broadcasters' remit. Furthermore, the reliance on particular source of funding creates dangerous dependencies for the public broadcasters. The combination of funding sources can limit the dependencies and establish a funding system that is more robust in a changing environment.³⁵⁶

5.3.2. Enforcement of the Alternative Funding

According to the Law on Radio and Television, public service broadcasting should be funded through a special fund, established exclusively for this purpose.³⁵⁷ The Fund should be managed by a Management Board, whose members are appointed by the Council for Electronic Media (CEM).³⁵⁸ The Board should obligatory comprise a representative of the Ministry of Finance, of the State Agency for Information Technology and Communications, one representative of the public broadcasters and one representative of the commercial broadcasters.³⁵⁹ The CEM would adopt regulations regarding the structure, the activities and the Management Board of the Radio and Television Fund.³⁶⁰ The Council should also appoint the executive director of the Fund.³⁶¹

Revenues for the Radio and Television Fund should be raised from two main sources.³⁶² First, a monthly fee should be paid for receiving radio and television

³⁵⁴ Ibid, p. 14

³⁵⁵ Ibid, p. 15

³⁵⁶ EBU 2000, p. 22

³⁵⁷ Article 98 of the Law on Radio and Television

³⁵⁸ Article 99 (1) of the Law on Radio and Television

³⁵⁹ Article 99 (2) of the Law on Radio and Television

³⁶⁰ Article 99 (3) of the Law on Radio and Television

³⁶¹ Article 101 (1) of the Law on Radio and Television

³⁶² Article 102 (1) of the Law on Radio and Television. Other revenue sources include interests, donations and inheritance.

programmes and collected by the National Electric Company on the basis of every registered electric meter. The mechanism for the fee determination is specified in the Law on Radio and Television. Citizens, for instance, have to pay a fee of 0,6 % of the minimum wage for the country for every registered electric meter.³⁶³ All corporate bodies and individuals, who exercise trade activities, in contrast pay a fee of 2,5 % of the minimum wage for the country for a registered electric meter.³⁶⁴

The second revenue source for Radio and Television Fund should be an initial and annual fee collected by the CEM for the issuance of programme licences and for the registration of cable and satellite broadcasters. The programme licence fees and the registration fees have to be approved by the Council of Ministers upon a proposal by the CEM.³⁶⁵ The tariff for the collection of the annual fees was adopted in 2006. In 2008, the CEM was able to collect a total of BGN 1,3 million (or EUR 0,7 million), which include also fees for the previous two years.³⁶⁶

Even if the collecting of the usage fees is introduced and the fund starts to operate, the state, represented by various state bodies, the government, and the CEM, whose members are appointed through the parliamentary and presidential quota, will have strong influence on its management. This opens opportunities for political interference and poses a great threat on the independence of the public and commercial broadcasters willing to perform public functions. Furthermore, according to various media experts the collecting of the usage fees cannot be implemented as envisaged by the legislative framework mainly for two reasons. Firstly, there is a lack of political will based on the unpopularity of usage fees among the Bulgarian citizens whose purchase power is still relatively low.³⁶⁷ Secondly, there seem to be certain governmental agreements with the IMF regarding the functioning of the currency board, which is still in operation and serves as the most important stabilisation instrument of the economy.³⁶⁸ In the course of further EU integration and of entering the euro zone these hurdles could be overcome, so that a public debate on the adequate funding of the public broadcasters should be initiated.

If the revenue derived from broadcasting and concession fees is not sufficient of the fulfilment of the public service remits, than the public funding through allocations from the state budget could perform a supplementary role. The programme sovereignty of the public service broadcasters has to be guaranteed not only by fixing it in law, but also by establishing an adequate internal organisational structure. For instance, such a structure would include broadcasting

³⁶³ Article 94 (1) of the Law on Radio and Television

³⁶⁴ Article 94 (2) of the Law on Radio and Television

³⁶⁵ Article 102 (6) of the Law on Radio and Television

³⁶⁶ CEM 2009, p. 46; EUR 1 = BGN 1,9558

³⁶⁷ OPEN SOCIETY INSTITUTE 2008, p. 32

³⁶⁸ OPEN SOCIETY INSTITUTE 2005, p. 375



and managing councils, which supervise both the programme output and the financial management of the public broadcasters. The purpose of the councils would be to prevent possible state influence. In this context the composition of the councils should include not only representatives of the government and the governing parties, but also representatives of the oppositional parties.³⁶⁹ Moreover political representatives should not form the majority in the councils, but rather to leave the majority to the representatives of other social groups. The councils should also secure that the public broadcasters are working efficiently and the compensation provided through the public funding does not exceed the financial need for fulfilling the public service remits. Therefore, the public broadcasters have to be a subject of a profound financial control and supervision. For instance, this task could be performed by an independent expert commission, which could estimate the financial needs of the broadcasters and supervise their expenses.³⁷⁰ The internal public and management councils should also be involved in the adoption of the budget of the public broadcasters in order to ensure more public confidence. Besides the audit of the annual accounts by an independent expert commission, the national audit office should also perform additional control on the financial accounts. The various control bodies should perform intensive information exchange in order to secure that all of them have a complete and clear overview.

5.3.3. Impact on the Status Quo

Following section examines two cases of introducing an alternative funding for the public broadcasters in Bulgaria. The first case considers an introduction of the Radio and Television Fund as stipulated by the Law on Radio and Television. The second case considers an ideal solution, which consists not only of the introduction of a broadcasting fee but also of efficient governance and supervisory structures.

Case 1: Introduction of the Radio and Television Fund

The establishment of the Radio and Television Fund foresaw that the payment of the broadcasting fee should be tied to the possession of a registered electric meter and thus paid with the electricity bill. These provisions caused various

³⁶⁹ It is questionable, if representatives of the Parliament should participate in such councils. However, as they are legitimately elected to represent society as a whole, it seems that they should participate.

³⁷⁰ Such structures exist, for instance, in Germany with the Broadcasting Council ("*Rundfunkrat*") securing monitoring independence and diversity in programming, and the Administrative Council ("*Verwaltungsrat*") ensuring the compliance of the public broadcaster's administration and financial management with the regulatory provisions; LIBERTUS 2004, pp. 11-12. The supervision on the financial requirements of the public broadcasters is provided by the Commission for the Assessment of Financial Requirement ("*Kommission zur Ermittlung des Finanzbedarfs*", KEF), which is independent from the state and made up of independent experts; see LIBERTUS 2004, pp. 14-15.

reactions in the public, as most of the households in Bulgaria possess more than one electric meter and often even more electric meters than television sets. If one would assume, however, that a fee should be paid for at least one registered electric meter, than an estimation of the minimum funds could be performed. In 2008, for instance, the minimum wage in Bulgaria was BGN 220 (or EUR 112,5). According to the State Energy and Water Regulatory Commission in Bulgaria there are a total of 3.711.198 private household subscribers to electric power delivering services and 539.258 commercial subscribers.³⁷¹ Thus, the minimum funds that can be collected according to these provisions would be approximately EUR 24,70 million (see Table 10).

Table 10:
Hypothetical Broadcasting Fee Revenues per Electric Power Subscriber, 2008

	Number of Subscribers	Annual Fee Rate in EUR	Annual Fee Revenue in EUR	Annual Fee Revenue in BGN
Household Subscribers	3.711.198	8,10	15.368.108,54	30.056.946,68
Commercial Subscribers	539.258	33,75	9.304.470,19	18.197.682,79
Total	4.250.456		24.672.578,73	48.254.629,47

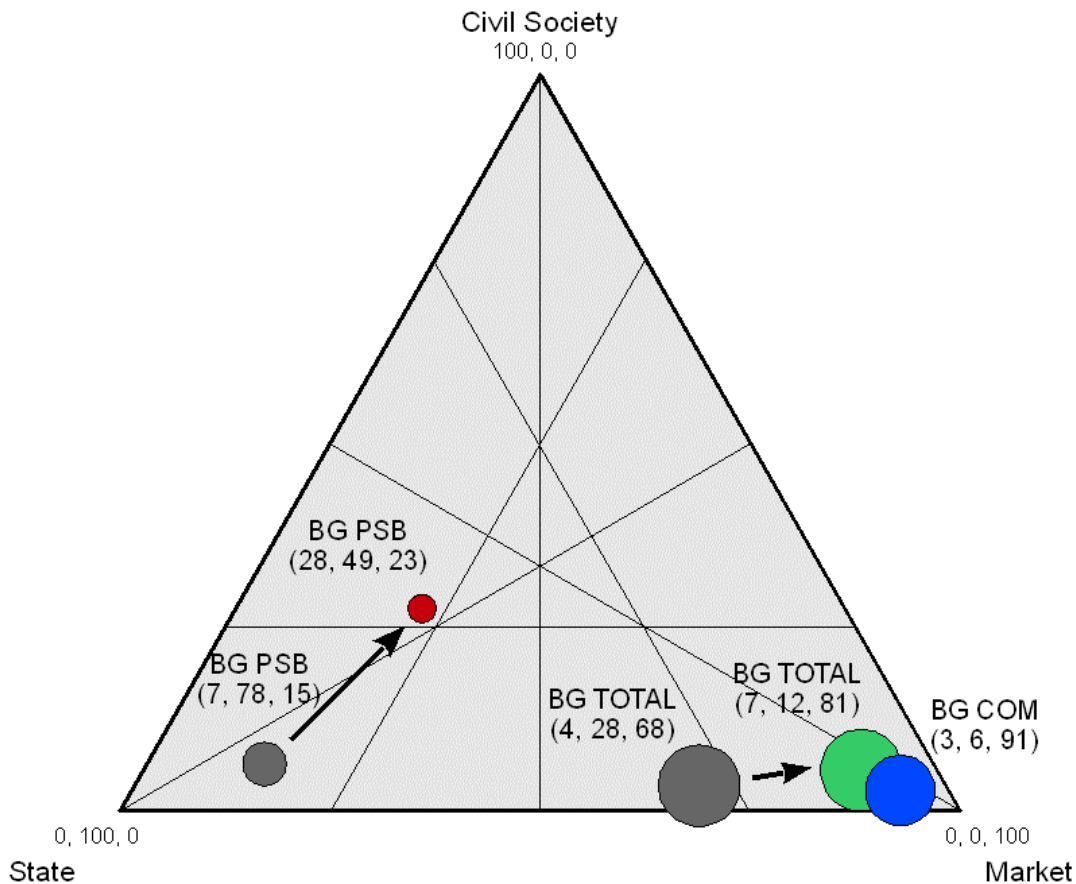
Source: Author's calculations based on SEWRC 2009.

For simplification of the analysis, it is assumed that the revenues from these funds are used for financing the public broadcasting system exclusively. Furthermore based on the provisions regarding the management of the Fund explained in the previous section, it is being assumed that the state influence will not be insignificant and would therefore weight more than the influences of the civil society. These influences, though, cannot be exactly measured and therefore have to be estimated. The reallocation of revenues, which should consider the various influences, could include, for instance, 60 % reallocation of the revenues to the state sector, and 35 % to civil sector and 5 % to the commercial sector. The market sector revenues of the commercial broadcasters remain unchanged (see Table 9). This formulation of the alternative funding has, thus, two important impacts on the status quo. First, the total revenues of the public service broadcasters have been decreased from EUR 74,00 million to EUR 24,70 million, which is difference of EUR 49,30 million. Second, variation of the revenues vectors is performed, which reallocates EUR 8,65 million to the civil sector, EUR 14,82 million to the state sector, and EUR 7,04 million (including the initial commercial revenues of total EUR 5,80 million) to the market sector. The public broadcasting (BG PSB) has thus the vector (28, 49, 23) and the total system (BG TOTAL) – (7, 12, 81) (see Figure 17).

³⁷¹ SEWRC 2009



Figure 17:
Effects of Establishing the Radio and Television Fund



Source: Author's illustration based on KOPS 2007, pp. 37 et seq.

The major consequence of these actions is the repositioning of the public service sector. It has moved from the pure state sector in direction to the civil sector and is now located in the area of the 'NGO influenced state broadcasters'. The volume of the public broadcasting sector, however, is not sufficient to compensate the counterweight of the commercial sector. As a result, the total broadcasting system is repositioned near the market sector and could therefore be described as 'pure commercial broadcasting system'. The total system is, because of this highly unbalanced and can not be rated as an improvement of the status quo. There are two possible regulations that might improve these results.

The first possibility would be to regulate the commercial sector by imposing more constraints on their programmes or by means promoting the civil involvement the operations of the commercial broadcasters. This, however, has some important disadvantages. On the one hand, it would require heavy state interventions in order to establish the required constraints and provisions. Considering the regulation practice in Bulgaria, this could easily result in either overregulation of the market or badly implementation of the provisions mostly because of pressures coming from the market. On the other hand, the market sector would suffer significantly under the loss of efficiency, which is its primary advantage.

The second possible reaction to the observed results could be increase of the broadcasting fee rate combined with change of the organisational structure of the Radio and Television Fund and the public broadcasters as described in the previous section. For the estimation of the required broadcasting fee a reference point could be used. The public broadcasting system in Germany, which is among the most developed in the world, could be used as a reference at this point. This is subject of the analysis in the following second case.

Case 2: Introduction of an Independent Broadcasting Fee System

The broadcasting fee in Germany accounts for EUR 17,98 monthly or EUR 215,76 annually.³⁷² Germany's Gross Domestic Product (GDP) for 2008 is accounted for EUR 2.495.800 million.³⁷³ That of Bulgaria is accounted for EUR 34.118 million.³⁷⁴ In 2008 Germany has approximately 82 million inhabitants, so the GDP per capita could be roughly estimated as:

$$\begin{aligned} & \text{GDP per capita (Germany 2008)} \\ &= \text{GDP/Inhabitants} \\ &= \text{EUR 2.495.800 million/82 million} \\ &= \text{EUR 30.436,6 per capita.} \end{aligned}$$

The GDP per capita for Bulgaria could be estimated accordingly:

$$\begin{aligned} & \text{GDP per capita (Bulgaria 2008)} \\ &= \text{GDP/Inhabitants} \\ &= \text{EUR 34.118 million/7,6 million} \\ &= \text{EUR 4.489,2 per capita.} \end{aligned}$$

The share of the broadcasting of the GDP per capita in Germany is thus:

$$\begin{aligned} & \text{Annual Broadcasting Fee/GDP per capita} \\ &= \text{EUR 215,76/EUR 30.436,6} \\ &= 0,00709 \text{ or } 0,709 \% \end{aligned}$$

The annual broadcasting fee in Bulgaria could be calculated by multiplying Bulgaria's GDP per capita with the share of the broadcasting fee in Germany of Germany's GDP per capita:

$$\begin{aligned} & \text{GDP per capita (Bulgaria) x Share of the Broadcasting Fee in Germany} \\ &= \text{EUR 4.489,2 x 0,00709} \\ &= \text{EUR 31,83} \end{aligned}$$

³⁷² KEF 2009, p. 13

³⁷³ EUROSTAT 2009

³⁷⁴ Ibid



If the annual broadcasting fee in Bulgaria is to be paid by all electric power subscribers equally, which would be a rather pessimistic estimation, than the total revenue from the collection of broadcasting fees could be roughly estimated as:

$$\begin{aligned} & \text{Total Number of Electric Power Subscribers} \times \text{EUR } 31,83 \\ & = 4.250.456 \times \text{EUR } 31,83 \\ & = \text{EUR } 135.292.014,5. \end{aligned}$$

The budget achieved through the collection of broadcasting fees accounts thus for approximately EUR 135,29 million, which exceeds with EUR 61,29 million the budget of BNR and BNT for 2008 (EUR 74,00 million), but is still lower than the total budget of the commercial sector (EUR 171,70 million).

Table 11:
Reallocated Revenues of Main Bulgarian Broadcasters in EUR Million after Introduction of a Broadcasting Fee System

Broadcaster	Budget	Civil Revenues	Reallocated Civil Revenues	State Revenues	Reallocated State Revenues	Commercial Revenues	Reallocated Commercial Revenues
Total PSB	140,95	135,29	90,10	0,00	45,05	5,80	5,80
Total Commercial	171,70	0,00	5,30	0,00	3,43	171,70	162,97
TOTAL	312,65	135,29	95,40	0,00	48,49	177,50	168,77

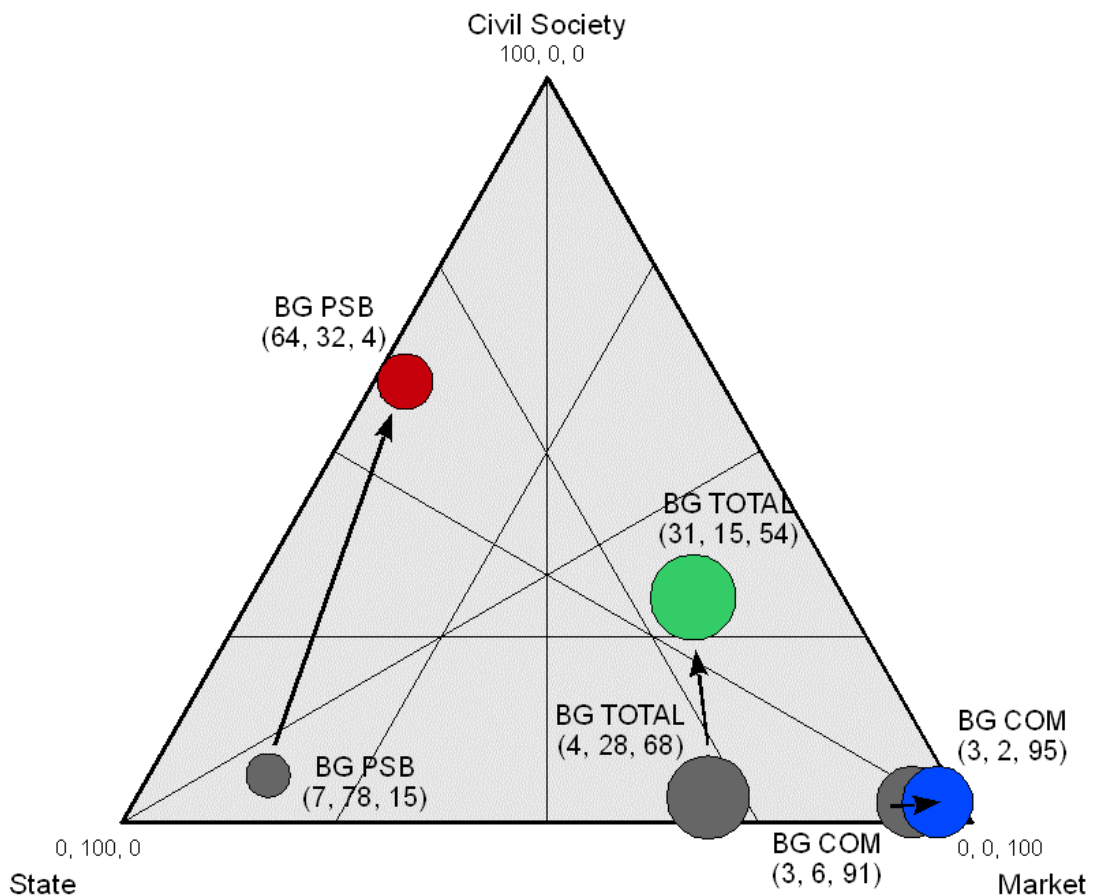
Source: Author's calculations

To demonstrate the impact of such alternative funding on the status quo of the Bulgarian Broadcasting System, a reallocation of the revenues from the collection of broadcasting fees would be required. This is the case, because the state would surely have some influence on the determination of the fee, e.g. by introducing a new law, and on its collection in particular. If, however, the regulations regarding state independence of the organisational structure and the independent accountability of the public service broadcasters are properly implemented, then the civil influence should prevail. Therefore reallocation of one third of the fee revenues to the state sector and two thirds to the voluntary sector is suggested. Furthermore, it could be assumed that the establishment of an independent broadcasting system would soften the commercial incentives for the public broadcasters as well as the state influences on the commercial broadcasters at least regarding licensing. Therefore the commercial revenues of the public broadcasters are set at their initial levels and no further reallocation is made – EUR 1,40 million for BNR and EUR 4,40 million for BNT (or a total of EUR 5,80 million or 4 % of their total budget), while the state revenues of the commercial broadcasters are decreased to EUR 3,43 million or 2 % of their total budget. The commercial revenues of the public broadcasters for 2008 remain

unchanged in the further analysis. The revenue structures are summarised in Table 11.

The effects of the introduction of this funding system can be again twofold. Firstly in this case, the total revenues of the public broadcasting system are much higher than the status quo, which serves now as an appropriate counterbalance to the market commercial sector. Secondly, the reallocations cause also variation of the revenue vector of the public broadcasters, so that the PSB is now located near the civil sector and far from the state pole. As result the public broadcasting system (BG PSB) receives the vector $(64, 32, 4)$, the commercial broadcasting system (BG COM) – $(3, 2, 95)$ and the total system (BG TOTAL) – $(31, 15, 54)$ (see Figure 18).

Figure 18:
Effects of Establishing an Independent Broadcasting Fee System in Bulgaria



Source: Author's illustration based on KOPS 2007, pp. 37 et seq.

The size of the blue dot, which represents the commercial sector, remains unchanged. The initial positions of the public service broadcasters and of the total system are illustrated again as grey dots. Because the revenue generated through broadcasting fee is much higher than the status quo revenue, the budget of the public broadcasting system increases and so does the size of the red dot, which represents their new position within the magic triangle. Conse-



quently, the budget of the whole broadcasting sector represented by the green dot, has increased too. The Bulgarian public broadcasters could now be classified as 'state influenced voluntary broadcasters'. The total system, which has moved away from the market pole, could be viewed as 'NGO influenced commercial broadcasting system'. Although the achieved position is only one of many possible, it could be considered as more satisfactory than the status quo and the results under the regime of the Radio and Television Fund. The total system is now less dependent on both the state and the commercial sector, and additionally involves more fairly the civil society.

The implementation of the presented alternative to the state funding and the Radio and Television Fund would not be easy. On the one hand, it requires strong political will not only for the technical introduction of the broadcasting fee, but also for the definite abolishment of state dependency on the governance structures of both the funding and the programme policy of the public service broadcasters in Bulgaria. Additional solutions to this problem could be considered also. Similar results could be achieved, for instance, by opening the public funds to private broadcasters willing to deliver public value. This, however, as mentioned previously, requires strong regulatory and monitoring practices, which for the moment are not present.

6. Conclusion

The work at hand described, analysed and evaluated the Bulgarian broadcasting system at the dawn of the digitalisation of the frequency spectrum. For this purpose broadcasting was viewed firstly as an economic good, and secondly as a cultural good, which has a profound influence on social life. Three basic institutions for the provision of such goods were identified: the market, the state and the voluntary sector. Each of these possesses advantages and disadvantages that were weighted up when analysing the Bulgarian broadcasting order. Furthermore, broadcasting was considered as an input-output-process, whereby it was assumed that the various types of revenues are the sole influence factor on the programme output of a broadcaster. The interdependence between revenues and programme output, however, is not quite straightforward, as there are some additional factors determining the behaviour of the various agents.

Because a national broadcasting system is embedded in the context of each particular country, various factors - external and internal to the system - had to be taken into account. The first group of factors forms the external context of a broadcasting system and consists of four major types of environmental conditions: socio-political, economic, legal and technical. Especially the socio-political conditions in Bulgaria have proven to be the main hurdle to the democratic development of the country. The political instability due to the longstanding communist regime and the not unproblematic transition period afterwards had a negative impact on the development of civil society. Lack of civil engagement and political will regarding independent broadcasting has prevented the establishing of a balanced broadcasting system. Under these circumstances broadcasting can only be provided by the state and the market. This development is supported by improvements of the economic, legal and technical environment in Bulgaria, which appears to be in great extent favourable for the establishing of mass media markets. The subsequent liberalisation of the broadcasting market, the growth of advertising revenues as well as development of legal framework promoting free media and improvements in the technical infrastructure have encouraged the entrance of big multinational media companies. However, some important issues regarding transparency of media ownership, media concentration as well as regulation, and self-regulation remain unsolved.

The second group of factors influencing the relationship between revenue structures and programme output comprise the organisational and funding structures of the broadcasters in Bulgaria. In a first step the regulatory bodies relevant for the broadcasting sector in Bulgaria were identified and analysed. The most important authority in this context is the Council for Electronic Media (CEM), which is responsible not only for the issuance of programme licences and monitoring of the programme output, but also for the appointment of the management of both public service broadcasters in Bulgaria, Bulgarian National Radio (BNR) and Bulgarian National Television (BNT), and the management of the Radio and Television Fund - the main funding source for BNR and BNT. Although the independence of the CEM appears to be guaranteed by law, in reality it is still dependent on various external pressures. The appointment of its nine members



on basis of a parliamentary and presidential quota and its direct funding from the state budget put it in a dependence on the current political conjuncture. Moreover, such interventions could easily be combined with economic pressures coming from the lobbying efforts of interested parties, as the so far difficult and controversial licensing procedures have demonstrated. The second regulatory authority with importance to broadcasting in Bulgaria is the Communications Regulatory Commission (CRC). Although it is responsible mainly for technical aspects of broadcasting such as the issuance of frequency licences, its powers should not be underestimated. Because CRC is a state authority, it may easily be turned into a short-term instrument for governmental interventions in the broadcasting sector.

These various possibilities for state interventions are backed up by the governance structure of both Bulgarian public broadcasters, BNR and BNT. The operative management of both broadcasters is conducted by Director General appointed by the CEM and Management Board, whose members are proposed by the Director General and then approved by the CEM. This constellation allows the transference of political influence from the regulator to the boards of the public broadcasters. Moreover, the non-existence of a Radio and Television Fund and the current funding of BNR and BNT through direct allocations from the state budget open another possibility for governments to exert control over public media. Nevertheless, some steps towards enhancing civil participation in public broadcasting have been undertaken with both public broadcasters establishing public councils in their organisational structures. These, however, are accompanied by non-transparent nomination and appointment procedures, so that further improvements on this point are required in order to secure the independence of BNR and BNT and to promote the civil engagement in public media.

In contrast to public media, commercial broadcasting appears to enjoy greater freedom and independence. Rising advertising revenues and eased regulatory provisions have promoted the development of strong private media outlets, many of which are owned by financially powerful international media companies. The combination of foreign capital with lax ownership restrictions have set a tendency towards consolidation of both radio and television markets, which ultimately results in a high concentration of revenues. Consequently, smaller domestic broadcasters are to great extent restricted in their financial resources, which has a negative effect on the quality of their programmes and suppresses their economic independence. Therefore the contribution of foreign capital to the domestic media landscape could be described as ambivalent.

These findings allow an evaluation of the broadcasting system in Bulgaria using the revenue-based model introduced in section 2. Because of the high portion of direct state funding of the public broadcasters are located near the state sector. Although there are some influences coming out from the market and civil sector, these are not sufficiently high, so that the public broadcasting system is classified as 'pure state broadcasting system'. The commercial broadcasting system, which receives the major part of the total revenues of the sector, is primarily financed through market sources such as advertising and sponsorship.

Thus it is classified as 'pure commercial broadcasting system'. In total the broadcasting system is located between the state and the market corners with a dominating influence from the commercial sector and therefore could be classified as 'state influenced commercial broadcasting system'. Consideration of the programme output has proven to be highly problematic, as regular, structured and objective data on the output is still lacking. Nevertheless, the existing statistics and analyses confirm the general trend that entertaining as well as fictional and sensational content overwhelms the programme output of Bulgarian broadcasters.

The future development of Bulgarian broadcasting is challenged by the forthcoming digitalisation of the frequency spectrum. Although the digitalisation process offers new opportunities for both public and commercial broadcasters, it is hurdled by the massive interventions of political and economic interests. As result state control over public media is about to increase and large commercial broadcasters seem to be the real beneficiaries of the process in its current design. These developments are expected to put small and civil media outlets at disadvantage, as their access to adequate financial sources and other key resources is further restricted.

Considering the unfavourable status quo and future prospects of Bulgarian broadcasting, it is necessary to develop alternative approaches in organising the sector. One possible way includes more stringent regulations regarding the programme output of commercial broadcasting. This, however, involves heavier state interventions in the market, which could bury its main advantage, namely, efficiency. Another approach could be the designing of an alternative funding scheme for public broadcasting. The most appropriate method for funding public broadcasters appears to be the introduction of a broadcasting fee paid by viewers and listeners. Such funding was foreseen by the Radio and Television Fund in Bulgaria, which is, though, still not functioning. The evaluation of the financial and managerial structures of the Fund reveals that firstly its financial sources would not be sufficient for public broadcasting to serve as counterweight to the commercial sector. Secondly, its governance structure is still relatively high dependent on state and political structures. Therefore an independent funding and governance scheme for public broadcasting could be developed using Germany's PSB system as a benchmark. This would require not only the introduction of a rather high broadcasting fee, but also the establishment of managerial and supervisory bodies consisting of representatives of civil society to greater extent than of state or political representatives. Admittedly, this is a hard and difficult task, which requires strong political will. However, it is not only possible, but also crucial for a country moving towards a developed democracy and defending the principles and values of free and united Europe.

Appendix

Blocking of the Licensing Procedures for Analogue Terrestrial Broadcasting in Bulgaria

In 2002 the Parliament passed amendments of the Law on Radio and Television with dramatic consequences for the licensing procedures. The amendments required from CEM to draft a strategy paper on the development of the broadcasting sector in Bulgaria and to submit it to the Parliament before making any further fundamental decisions regarding the electronic media including licensing.³⁷⁵ In early 2003 the CEM and the CRC adopted the required strategy and submitted it to the Parliament. The Strategy defined two stages in the development of the broadcasting sector. In the first stage (2005-2006), the main tasks included the development of the nationwide television broadcasters with polythematic profiles in order to cover the less populated and border areas of the country, the development of the BNR and the BNT as public service broadcasters and the development of the regional/local broadcasters among others.³⁷⁶ In the second stage (2007-2008), the main tasks included the development of a third private nationwide broadcaster, the development of pilot projects for digital broadcasting and the further development of BNT.³⁷⁷ However, the CEM wasn't able to open a licensing procedure until the end of 2004 because the National Assembly did not put the passing of the Strategy on its agenda and thus paralysed the licensing procedures for more than two years.³⁷⁸

In 2003 further amendments of the Law on Radio and Television were passed introducing the issuing of temporary permissions by the CRC as an interim solution.³⁷⁹ Accordingly, the CRC issued more than 100 temporary telecommunications permits. The broadcasters operating with these temporary licences, however, do not possess programme licences approved by the CEM, which contradicts to the Law on Radio and Television.³⁸⁰ In the early 2006 the analogue licensing procedures were renewed after the adoption of a new strategy for the development of the broadcasting sector, but neither the legislation making bodies nor the CEM took any steps to clear the status of the broadcasters operating with temporary licences. Moreover, the frequencies used by the operators for years were declared for 'available' and were then tendered.³⁸¹ The process did not end positively. The CRC revoked all its decisions on the technical parameters for analogue terrestrial broadcasting for which the CEM had requested in-

³⁷⁵ MILEV 2004, pp. 228-229

³⁷⁶ CEM/CRC 2005, pp. 5-7

³⁷⁷ *Ibid*, p. 8

³⁷⁸ VASSILEVA 2005, p. 11; see also NIKOLOVA 2007.

³⁷⁹ The CEM could only register operators broadcasting via cable or satellite, but could not open a tender for frequency spectrum.

³⁸⁰ OPEN SOCIETY INSTITUTE 2005, p. 366

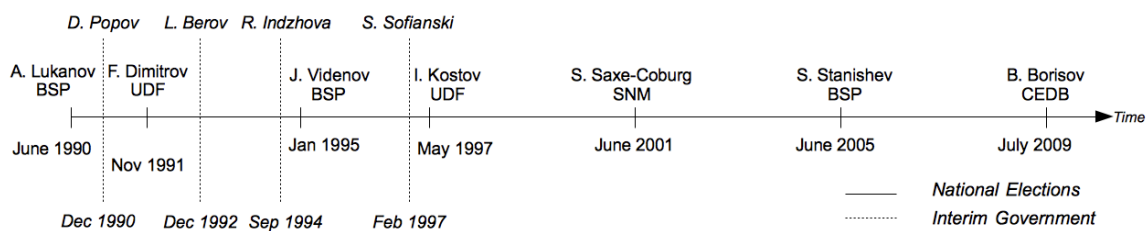
³⁸¹ OPEN SOCIETY INSTITUTE 2008, p. 28



formation, causing a tension between the two regulators and paralysis of the licensing procedures. The CRC's argumentation was that if all available frequencies were used, no frequencies will be left for the digital transition and that contradicts to the agreements from the ITU's 2006 Regional Radiocommunication Conference (RRC-06).³⁸²

At the beginning of 2007 the CEM opened new tenders for regional analogue terrestrial television broadcasting in the three biggest cities of Bulgaria – two in the city of Plovdiv, three in the city of Varna and three in the city of Sofia.³⁸³ The CEM appointed an expert commission to evaluate the tender documentation prepared by the applicants and scheduled a session of the CEM to announce the successful bidders. However, this didn't happen, as the CEM adopted a declaration stating that the CEM will take its final decision after the Council of Ministers has adopted the National Digital Frequency Plan.³⁸⁴ One of the applicants, *TV7*, appealed the declaration of the CEM to the Supreme Administrative Court and the court issued a decision announcing that the declaration of the Council was null and void. The CEM appealed the decision of the court, but the claim was rejected and the previous decision maintained. CEM's final decision regarding the announcement of the successful bidders in the eight tenders for analogue television was then scheduled for 5 February 2008. However, the CEM failed to form the necessary legal quorum and its session was cancelled. On 11 March 2008 the Council terminated the tenders for analogue television, arguing that this is necessary in order to promote the process of digitalisation of broadcasting in Bulgaria.³⁸⁵

Figure 19:
Prime Ministers and Supporting Parties of Bulgarian Governments 1990-2009



Source: Based on RIEDEL 2004, p. 604; CAPITAL 2009, p.16.

³⁸² Ibid, p. 30

³⁸³ NIKOLOVA 2007

³⁸⁴ NIKOLOVA 2008a

³⁸⁵ NIKOLOVA 2008c

Table 12:
Population of Bulgaria, 1998-2008³⁸⁶

Year	Population	Population (% change)
1998	8.230.371	-0,64
1999	8.190.876	-0,48
2000	8.149.468	-0,51
2001	7.891.095	-3,17
2002	7.845.841	-0,57
2003	7.801.273	-0,57
2004	7.761.049	-0,52
2005	7.718.750	-0,55
2006	7.679.290	-0,51
2007	7.640.238	-0,51
2008	7.606.551	-0,44

Source: EUROSTAT 2009

Table 13:
Results of Bulgarian Parliamentary Elections, July 2009

Party	Share of vote (%)	No. of seats
Citizens for European Development of Bulgaria	39,7	116
Bulgarian Socialist Party	17,7	40
Movement for Rights and Freedom	14,5	38
Ataka	9,4	21
Blue Coalition	6,8	15
Law, Justice & Order Party	4,1	10
Parties missing the 4% threshold	7,7	0
Total	100,0	240

Source: CENTRAL ELECTORAL COMMISSION 2009

³⁸⁶ Inhabitants on 31 December of the year in question



Table 14:
Macroeconomic Performance of Bulgarian Economy, 1999-2008

Year	Real GDP growth rate (annual % change)	GDP per capita (EU27=100)	Government debt (% of GDP)	Unemployment (% of labour force)	Inflation rate
1999	2,3	26,9	79,3	n.a.	2,6
2000	5,4	27,8	74,3	16,4	10,3
2001	4,1	29,3	67,3	19,5	7,4
2002	4,5	31,0	53,6	18,2	5,8
2003	5,0	32,5	45,9	13,7	2,3
2004	6,6	33,7	37,9	12,1	6,1
2005	6,2	34,5	29,2	10,1	6,0
2006	6,3	36,5	22,7	9,0	7,4
2007	6,2	37,2	18,2	6,9	7,6
2008	6,0	40,1	14,1	5,6	12,0

Source: EUROSTAT 2009

Table 15:
Structure of Bulgarian Economy (% Share of GVA), 1998-2008

Year	Agriculture	Industry	Services
1998	18,8	31,5	49,7
1999	16,3	28,8	54,9
2000	13,9	30,1	56,0
2001	13,4	29,6	57,0
2002	12,2	28,7	59,1
2003	11,7	29,1	59,2
2004	11,0	29,2	59,8
2005	9,4	29,4	61,2
2006	8,5	30,9	60,6
2007	6,2	32,3	61,5
2008	7,3	30,5	62,2

Source: EUROSTAT 2009

Table 16:
Foreign Direct Investment Flows in Bulgaria (EUR million), 1997-2008

Year	FDI Flows Total	Annual change in %
1997	570,2	
1998	605,1	6,12
1999	866,0	43,12
2000	1.103,3	27,40
2001	903,4	-18,12
2002	980,0	8,47
2003	1.850,5	88,84
2004	2.735,9	47,84
2005	3.152,1	15,21
2006	6.221,6	97,38
2007	8.595,8	38,16
2008 ³⁸⁷	6.549,0	-23,81

Source: BNB 2009

Table 17:
Net vs. Gross Advertising Expenditures in Bulgaria, 2002-2003

Year	Net Total in million EUR	Gross Total in million EUR	Net Total Change in %	Gross Total Change in %
2002	79,63	161,37		
2003	89,72	193,72	12,7	20,0
2004	102,83	210,43	14,6	8,6
2005	137,77	251,28	34,0	19,4
2006	189,40	320,48	37,5	27,5
2007	241,80	429,05	27,7	33,9
2008	264,69	526,91	9,5	22,8

Source: Based on GUERGOV 2009;
IP INTERNATIONAL MARKETING COMMITTEE 2003, p. 301;
IP INTERNATIONAL MARKETING COMMITTEE 2004, p. 309;
IP INTERNATIONAL MARKETING COMMITTEE 2005, p. 96;
IP INTERNATIONAL MARKETING COMMITTEE 2006, p. 104;
IP INTERNATIONAL MARKETING COMMITTEE 2007, p. 107;
IP INTERNATIONAL MARKETING COMMITTEE 2008, p. 103;
IP INTERNATIONAL MARKETING COMMITTEE 2009, p. 115.

³⁸⁷ Preliminary data



Table 18:
Main Commercial Radio Broadcasters in Bulgaria, 2008

Programme	Launch	Distribution	Format
VESELINA	1992	T	Ethnic/Pop Folk
RADIO 1	2003	T	Soft Adult Contemporary
VERONIKA	2007	T	Ethnic/International
DARIK	1993	T	News & Talk
N-JOY	2006	T	Hot Adult Contemporary
VITOSHA	1993	T	Mainstream Contemporary Hit Radio
FRESH	1995	T	Contemporary Hit Radio
NRJ	2005	T	Hot Adult Contemporary
Z-ROCK	2006	T	Rock
FM+	1992	T	Mainstream Adult Contemporary
BG RADIO	2001	T	Bulgarian Music

Source: Based on PREDAVATEL 2009.

Table 19:
Annual Revenues of Main Bulgarian Broadcasters in EUR Thousand,
2007 and 2008³⁸⁸

Company	Services	2007	2008
Balkan News Corporation EAD	bTV	76.749	82.024
Nova Television EAD	NovaTV, Nova+	42.588	44.841
Diema Vision EAD	Diema, Diema 2, Diema Family, MM	6.068	13.884
Fox International Channels Bulgaria EOOD	Fox Life, Fox Crime	3.852	5.637
Darik Radio AD	Darik Radio, Darik TV	3.996	4.893
Balkan Bulgarian Television AD	BBT, Television RS	2.371	4.426
TV 7 EAD	TV7, Super 7	1.979	2.809
Triada Communications EOOD	GTV	1.365	2.480
Radio Veselina EAD	Radio Veselina, The Voice	1.857	2.386
PRO.BG Media EOOD	PRO.BG, PRO.FM	26	1.686
Skat OOD	Skat, Skat+	838	1.314
Television Evropa AD	TV Evropa	981	1.243
M.Sat TV OOD	MSAT	1.029	1.098
Ring TV EAD	Ring TV	850	986
Radio FM+ AD	Radio FM+	1.020	938
Radio 1 OOD	Radio 1	649	713
RE TV EAD	ReTV	0	232
7 Dni TV AD	7 Days	262	216
Total		146.480	171.804

Source: Companies' Financial Statements

³⁸⁸ EUR 1 = BGN 1,9558. AD – Public Limited Company, EAD – One-Person Public Limited Comp., OOD – Private Limited Comp., EOOD – One-Person Private Limited Comp.

Table 20:
Radio Programme Output by Genre in Broadcasted Hours, 2008³⁸⁹

Genre	Programme Hours
News	92.070
Information	78.394
Current Broadcasts	58.380
Infotainment	69.520
Arts and Culture	23.717
Education	12.708
Science	3.241
Religion	2.446
Sport	16.765
Entertainment	30.296
Music	309.121
Children & Youth	28.316
Regional Broadcasts	21.142
Advertising	34.663
Promotions	5.172
Other	10.732
Total	796.683

Source: NSI 2009c

³⁸⁹ Some of the categories presented in Figure 16 were aggregated using the data from Table 20. For instance, for radio the category 'Information' in Figure 16 summarizes the sub-categories 'Information', 'Current Broadcasts' and 'Regional Broadcasts', the category 'Entertainment' – the sub-categories 'Infotainment' and 'Entertainment', and the category 'Arts/Humanities/Science' – the sub-categories 'Arts and Culture', 'Education', 'Science', 'Religion', 'Children and Youth'.



Table 21:
Television Programme Output by Genre in Broadcasted Hours, 2008³⁹⁰

Genre	Programme Hours
News	53.841
Information	22.873
Parliamentary Sessions	851
Infotainment	22.712
Current Broadcasts	25.796
Humanities	6.074
Arts/Sciences	9.746
Education	17.651
Religion	2.657
Sport	28.742
Fiction	230.497
Entertainment	30.798
Music	145.089
Children	14.886
Youth	6.801
Documentaries	25.070
Regional Broadcasts	9.520
Advertising	36.361
Teleshopping	33.475
Other	23.596
Total	747.036

Source: NSI 2009d

³⁹⁰ Some of the categories presented in Figure 16 were aggregated using the data from Table 21. For television the categories were summarised as follows: 'Information' – 'Information', 'Parliamentary Sessions', 'Current Broadcasts', 'Regional Broadcasts'; 'Entertainment' – 'Infotainment', 'Entertainment', 'Documentaries'; 'Arts/Humanities/Science' – 'Humanities', 'Arts & Science', 'Education', 'Religion', 'Children', 'Youth'.

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