

Money Matters

How Independent Media Manage to Survive



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Money Matters

How Independent Media Manage to Survive

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Coordination:

Dr. Christoph Dietz, Catholic Media Council (CAMECO)

A. Sofie Jannusch, CAMECO

Dr. Helmut Osang, DEUTSCHE-WELLE-AKADEMIE

Dr. Frank Habann, University of Mainz

Evelyn Ehrlinspiel, Friedrich-Ebert-Stiftung (FES)

Rosina Esmail, FES

Michael Lingenthal, Konrad-Adenauer-Stiftung (KAS)

Andreas Söntgerath, KAS

Jörgen Klußmann, Protestant Academy of the Rhineland

Dr. Hartmut Ihne, Center for Development Research ZEF

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DEUTSCHE WELLE-
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Department of
Journalism and Mass
Communication
University of Mainz

Friedrich-Ebert-
Stiftung FES

Konrad-Adenauer-
Stiftung KAS

Protestant Academy
of the Rhineland

Center for Development
Research ZEF

Edited by A. Sofie Jannusch (CAMECO)

Editorial Support: Evelyn Ehrlinspiel,
Rosina Esmail (FES)

Photos: Evelyn Ehrlinspiel (FES)
Manfred Lexa

Graphic/Design

Production A. Sofie Jannusch

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EXECUTIVE SUMMARY

Discussions on how to support sustainability of independent media generally focus on the political conditions, the legal framework and – especially in German development cooperation – on the quality of journalistic coverage. Nevertheless, economic factors are of equal importance, not only for pure survival but also with respect to editorial independence and the resources available to enhance or guarantee the quality of media outlets.

The German Forum Medien und Entwicklung (Media and Development) highlighted in its annual international Symposium, “Money Matters – How independent media manage to survive”, two dimensions marking economic sustainability:

- **Factors constituting a restricting or enabling media environment**
- **Factors supporting the business management of media in their endeavour to become self-sustainable**

Irex' Media Sustainability Index

Interdependencies of indicators not clear

The *Irex Media Sustainability Index (MSI)* formulates five objectives as prerequisites for becoming sustainable. Apart from legal and social norms, professional standards, news sources and functioning supporting institutions, it is postulated that “independent media are well managed businesses, allowing editorial independence”. The five key points for the objective business management contain factors, that can be attributed to the business performance of the management: “Media outlets and supporting firms operate as efficient, professional, and profit generating businesses”; and “the ability to tailor products to the needs and interests of audiences”. Others take into consideration external conditions like the existence and conditions of advertising markets, the independence from government subsidies and the availability of market research, broadcast ratings and circulation figures. Based on the results of the recent *MSI*, Mike DeVillier, Development Director of IREX Europe, argues that press freedom and economic sustainability go “pretty well hand in hand”. However, Russia would constitute an important exception. In addition, there is no indication of the inter-dependency of the different objectives; another affirmation to take not only a holistic but also a differentiating approach to the analysis of indicators to measure press freedom – as demanded by the majority of participants at the symposium.

There is, of course, a difference between the U.S. American philosophy of leaving the media entirely to market mechanisms and the European approach of considering public service broadcasting a constituent of democratic societies, safeguarded by fees against purely commercial interests.



From state to public service broadcasting: (Economic) restrictions on the transformation of Radio-Television Afghanistan

Insufficiencies of traditional training concepts

The concepts of Public Service Broadcasting should not be confused with state broadcasters. Carsten von Nahmen describes how difficult the conversion from a state into a public service broadcaster can be. As a member of the *Deutsche Welle Akademie* he participates in a consortium, set up together with the *BBC World Service Trust* and *Canal France International* to reconstruct and reform *Radio-Television Afghanistan* (RTA). Regardless of the security situation, this is a tremendously difficult task to achieve. The experiences in Afghanistan prove the insufficiency of traditional training concepts and the need for a far more comprehensive process to change the regulatory framework, to prepare the top management for change, to restructure the organisation of RTA and to set up proper financial and human resources plans. The gravity of existing problems did not allow him to focus on the economic restrictions on the transformation of RTA, although it is clear that without major economic support the envisaged process cannot be realised.

Success stories

Importance of long-term commitment by donors

To learn more about the efficiency of different business and management models representatives of four media initiatives were invited. They provided a deep insight into the business side of their specific “success stories”. It was surprising to learn about the importance of a long-term commitment of donors – not only with respect to financial support but also to expert advice.

B 92 Serbia: From a banned local radio station to a national media company

Most popular private radio / fastest growing TV station

B 92, founded in 1989 as an experimental oppositional youth radio for Belgrade audiences, was repeatedly banned, closed down, and even taken over by the authorities. The premises were seized and, until 2000, B 92 had to ward off various attempts by the authorities to close it down but finally managed to survive the war and the Milosevic era. Different from many other opposition media in former communist countries B92 did not collapse when the primary reason to exist had gone, finding it impossible to compete in the newly capitalist marketplace. In 2006, B92 can claim to be Serbia’s “fastest-growing nationwide TV station”, the “most popular” private radio station, and “most popular” Internet information and entertainment portal.

Antagonism between commercial success and public service dedication

In first place, B 92 expresses in its mission statement the dedication to high-quality programming and social responsibility. But the statement also implies that, as a commercial organisation, B 92 “plans to establish itself as a sustainable organisation, capable of developing under its own steam in a highly competitive market whose lack of regulation provides additional challenges”. Sasa Mirkovic, one of the founders and presently the Chairman of the Board of Directors, reported on how B 92 managed to transform from a highly subsidised alternative radio into a market competitive company. He, however, also states an antagonism between market orientation/commercial success and public service dedication. He raises the question to which extent independent media are free to develop a “mainstream” content profile in order to survive economically, which might differ from the “high-quality-content aspiration” of their foreign supporters.

Malaysiakini: Business strategies of the oppositional Internet newspaper

Premesh Chandran, the Chief Executive Officer and Co-founder of the Internet newspaper *Malaysiakini* gave an example of how governments restricting press freedom also hinder the media from developing economically.

Malaysiakini offers between 20 to 30 items of news, opinions, editorials, features and let-

Among the 50 Movers and Shakers of the New Economy in Asia

ters per day. Since its launch, the website has become one of the leading sources of independent news and views on Malaysia. It currently reaches approx. 500.000 readers per months. *Malaysiakini* not only received high ranking awards acknowledging their struggle for press freedom but was also identified as one of the “50 Movers and Shakers of the New Economy” (*The Edge*, Dec. 2000) and the “50 Stars of Asia, Asia’s Best and Brightest” (*Business Week*, July 2001). From the beginning, the founders had a strong business orientation in their endeavour to “use the Internet to provide free and fair news to the Malaysian public and to set news standards in journalism as well as to support the development of freedom of speech, social justice and democracy in Malaysia” (mission statement). At the same time, Premesh Chandran questions whether “public service journalism” can be sustained without funding. He can indeed imagine a future with privately owned public service media which might compete for a pool of tax-payer funds, foundation grants, public donations and public-service advertising from the government and civil society. As Sasa Mirkovic he detects an antagonism between high quality content and commercial success: “Good journalism suffers from the free-rider problem – everybody wants it but nobody wants to pay for it.”

Good journalism suffers from free-rider problem

68H Indonesia: Successful market strategies of a radio news agency

68H has been the original seedbed of the independent radio movement which emerged as opposition to the Suharto regime. Since the transition to democracy 68H has become a news agency supplying more than 200 independent stations all over Indonesia with news programmes and reports. Hendra Pasuhuk and Ging Ginanjar, closely associated with the history of the implementation of independent and critical journalism in Indonesia, admitted that at the beginning nobody at 68H thought about production costs, cost control or business plans. “They were all journalists and eager to deliver viable journalistic work. They did not think about marketing activities, brand building or market shares” although their aim right from the start was “to set up a company with a long-term chance of survival”. 68H gives an example of a quite common pattern: The founders of independent media initiatives regularly come from the editorial side, therefore concentrating on the production of quality content. These often charismatic personalities naturally have a tendency to neglect the business part of their undertakings.

Viable journalistic work vs. business orientation

Source of income for rural broadcasters

In the meantime, however, 68H has caught up and is not only making a profit but also opened up a source of income for rural broadcasters.

Radio network CNR Peru: Local radio stations go for national advertising

The Peruvian *Coordinadora Nacional de Radio* (CNR) is a 28-year-old association which links 47 educational radio stations and 29 production centres, located all over the country. The common objective is to use radio communication for citizen participation, local development and the construction of democracy. The association contains local and regional radios with programming in Spanish, in Quechua and in other native languages. Some stations are operating in an urban context, others in rural areas in the Andes or the Amazon region.

Missing audience research outside bigger cities

In order to achieve economic sustainability, CNR created the *Marketing and Advertising Network* in which the marketing and sales representatives of all CNR stations participate. But the acquisition of advertising revealed a structural problem: Advertisers want to know stations’ listener figures – but audience ratings were only investigated in the major cities, while the majority of CNR members broadcast to smaller towns or rural areas. And the CNR members have to face another competitive disadvantage: The main audience of their radios



is constituted by the poor or very poor sectors of the socio-economic rating system, which are not the primary target groups of corporate advertising.

Lifestyle concepts vs. socio-economic rating systems

The CNR *Marketing and Advertising Network* answered with the development of the *lifestyle concept*, analysing the daily context, the beliefs and behaviours of the audience to know and address their target groups more explicitly as well as to meet the advertisers' interests more specifically. Cecilia Valderama, the manager of the advertising agency, stresses how the support of the Dutch Development agency "Free Voice" had a direct impact on the increase of income through the agency. It included training activities in marketing and management, the purchase of satellite receivers for some CNR member stations, the development of a corporate design, the move of the CNR office into the neighbourhood of a major television channel, and the intensification of direct contacts with advertising clients. Despite all this progress, public advertising is still taking the biggest share of the overall income through advertising.

Facilitating/Enhancing environments

The presentations of "success stories" from four countries on three continents focused on aspects in their concepts of business management. But they also experienced restrictions in their political, economic and social environments when trying to become economically self-sustainable.

Characteristics of African media markets

While the CNR radios in Peru had to "create" an advertising market for their member stations, Prof. Guy Berger, Head of Rhodes University School of Journalism and Media Studies in South Africa, comes to the more general conclusion that "African media markets cannot be taken as given, or as if they had only to be 'exploited' or 'tapped into'. They have to be built" – not only with respect to advertising but also among audiences. He cites many examples proving that the existing "markets" are politically rather than economically driven. To develop the media sector, Berger opts for a mix of revenues, taking into consideration the chances in the market, financial subsidies from different sources as well as various forms of cooperation and collaboration, such as joint marketing, content-sharing, research, and purchase of input, development of micro-financing, cheapening of technology utilisation. He confronts the long list of weaknesses in the African media "markets" with a whole bunch of possible interventions to use the existing potential and finally concludes that the prospects are absolutely positive.

African media markets have to be built from scratch

Possible interventions and positive prospects

Media Development and Diversity Agency MDDA South Africa: Supporting Not-for-Profit-Media

One of those interventions is the encouraging example of the South African Media Development and Diversity Agency MDDA. Established as a public private partnership it is funded by both the government and the big media institutions. The MDDA provides support for not-for-profit and small commercial media and aims at making sure that all South Africans have access to the media. The former CEO Libby Lloyd listed among the challenges, how to reach out to the most marginalized, especially to groups within communities often ignored by the traditional media. In less than three years support was provided for over 100 projects across all of South Africa. The MDDA, however, not only looks at the level of licensing and support for single media initiatives but sees an equally important challenge in creating an enabling environment by addressing some major difficulties of small and local media, thus influencing the access to printing capacities, distribution networks, and to advertising.

Public private partnership

Addressing major difficulties of small and local media



RECOMMENDATIONS

RECOMMENDATIONS

As a result of two workshops (for summaries see pp. 73-77) the participants of the symposium adopted the following recommendations, addressed to donors and implementing organisations in the field of media development cooperation:

- Under conditions of limited markets, media development should be an integral part of the general development strategies.
- Donor coordination and transparency should be improved to learn from past experiences and to avoid the duplication of projects.
- A “holistic” approach should be taken, considering both levels – the conditions provided to the media by the environment (i.e. media legislation, advertising markets, training facilities, supportive associations, donors etc.) and the quality of the business management of the single media. In addition, every concept has to be adapted to the specifics of each country (or even region inside a country) and the different media sectors.
- Wherever possible, it should be observed that local capacity building is best supported by the implementation of local financing instruments. Here The South African MDDA gives a best practice example.
- Many media initiatives and networks depend on long-term support – with respect to financial assistance as well as to expert advice. Promotion is not only needed

to improve management and business skills but also to counter the various restrictions in the media’s environments to eventually become self-sustainable.

- Training offers in the fields of general and business management should be extended. In addition to “traditional” training courses, priority should be given to expert counselling and advice on the spot to really take into account the local market capacities. Assistance to the business and financial management is most badly needed in the early phases of new media initiatives.
- Audience research should be extended. The data gained from such surveys provide a basis to better meet the needs of audiences and readers and also give basic information to canvass advertisers.
- Knowledge transfer between the countries of the southern hemisphere should be facilitated. More creativity should be invested to improve this South-South-cooperation.
- Donors should help to build up and strengthen media networks and associations as well as other forms of collaboration. Such cooperation is not only valuable to exchange experiences but also for joint content production, setting up joint advertising agencies, realising market and audience research, offering training and lobbying the state.

Forum Medien und Entwicklung





Economic factors and the IREX Media Sustainability Index

By Mike de Villiers

IREX has been producing the *Media Sustainability Index* (MSI) now for five years. The sixth edition is in the process of being published and will be released at the end of the year 2006. MSI is an attempt to provide a thorough analysis of the independent media, and to allow comparisons over time and across borders. The media is a notoriously difficult thing to measure. The MSI and its methodology is not meant to be a definitive instrument and should be used together with other measures of the media and indicators of press freedom and media professionalism.

Since it was first conceived in 2000, in cooperation with the United States Agency for International Development (USAID), the MSI has evolved into an important benchmark study of the media in 20 countries across Europe and Eurasia.

Significantly, the 2006 MSI includes the countries of the Middle East and Iran for the first time.

5 Objectives

The MSI is based around a panel interview where participants are asked to look at five

"objectives" in shaping a successful media system:

1. Legal and social norms protect and promote free speech and access to public information.
2. Journalism meets professional standards of quality.
3. Multiple News sources provide citizens with reliable and objective news.
4. Independent media are well managed businesses, allowing editorial independence.
5. Supporting institutions function in the professional interest of independent media.

Each category is an important part of what makes up a healthy and independent media which is sustainable and professional. The panel of experts is drawn from representatives of local media, NGOs, professional associations, international donors and media-development implementers. The panelists go through a set of questions and through discussion, provide a scoring and analysis on different aspects of the media.

Scores

What the panels give is opinion and analysis on each objective, and through our metho-



Mike De Villiers is a journalist and programme manager with over 10 years of international experience. From 2000 through 2004, he managed IREX media development programme in Macedonia. Based in Lyon, France, as IREX Europe Development Director, de Villiers is now leading IREX's geographic expansion, and project development in partnership with European governments and agencies, and the European Union.

dology we then translate that into a scoring system for each objective. The scores are between 1-4 and translate as follows:

- **Unsustainable, Anti-Free Press (0 – 1)**
- **Unsustainable, Mixed System (1 – 2)**
- **Near Sustainability (2 - 3)**
- **Sustainable (3 – 4)**

A score is given for each component of an objective, then an average is taken to give a score for that objective.

The average of all the objectives gives an “overall” score for each country or region,

Belarus

An interesting example to look at first is Belarus. The chart shows the average scores for each objective from 2001 through to 2005. Despite the improvements shown in 2002 it shows the steady decline in the media across all the objectives, which reflects President Lukashenko’s increasingly severe restrictions on the media. Along with the scoring a narrative based on the panel interview and quotes from participants are included.

The narrative provides the context for the scoring.

This quote that „you can’t get a license for a TV station unless you are related to a government body” is clearly borne out on the ground. Television is strictly controlled in Belarus. President Lukashenko clearly understands its potential both as a threat to his power and a means to control the information his citizens receive.

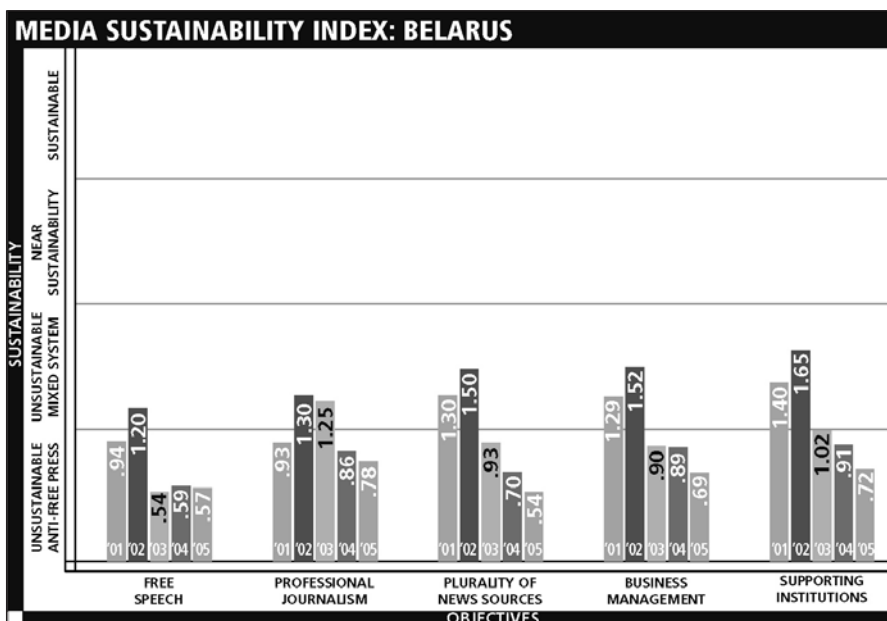
The role of the MSI is to help guide and inform media development strategies. In Belarus the MSI helps illustrate how the legislature and the judiciary are totally controlled by the executive authority of the President. What the MSI helps to show is the need NOW to, as much as possible, retain and sustain what little non-government media remain, and to focus on supporting free speech. The MSI also helps show that should there be a regime change perhaps the most pressing need will be to work on judicial and legal reform, to remove the mechanisms now established by which the state can control the media.

South East Europe

Let’s look at a region now. The MSI allows comparisons within regions. South East Europe has advanced considerably since IREX began the MSI there in 2001. The possibility of EU access and the related need to reform the media has been a powerful motivator. Croatia is clearly the leader in reform, whereas in Albania there has been far less progress. The MSI here gives an indication of the strength of the independent media and the checks and balances in place.

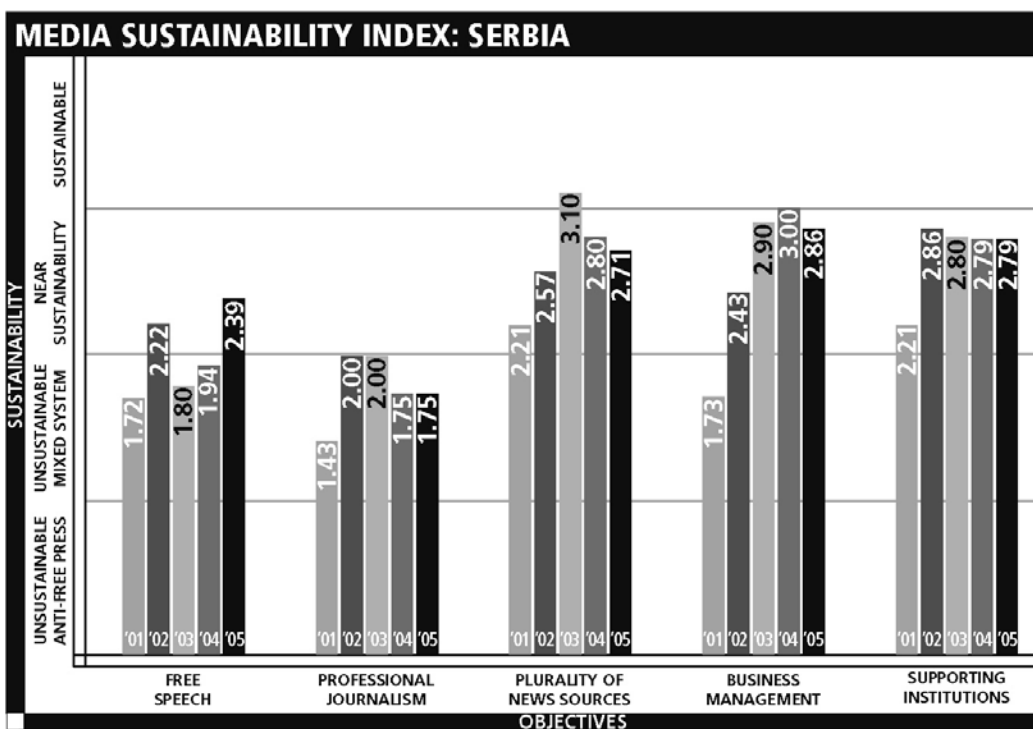
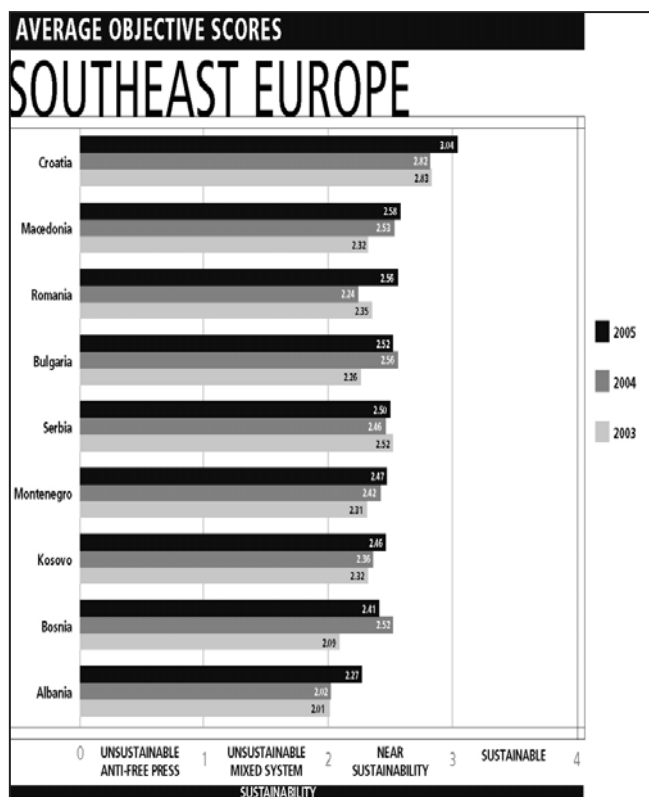
Serbia

This is especially significant where the media was such a dangerous tool in the hands of the likes of Milosevic in Serbia. After Milosevic’s



downfall in October 2000, there has been improvement in the state of the media.

But perhaps not as much as would have been hoped for. In Serbia, free speech has increased significantly, moving from an unsustainable mixed system to near sustainability. But the professionalism of the media remains weak, and remains at an unsustainable level. The plurality of the media and the strength of its supporting institutions remains relatively strong, and this is particularly interesting when compared with Belarus. In Serbia, the plurality of the media and the existence of strong supporting institutions such as the union of journalists, played an important part in the media's role in the downfall of the Milosevic regime. We saw in Belarus that plurality of the media is very weak and becoming weaker, and Lukashenko is targeting the civil society and the NGO sector.



Indicator scoring

Let's turn now more closely to the theme of this seminar and look at how we score for objective 4, "Business Management."

The panelists are asked to discuss a series of key points and give them each a score, then the average of all the points gives the score for this objective.

The key points for business management are:

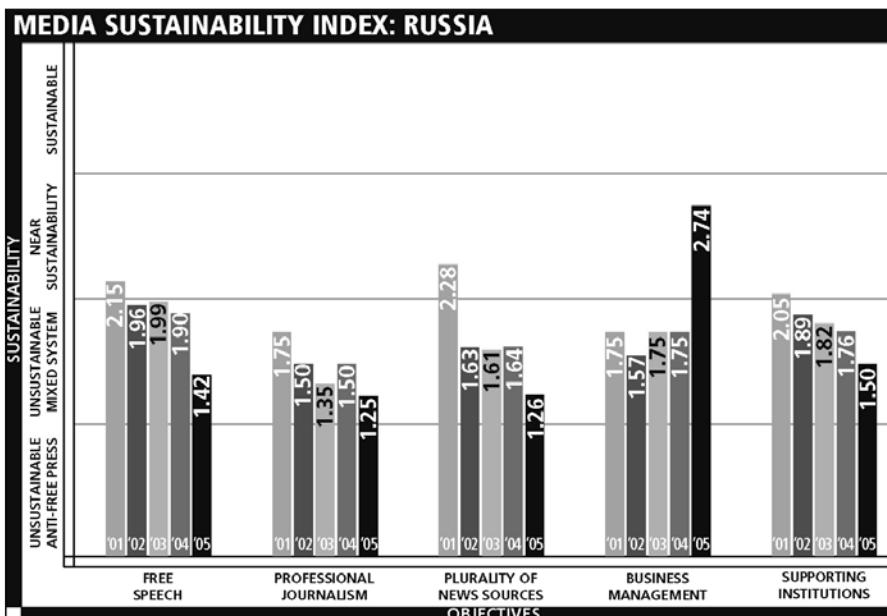
- Media outlets and supporting firms operate as efficient, professional, and profit generating businesses.
- Media receive revenue from a multitude of sources.
- Advertising agencies and related industries support an advertising market.
- Advertising revenue as a percentage of total revenue is in line with accepted standards at commercial outlets.
- Independent media do not receive government subsidies.

• Market research is used to formulate strategic plans, enhance advertising revenue, and tailor products to the needs and interests of audiences.

• Broadcast ratings and circulation figures are reliably and independently produced.

Russia

We can then look at how business management fits-in compared with the other objectives within a country or region. Russia is an interesting example. There has been significant progress in the quality of business management, and it is the highest scoring of all the objectives in 2005. Interestingly while business management has improved, freedom of speech and the professionalism of journalism and in particular the plurality of news sources has declined. This is not a surprising result given the changes in the media and the attacks on civil society within Russia under President Putin. The improvement in business management is likely a reflection of the significant training provided by many media development organizations, including IREX and IREX Europe, over recent years, and also the increasingly modern business culture in Russia.



Business management all countries

Looking at business management in all 20 countries, in 2003, 2004 and 2005, Russia is at number 3 in 2005, near sustainability. Croatia is the only country firmly within sustainability and it's been there for the last 3 years. Bulgaria is regressing which may be a reflection of the high level of corruption there.

At the bottom of the list – both firmly in unsustainable "anti-free press" lie Belarus and Uzbekistan.

One point – comparisons between countries and regions is indicative only and should be

treated as such. Panels vary. One panel may be more critical of its own media than another. But the comparisons are still valid as an indicator of trends and the direction in which a country is going. Obviously it's important to look at significant differences. Russia is significantly ahead of Ukraine and light years ahead of Uzbekistan.

However the difference between Georgia say, and Kosovo is not significant. But the fact that Kosovo is regressing whereas Georgia is progressing is significant.

Business management vs. average

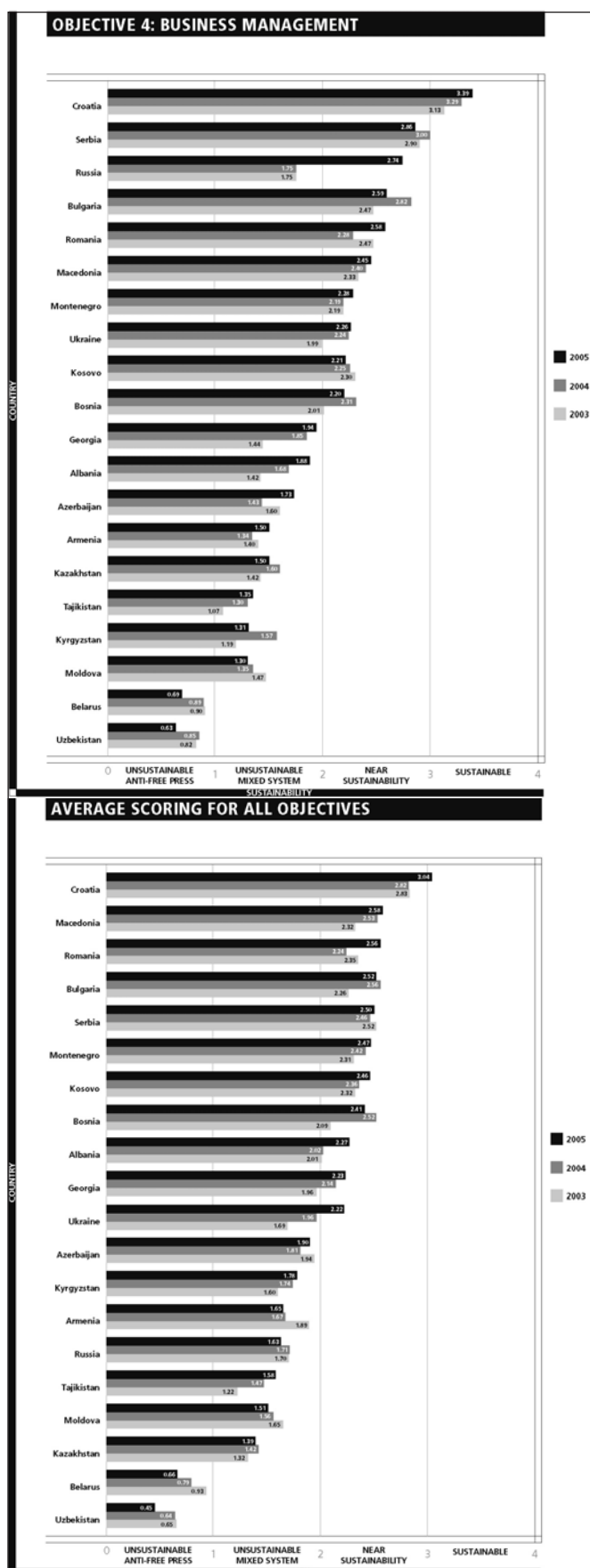
We can compare business management against the average for all countries. Here Russia drops all the way down to 15th. Croatia stays at the top – reflecting the healthiness of all sectors in its media. Belarus and Uzbekistan remain firmly at the bottom, reflecting the unhealthiness of all sectors of their media.

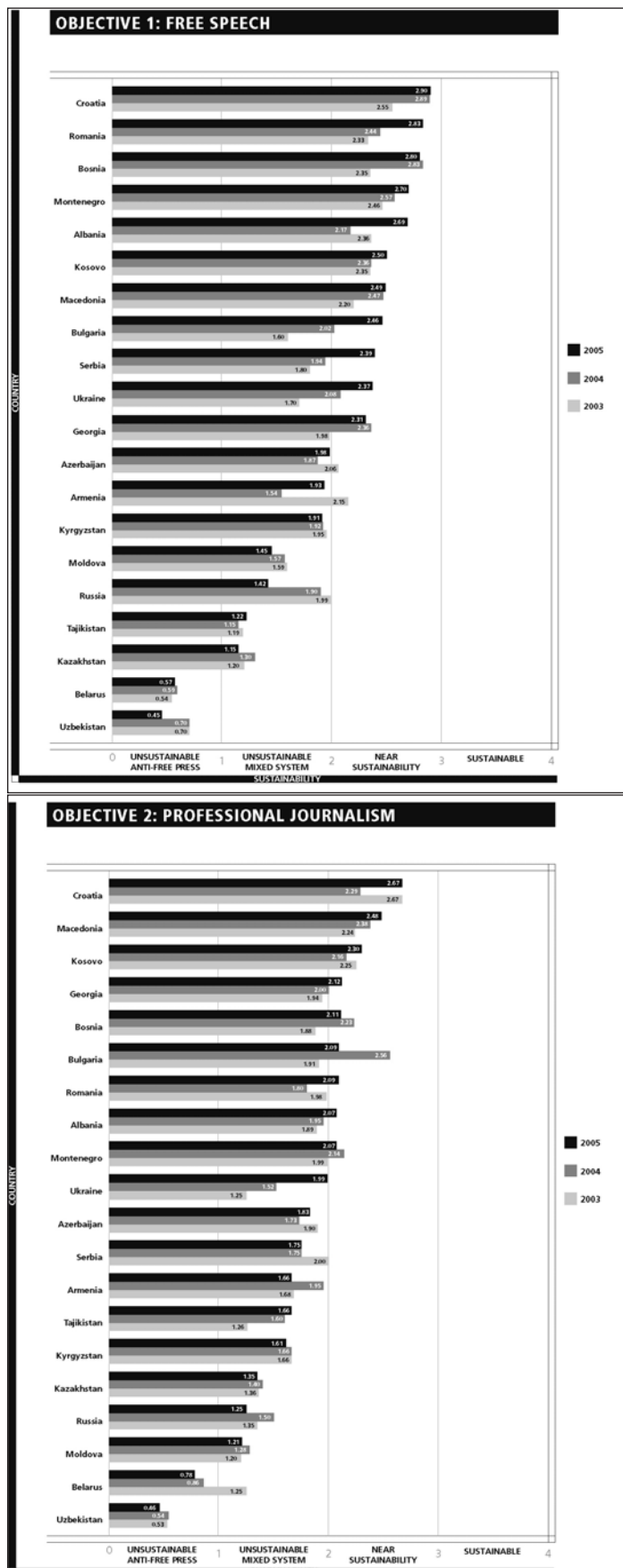
Business management vs. free speech

On the whole when we compare business management and freedom of speech the two go hand in hand pretty well. Russia is the most glaring exception. There are no examples as striking as Russia going in the other direction, Albania shows perhaps the biggest difference with its business management in unsustainable mixed, and its free speech well within near sustainable (see next page).

Business management vs. professionalism journalism

Comparing with professionalism of journalism, Russia drops down again to 17th, ONLY above Belarus and Uzbekistan. A damning indictment of the quality of journalism. Looking at the narrative from 2005, on pro-





professionalism of journalism the panel in Russia agreed : Although there are positive examples of journalists sticking to ethical standards and working professionally at great risk, those standards are too often systematically violated. In particular, Russian media is frequently in the employ of interest groups

Business management vs. plurality of news sources

Looking at plurality of news sources again Russia is the most striking example. In Ukraine too business management is significantly better than plurality, partly a reflection of the continuing control over television by the business and political elite. Serbia and Armenia are interesting too in that they both show regression.

Business management vs. supporting institutions

Looking at supporting institutions such as unions and associations of journalists, broadcast associations, media lawyer networks etc, the bottom four are all moving consistently in the wrong direction: Uzbekistan, Belarus, Armenia and Russia.

Russia at a glance

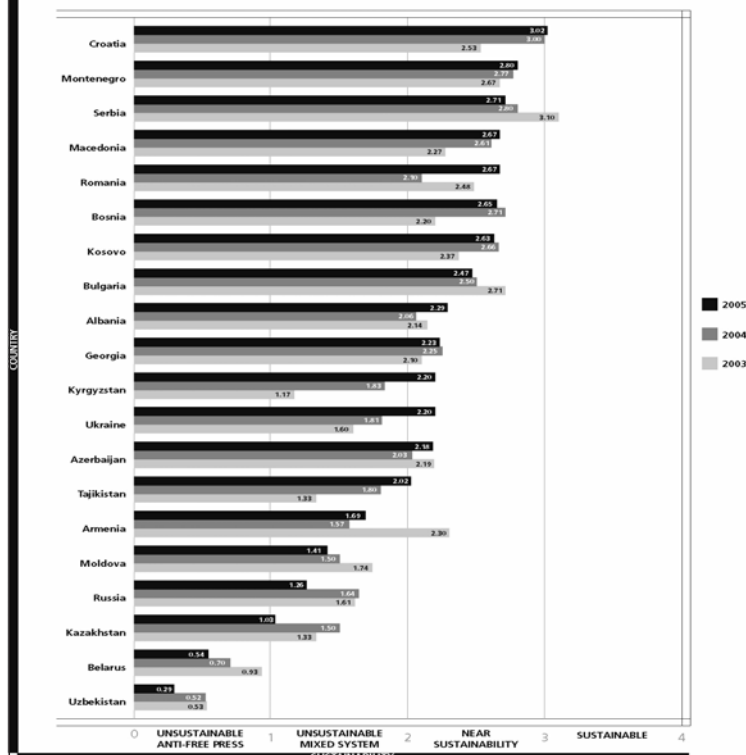
Also within the MSI we include now a quick snapshot of each country or region. As we have been following Russia so closely here is Russia at a glance. We show also the percentage change over time – here since 2001. Russia has shown significantly negative change.

Russia and Western Eurasia region vs. Central Asia

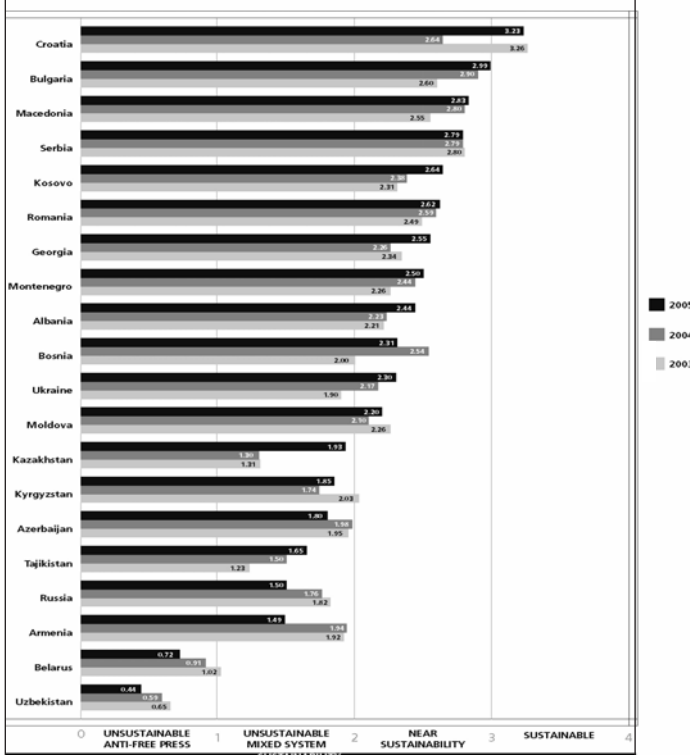
It's possible to also compare regions, and countries within regions. Here it's clear that



OBJECTIVE 3: PLURALITY OF NEWS SOURCES



OBJECTIVE 5: SUPPORTING INSTITUTIONS



COUNTRY FACT SHEET

RUSSIA AT A GLANCE

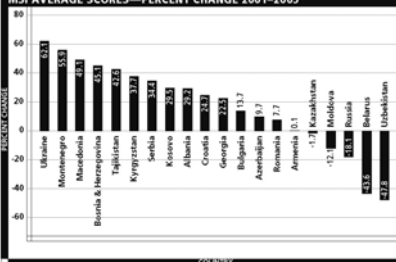
GENERAL

- Population: 143,500,000
Goskomstat
- Capital city: Moscow
- Ethnic groups (% of population): Russian 79.8%, Tatar 3.8%, Ukrainian 2.0%, Bashkir 1.2%, Chuvashi 1.1%
2002 Census
- Religions (% of population): Orthodox 86.5%, Muslim 10%, Armenian-Georgians 0.8%, Pagan 0.5%, Catholic 0.35%, Lutheran 0.3%, Buddhists 0.25%, Jewish 0.15%
Inter-Religion Council of Russia, 2002 Census
- Languages (% of population): Russian 98%
- GDP: 2004: 16,751.5 billion rubles (\$598.27 billion); 2005: 6% growth expected
- Literacy rate (% of population): 99.6%
- President or top authority: President Vladimir Putin
- Next scheduled elections: Presidential 2008, State Duma 2007

MEDIA-SPECIFIC

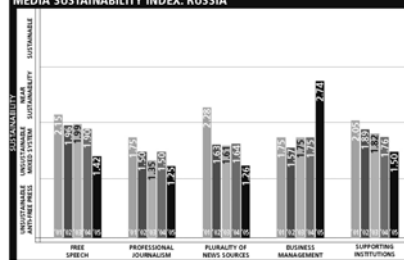
- Newspaper circulation statistics (total circulation and largest paper):
 - Total annual circulation of Russian newspapers: Over 8.5 billion copies
 - Total annual circulation of national newspapers (400): 2.9 billion copies

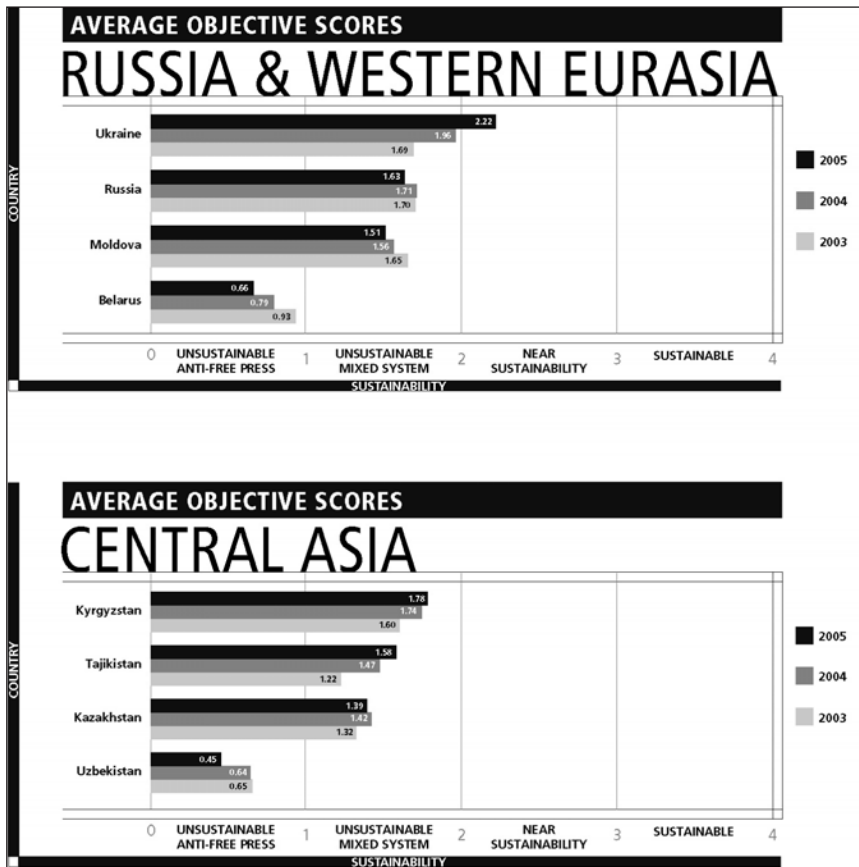
MSI AVERAGE SCORES—PERCENT CHANGE 2001–2005



- Prof Media is the largest publishing house, with 90 newspapers and a total one-time circulation of 6,133 copies. *Federal Agency of Print and Mass Media, 2005*
- Argumenti I fakti national newspaper has the largest circulation, with 3,000,000 copies. *www.mediaguide.ru*
- Broadcast ratings (top three ranked stations): Channel One, Russia, CTC
TNS Gallup Media
- Number of print outlets, radio stations, television stations:
 - 62,971 media outlets: 50,621 print media outlets, including 26,000 newspapers, 16,500 magazines, and 12,350 broadcasting and Internet media
 - 3,720 broadcasting licenses: 1,466 radio and 2,254 television
- Annual advertising revenue in media sector:
 - Media (print, broadcasting, Internet): more than \$6 billion
 - Print: \$1.9 billion (sales copies), \$1.25 billion (advertising). *Federal Agency of Print and Mass Media, 2005*
- Number of Internet users: 20.9 million *Public Opinion Foundation*
- News agencies: ITAR-TASS (state), RIA-Novosti (state), Interfax (private)

MEDIA SUSTAINABILITY INDEX: RUSSIA





the media has made little progress in both regions where the state and criminal business elites exert in a number of cases increasing pressure on the independence of the media.

Iraq

Finally I want to turn to our latest MSI, on Iraq. This was published earlier this year in English and Arabic, with the support of UNESCO. The MSI in Iraq is aimed at providing a benchmark analysis of the state of the media.

As it is the first MSI and because the country is so complex and divided, the panels were regionally based, reviewing the media systems in the North of Iraq and South of Iraq, and Baghdad. The fourth panel was a national panel representing the Iraqi media sector as a whole.

All panelists were Iraqis and all panels were held in Iraq. This initial assessment is to serve as a baseline, and will form a chapter in the larger MSI due to be published at the end of this year of the Middle East and Iran.

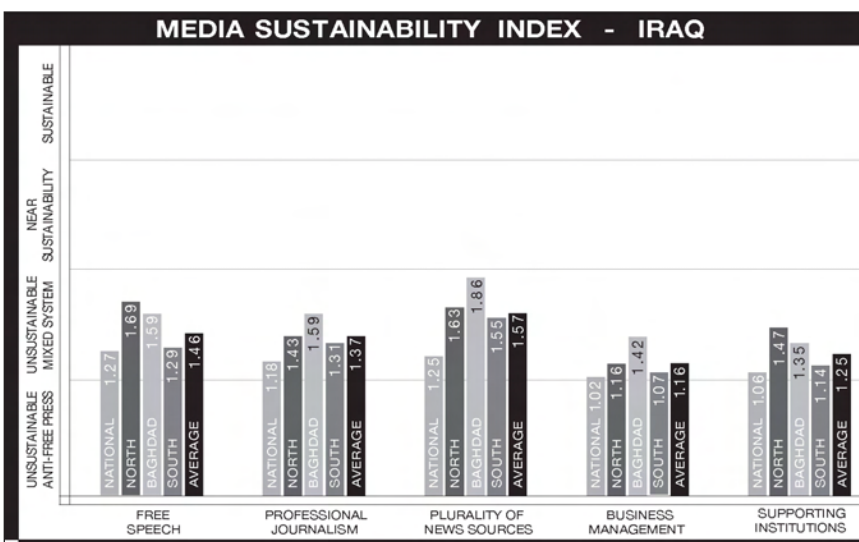
The low scores in all the regions and all the objectives reflect the dismal state of the country and the media. Free speech scores highest in the North and Baghdad. In Baghdad business management scores highest though business management is the lowest scoring objective. And overall Baghdad is the best environment for the media in Iraq, despite the turmoil.

Websites

All the MSIs from 2001 to 2005, as well as the MSI Iraq are available for download and use on our websites:

www.IREX.org and www.Europe.IREX.org

It's important to look at the scores in the context of the narrative.





Characteristics of African media markets

By Prof. Guy Berger



This paper assumes that an overview about African media markets like this is intended for a purpose. That purpose is to highlight obstacles and opportunities for growth in these markets. This indeed is a topical issue, not least because of various initiatives in the wake of the recommendation in the March 2005 Blair Commission for Africa that “Independent media institutions, public service broadcasters, civil society and the private sector, with support from governments, should form a consortium of partners, in Africa and outside, to provide funds and expertise to create an African media development facility.” African media markets and how to develop them is a highly relevant matter.

The insights contained in this paper draw from recent academic research as well as direct personal experience of having been an editor who has also served as business manager on a weekly newspaper in Cape Town. It is also based on insights gained from teaching media management on numerous short courses for Southern Africans in the past decade. Lastly, work by colleagues in the Sol Plaatje Media Leadership Institute at Rhodes University, a facility founded by this author, has also been valuable in contributing to the perspectives herein. At the same time, it must be stated that this paper is to a large

extent impressionistic rather than “scientific”. Further, when the term “Africa” is used below, it designates mainly Anglophone sub-Saharan Africa and more correctly Southern Africa. Of course, even Southern Africa is also very diverse, as is discussed below.

Mapping which markets?

If we take the word “markets” literally, the term refers to the competitive exchange of goods and services, and size and speed are usually important factors. In regard to media, this refers to the whole gamut of transaction relationships that go into the sustained reproduction of a media enterprise. There are very many of these, especially if one includes various services to that enterprise. Thus, African media depend on the exchange of numerous commodities – and the relationships that enable these (i.e. “markets”). Much like those elsewhere in the world, therefore, African media markets can be assessed in regard to:

- Finance (capital markets);
- Facilities (newsprint supply, PCs & software, printing presses, studios, etc);
- Audiences and/or consumers ;
- Advertising, advertorials, sponsorships;
- Promotions and events;
- “Pipes” — frequencies / cables / transmission masts;

Prof. Guy Julian Eliot Gough Berger is Head of School of Journalism and Media Studies Rhodes University, Grahamstown, South Africa. Prof Berger’s commitment as a South African long engaged in democratic media activities has shaped his experiences in journalism and media training. He was jailed as a political prisoner in South Africa (1980-1983), and later forced into exile (1985-1990). He has worked in newspapers, magazines and television, and as a trainer in mainstream and community media. Recognition of his profile has come in him having served as a trustee in many media-related organisations, and in his involvement in the *South African National Editors Forum*.

Called “*sol*” (from “solidarity”), “*gatu*” (from “gratuity”), or most commonly “brown envelope journalism”, this is an all too common feature within African media markets in West and even Eastern Africa

- Points of retail sale;
- Reception devices (eg. Radio sets);
- Skills (editorial, business, legal, accounting);
- Services (eg. Market research, business intelligence, consultancies, training, etc.)
- Editorial content (freelancers; news agencies; syndication arrangements)

It can be acknowledged that progress in some markets can be relatively independent of the state of others. For instance, it is not uncommon in South Africa newspapers to find shrinking audiences and yet increasing advertising. However, on the other side, the interdependent character of many markets also means that problems or limitations in one market can have a major negative impact on prospects in other markets and therefore the media as a whole. For example, it is hard to build the audience market for TV if there are weaknesses in the transmission services or receiver set markets. Thus, a holistic approach is needed if we are to grasp what it takes to develop media as such.

These principles apply to African media no less than to many other countries. However, at the outset it must be stated that the continent in general is very, very far from the 24/7 ubiquitous media commodity exchanges found in Western countries.

There are also many other particularities. One striking one is in regard to the market for editorial content, i.e. the buying and selling of information to go into the media. Such commodity exchange does not exist in many African media outlets in regard to international news. Instead of the commercial purchase of content, there is substantial piracy (intellectual property theft rather than market exchange). This is thanks to the availability of much content on the Internet which is reproduced without permission, acknowledgment or credit.

Also found in Africa, unlike Western countries is a particular character to the markets for content whereby news-makers have to pay for content to appear – in the guise of editorial. This is in the illicit exchange when journalists demand or receive an honorarium from the source in order to cover a particular story. Called “*sol*” (from “solidarity”), “*gatu*” (from “gratuity”), or most commonly “brown envelope journalism”, this is an all too common feature within African media markets in West and even Eastern Africa.

In some countries, such as Angola, a different kind of content market exists (in embryonic cultural form): This is in the attempt by sources to extract money in exchange for information they are being asked for. This amounts to a kind of “cheque book” journalism in extremis, although it is seldom that journalists and media houses in Africa are in a position to pay sources for information. In summary, in some areas, African media bypasses markets and simply plagiarises content; in other areas sources become “markets” for journalists to exploit, and journalists are regarded as “markets” by some sources. Needless to say, such market and non-market relations are not conducive to either credibility or to the development of the wider market for the media. What all this points to are some of the peculiarities of African media markets, which is a theme developed in the next section.

Africa in comparison to developed countries’ markets

Perhaps the major point highlighting the distinctiveness of African media markets concerns the small state of the industry in much of the continent, which contrasts with much else in the world. In advanced media markets, where there is often information/entertainment overload, it is evident that media enterprises tend to “follow the market”. For example, they have to give the



audiences what they want, and also advertisers what they want (i.e. particular kinds of demographics, editorial vehicles and editorial environments). But in Africa, which is so far from being media dense, it is more a case of “build the market” (in the above example, amongst both audiences and advertisers). It is sometimes remarked that no one really knows exactly what audiences in Africa want, not even these people themselves, because there is so little exposure to a range of alternatives out of which preferences can be formed, identified and exploited as a market. In other words, “audiences” as constructs are not something that pre-exists in many African media markets. Much more so than in developed countries, such social classes have to be created from scratch (not just renewed or recreated). And in this quest although there may be major “gaps in the market” (in terms of the sizeable hunger for various content by African publics), the business constraint is whether there are (viable) “markets in the gaps”. The extent of poverty in Africa militates against answering this positively, and there are other factors (such as language, see below) that further make for complexities in developing markets.

A second distinctive point about African media markets is in terms of drivers. According to one theory of Western media economics, the starting point of successful media is (a) appropriate editorial, which then attracts (b) interested audiences, and these in turn enable the enterprise to then secure (c) advertising. In turn, the advertising revenue funds the production of further editorial, so enabling a virtuous circle to revolve. Of course, some people would argue that in practice, the real starting point of much Western media is advertising, not editorial. In other words, that media development in advanced capitalist countries is driven by the potential for advertising growth, which starting point then leads to the production of a tailored media

product that will garner the audience for whom advertisers are searching. The editorial “idea” thus comes second in this scenario. Furthermore, in this model, the customers of most media businesses are not in fact the audience; rather they are commodities that are constructed for sale to the real customers – viz the advertisers.

At any rate, neither interpretation of Western media economics is readily applicable to African media markets. The difference is that most media in Africa starts – and ends – with politics rather than economics. For example, many traditional suppliers of finance, such as banks, are politically scared to lend to private media in Africa because of the potential political sensitivities, plus the possible insecurity of the investment in an enterprise that can be eliminated at the stroke of pen signing a banning order. Some NGO-driven facilities such as the Botswana-based Southern African Media Development Fund (SAMDEF) have come into being to try and fill the gap to an extent. There have also been some investments by the International Finance Corporation (in the unsuccessful TV Africa), and by the Industrial Development Corporation of South Africa (in movies like *Tsotsi*). But the absence of effective markets in capital that could cater to media operations is a major constraint around the continent. The question of media investment markets, however, cannot be separated from the political risks involved.

Politics affects not just capital markets. It even overdetermines the whole economic dynamic in much African media. In developed countries, people often operate media as a means to make money. In Africa, even where there is a dynamic of making money, this is often in order to run media – as a political venture. (This model differs to the Berlusconi one, which combines political and commercial purpose in equal measure!). Thus it can be noted that state-owned media in much of

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In summary, African media markets cannot be taken as given, or as if they have only to be “exploited” or “tapped into”. They have to be built.

Africa is run for political propaganda purposes on behalf of governments, while most private media is run by critical activists of varying hues (some linked to opposition parties). To a limited extent, some media content operates with a development agenda (as distinct from a political agenda, whether democratic or despotic). This is usually on a non-commercial basis (such as through donor or state support). But on the whole, that sector of African media which is run purely for business reasons – i.e. as an investment prospect – is the least common dynamic to be found.

This character gives rise to another difference between African media markets and West European markets. In the latter, state-owned broadcasters are usually run without a commercial dynamic, with much financing deriving from non-market mechanisms, such as licence fees or governmental grants. This is because their rationale is public broadcasting, and indeed there is also a vociferous private broadcast industry that is very hostile to public enterprises competing for revenue in advertising markets. Africa is very different: not only are most state-owned broadcasters “governmental”, rather than “public”, they are also very active in advertising markets. The aim of this is not to make profits for the state, in the sense that a public enterprise might be designed to do; it is mainly to lessen the costs of running a political mouthpiece for the government.

Whereas advertising in Europe tends (with some exceptions) to imply independence of government, and rather dependence on the private sector, this is not the case in many African countries. The excessive commercialism that characterises many African state broadcasters is combined with political control. Public service thus suffers at the expense of both characteristics. Another major point is that much advertising in Africa is done by the state itself, which dynamic lends itself to

enormous political abuse. Both the Namibian and Botswana authorities in recent years have attempted to ban the placing of government advertisements in independent and critical newspapers. This again highlights that African media markets are inextricably tied up with politics, and indeed an environment where media does not always have the luxury of a relative separation between economic and political power.

Although broadcasting around Africa is mainly advertising-financed, this is not the case with much print media. Instead, many newspapers and magazines tend to rely on cover price – i.e. an exchange directly with readers. In addition, most of these sales tend to be street-based, with subscriptions and home deliveries being very low. The result is fragile cash-flows for African newspapers and often a tendency to hype stories in order to achieve street sales. Again, these characteristics are different to those found in advanced Western media markets.

A last point highlighting the difference between African and Western media markets concerns the scale and history of the continent. On the one hand, there is a myriad of local languages which is both an opportunity for niche media, but also a challenge due to smallness of size. The rural dispersion of many residents also makes for a challenge in terms of distribution, even as regards broadcasting signals. On the other hand, there is also a common longing around sub-Saharan Africa towards an “African-ness” which raises the potential – at least amongst middle classes – for transnational media markets (in one of three colonially inherited national languages). For example, stories about Kofi Annan will resonate across most of the continent, due to an identification and aspiration that derives from the pan-African shared experience of racism and colonialism, and resistance thereto. In contrast, European media markets

appear to be far more nationally limited – at least as regards news, culture, sports and language. In addition, Africa is characterised by an enormous diaspora of diverse generations, and this also provides huge market potential (not least at the level of Internet content).

In summary, African media markets cannot be taken as given, or as if they have only to be “exploited” or “tapped into”. They have to be built. They are mainly politically, rather than economically, driven. State-owned media combines this character with being commercial, however. Sales revenue, rather than advertising, is the business model of much print, and African potential markets are both very small (and language-based) as well as potentially pan-African and international.

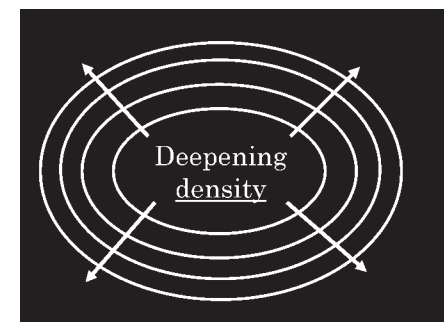
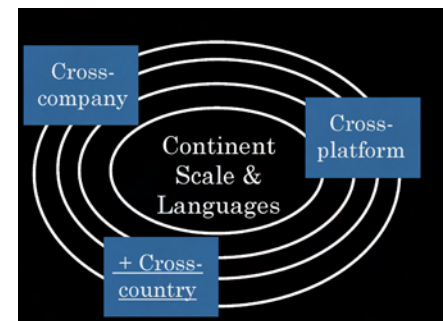
Issues for African Media Development: deepening density

Strengthening and expanding African media markets is part of what can be termed “media development”. The latter phrase intrinsically assumes a particular model of what a “developed” media would look like, and this needs to be surfaced. There are many possibilities: The developed media markets of the USA, the UK and Germany are pretty different. The first country has an overwhelming private broadcast industry based on advertising and subscription, and a fringe public broadcasting system funded by donations; the second has a large private sector but also a large central public broadcaster financed by licence fees (BBC); the third has a mix, and that applies even to its public broadcasting sector which also includes an aggregation of regionally-based broadcasters (ARD).

So what then would or should “media development” mean in Africa? According to Western models of “media development”, the African mediascape would not be developed because it does not match the US model of

a powerful private media, nor the UK model with an independent public broadcaster, etc. Should Africa aspire to one of these versions – perhaps look to “developed” status in a more Africa-centred sense: what would it mean for African media to grow and play a greater part in the lives of Africans? Would this latter approach not, probably, require us to look at community media alongside private (i.e. capitalist) and public media – i.e. a sector of media which, in theory at least, should not be tied to a state with the incumbent risks of political control, but which also does not depend on generating profits (which would curtail media enterprises to being urban-based and middle-class focused)? Community media is also mainly a local platform, providing for local languages and participation, with rationale that both competes with, but also complements, private and public media.

In this light, African media development would include interventions that help community media start and be sustained alongside a state-owned sector that has been transformed into public media, and also a pluralistic private media sector. Such a totality thus means a different model to those in the West. This is an important elaboration of what one might then mean in talking about deepening media density in Africa – a precondition, incidentally, for promoting the Information Society on the continent. All this of course is not to idealise the mediascape as if the three sectors (community, public, private-commercial) are, or should be, all mutually exclusive. For instance, public service obligations are often spread – in varying degrees – across all sectors, not just the public media sector. Commercial aspects may also characterise all sectors (in appropriately varying degrees, hopefully), not just the private one. However, what we are talking about are differences in emphases within an overall media reality working towards its development in diverse African conditions.





Puzzle:

- Does supply side drive demand, or vice versa?
- Where should we concentrate energies?

Within this perspective, a strong case can be made that the imperative for Africa is media quantity rather than quality. Of course, even quantity, as discussed below, must entail a minimum of quality in order for it to find sustainable consumers. In addition, the propaganda “quality” of government broadcasting – the biggest medium in the continent – is a great obstacle for any kind of development. More government media is not required. However, the quantity argument is that more of other kinds of media – in the sense of pluralism – means the prospect of enabling greater competition and choice, and thence progressive impact in terms of democracy and development. It is certainly more difficult (even if more imperative!) to promote diversity in content if there is not a plurality of media outlets.

For instance, especially in conventional broadcasting, there are (and for a long time will be) a finite number of prime-times. More media means more content and more players across the entire public sphere spectrum: i.e. in public media, commercial private media and community media. Perhaps there is still some place within this whole for governmental media – in the context of a developmental state seeking its own voice to promote various programmes.

But even if so, this sector should not be at the expense of (or in competition with) other media sectors, and it should certainly not reflect an imbalance in which the state spends more on boosting its own communications capacity to speak at its citizens, than it does on promoting the capacity of citizens to communicate with each other and back to it. This means an African media development perspective of prioritising the deepening of media density through promoting markets that include a proper public service media (possibly along various models – not necessarily the BBC singular one or the current oligopoly-commerci-

alised one), vibrant private media businesses, and sustainable community media.

Deepening such media density can be considered as a two-sided coin. On the media provision side, there is the expansion of existing media, and the creation of new media outlets. These raise questions of regulatory environment, entrepreneurial spirit, access to capital and other media input markets, etc. On the media consumption side, there is expanded use of media – which hinges on increased accessibility to audiences, and greater awareness thereof (in part a result of marketing and promotions work from the supply-side). Such access is a matter of the increasing availability of media products, consumer devices (and electrical power), rises in literacy and language competencies, and affordability in regard to costs to the consumer. One puzzle in this dual dimensional consideration of media density is whether the supply side of media drives demand, or vice versa. This is relevant for the strategic question: where should media development initiatives concentrate their energies?

The answer needs to take cognisance of the fact that there is a complex linkage between growth at either pole. For example, media consumption can rise without any increase in supply: as with consumers spending more time with existing media, or sharing media (eg. the number of readers per copy can increase). This is obviously where quantitative growth is linked to “quality” – as defined in practice by consumers. Seen from the other side of the equation, increased production does not necessarily mean more consumption. A governmental broadcaster can extend the reach of its signals (or hours of transmission), but the population may not want to listen to propaganda. There can be advertorial “supplement” inserts or extra pages in a paper; there is no guarantee that anyone will read them.



In other words, changes in consumption are not necessarily predicated on changes in production, and increases in supply do not inevitably lead to heightened demand.

But nonetheless, irrespective of the growth taking place, ultimately a society does need an expanded supply in order to have ongoing and unlimited possibility of an increase. You cannot continue to expand consumption ultimately without expanding production. And progress towards the latter at least holds out the real possibility of expanded consumption. This in turn leads onto another consideration. If African media is just young (i.e. “undeveloped”) and merely needing help to grow, then certain interventions suggest themselves (eg. skills development).

However, what if there are also obstacles preventing or reversing growth (“underdevelopment”), such as oligopolies and political oligarchs? In this case, different priorities are presented (eg. regulatory reform).

Realities in Africa may often be an interdependent mix of media being “undeveloped” and “underdeveloped” in the two senses noted above. Thus skills promotion without regulatory reform may be ineffective in terms of media development; conversely regulatory reform on its own does not produce either the entrepreneurship or management capacity required to take advantage of new opportunities and market openings.

To sum up this section, the phrase “media development” needs to be shaped according to African conditions, to the complex interrelation between market supply and demand in regard to media density, and to a distinction between those factors that lead to markets being “undeveloped”, and those that lend them to being “underdeveloped”. African media markets need to be strengthened in all respects.

Illustrations of media markets around Africa

As indicated at the outset of this article, it is essential to avoid generalising as if the African media landscape was homogeneous. For example, Kenya, South Africa, Namibia, Nigeria and Tanzania are all very different. On the other hand, all are relatively developed markets as regards a strong capitalist private media sector, operating within a capitalist economy that has a life outside the state. This character for example enables private newspapers in these countries to withstand possible advertising boycotts by government. (At the same time, one should not forget that even in South Africa, the single biggest advertiser by sector is often the state). The point is that such media companies can usually give state-owned media a challenging run for its money.

In these more developed African countries, the same markets are characterised by functioning markets in media services in varying degrees – for example, in the provision of reliable data about audience consumption, which information is a precondition for the effective functioning and growth of advertising markets. The existence of substantial media companies, some even listed on the stock-exchanges, can exclude the presence of smaller scale private media ventures. This is evident in South Africa where it is extremely hard to break into the print market at least (although regulatory restrictions on concentration of ownership and cross-ownership in radio, mean that there is more space in this public media arena). However, in some cases despite the presence of large media companies, there is still a vibrant sector of many smaller ones which add up to significant media activity. The most prominent example of the latter is “Nollywood” – Nigeria’s movie industry, which has also proved very successful in other African markets.

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All these, however, contrast hugely with those in many other sub-Saharan countries. In Lesotho, neither state nor private media can be said to be flourishing; rather there is an almost hand-to-mouth existence – especially for independent newspapers. Nevertheless, Lesotho's newspaper market has been divided up with different weekly titles (including the government's one) appearing on different days of the week – providing audiences with a kind of pluralism taken over the seven days as a whole.

Another contrasting market is Botswana, where a wealthy state dominates the media landscape across radio, tv and print. As with big corporate players in neighbouring South Africa, smaller private media finds it hard to compete. Thus, the Tswana-language (sold copies) newspaper Mokgosi went out of business after government began to distribute its free (English-language) paper on a daily basis and with expanded pagination.

What is clear is that many media in the African marketplace operate according to the rhythms of political lifecycles. The democratisation of the 1990s saw a flourishing of private newspapers in very many countries, but the numbers of titles fell as these societies stabilised and social movements declined. In Southern Africa, this saw the collapse of the "alternative" press after the end of apartheid, with many of its staffers moving into the formerly conservative mainstream media. In other countries, the papers were themselves mere means to ends, a political expense that was no longer needed. Their agents ceased journalism once they were offered a foothold in government.

Resistance newspapers tend not to survive when societies move into democracy. However, in Namibia and Zambia, there have been successful transitions with similar titles becoming sustainable daily papers that reta-

ined their independence of government. One issue, however, is whether such enterprises can outlive their founders. A move towards corporatisation might lead to a loss of the individual energy and vision that has kept them going, but it would also mean that the enterprises might stand a better chance of continuing as institutions beyond the personalities. In other cases, a different challenge exists, such as in Malawi. There, one of the few amongst the myriad new papers that successfully survived beyond initial democratisation, is questionably independent – it is owned by a cabinet minister. The DRC's private television has been closely tied to opposition political leaders. The challenge here is of developing professional media that are treated as institutions in their own right and not as a private means towards political ends.

A final case providing insight into African media markets is Zimbabwe. Here, the state has played a role in actively underdeveloping media – banning print titles, including the country's biggest daily, major harassment, and a refusal to register new broadcasters. This is an extreme case, but while state policy and practice in many other African may be less obstructionist, it can still constitute an obstacle to media development. The DRC government's harassment of media is not conducive to anyone thinking of investing money in that sector there. Even in Nigeria, there is still no legalisation of community radio. Zambia's government has stalled for two years on implementing broadcast reforms that promote real public broadcasting. The Lusaka government also has a severe tax on newsprint imports. Many if not most African governments run media operations that compete directly with private and community media for advertising.

However, there can also be another side to the role of the state in regard to media de-

• Media freedom: Zim – don't invest your savings in independent media!

• Access to information

• Insult law

• Taxations

Ouch!

States – another side

• SA: MDDA – finance and support

• SA: Skills development levy

• SA: local content for broadcasting

• SA: foreign investment facilitated (%)

Yes!



velopment. Nigeria has privatised its state-owned newspaper. South Africa has set up the Media Development and Diversity Agency (MDDA) which provides finance and support to small media – including some of the more than 100 community radio stations it has licensed. The same government has instituted a skills development levy across all industry sectors including media, with the proceeds going towards training in each area. At the level of regulation, up to 40% quotas for local content for broadcasting help to boost the independent production industry in South Africa. Finally, there is a degree of foreign investment (20%) in broadcast media permitted in that country.

These specific examples all give insight into the characters of African media markets, in particular the roles played by politics and the state. But one also needs to keep sight of the nimble and dedicated work done by many media entrepreneurs to survive in environments where the state is the problem and far from becoming part of the solution.

Developing a holistic multiplex strategy

According to US academic Maxwell McCombs (1997), media in USA never amounted to more than 5% of GNP, and media spend per family was also never higher than 5%. The implication of this analysis for him is that media growth amounts to a zero-sum activity within the 5% limit. It means in practice that new media can only survive by taking away from the old, meaning a re-slicing of a fixed advertising and audience pie. In Shaw's perspective, people do not increase their total media consumption, instead they switch between "Functional Equivalents".

Somewhat analogous arguments are sometimes heard with regard to Africa, to the effect that the continent's weak market can

only support a limited amount of media. The implication is that media cannot grow faster than the broader African economy, and therefore that media development energies are inevitably limited in their efficacy.

However, counter arguments can be made to all these points. First, African media is generally much below the 5% figures that McCombs found for the USA. We have a very low base, even in terms of his ceiling, which lends itself to expansion. South Africa is an example here – the newspaper market was long deemed to be overtraded; recent initiatives in tabloid newspapers for lower income groups have demonstrated huge potential for growth in these markets.

Second, even in the USA, with the increasing Information Society imperatives and dynamics, it is likely that media (including media aspects of the Internet) is expanding as a proportion of both gross national plus domestic products. Third, one needs to assess what market one is talking about: certainly Nollywood's export performance would suggest that even if McCombs's ceiling holds in general, the national unit is not necessarily the relevant unit of analysis. As regards pan-African media initiatives, and also the international diaspora, there may very well be markets for particular products that go well beyond that of a nation-state. (Indeed Disney has found that royalties are payable for a song based on "The lion sleeps tonight" originally composed by South African musician, Solomon Linda).

Fourth, and particularly important, we need to contextualise McCombs's research as referring to the market-based media industry of the USA. In contrast, Africa is more open to role of extra-market resources for media growth. Thus, the unpaid labour of many volunteers has been critical in helping community radio to survive in places like South Africa. There are also realities of state/donor subsidy

As regards pan-African media initiatives, and also the international diaspora, there may very well be markets for particular products that go well beyond that of a nation-state.

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for public broadcasters or grassroots media, which help provide for media beyond purely market sustainability. At the same time, one should be wary of some of the implications of this. While market-driven media is intrinsically limited by “market-failure”, a warning has come from the late Francis Kasoma about a “donor-dependent” media. It is the case that in some ways, such donor-driven media is responding to a market: that of donors who seek certain outcomes, as distinct from consumers where the test is time and/or money. Some media have done a good job at exploiting this market — a prime example being serving as a vehicle for agencies seeking to promote HIV-Aids awareness in the public. The result is that such media can do well by doing good.

The danger, however, is that while commercial media has to take some cognisance of demand (from both audiences and advertisers), the agenda of subsidised media may sometimes be overly supply-side driven — eg. carrying development or political messages as determined by those providing the money, and irrespective of whether this content resonates with audiences.

For many media ventures in Africa, a mix of sources of revenue seems to be optimal for conditions for growth. To the extent that African media development involves conventional markets, a number of observations arise from research done by the Sol Plaatje Institute (SPI) at Rhodes University into success stories amongst small commercial newspapers in South Africa. The first relates to the question of advertising: publishers need to demonstrate good returns on adspend.

In turn, though, this raises the question of the kind of advertising for which small scale media can compete. The licensing theory in South Africa was that public broadcasting would carry national adverts; private radio

would be based on provincial or metropole-based adverts; and that community radio would provide a cost-effective vehicle for local businesses who would otherwise not be able to pay national or provincial high rates to reach larger audiences than realistically would patronise them anyway. This perspective, however, needs qualifying in two ways. First, local businesses very often have no tradition or experience of advertising; this market has to be built from scratch; second, local media can still compete for national advertising on the basis that their proximity to audiences provides an excellent vehicle for national commodities to reach potential consumers with commercial messages. Of course this pits small scale media directly against bigger media (private and public in South Africa), and a second finding of the SPI was that there is a need to stop anti-competitive activities (such as excessive discounting) by the larger companies. In addition, SPI found, there was a threat of municipal newspapers being founded, which would also compete unfairly with small-scale private publications.

What SPI further found is that for small commercial newspapers, community outreach was a necessity, not a luxury. It provided for development of their communities, necessary for the health of the paper itself, as well as enhanced visibility and relevance. (Similarly, newspapers-in-education schemes have proved to be sustainable services in large newspapers in South Africa and Uganda).

Further findings about success related to the involvement in running the newspapers by people with marketing or financial management history or training. A high degree of multi-tasking was evident amongst people working on the studied publications. It was further observed that family members featured strongly, and there was often a



decisive role being played by women leaders and/or owners of the publications. On the characteristics of owners, it was found that these individuals were “strong” leaders, with high tenacity and resourcefulness, and often charismatic.

Another study (Hadland & Thorne, 2004) on stimulating small media in the South Africa context identified specific interventions as follows: creation of a national advert procurement agency; a common system for circulation verification; co-ordinated printing procurement; discounted connectivity; technology plans in each enterprise; and strengthening of networks.

Other recommendations can be made.

Technology utilisation could be cheapened, made more flexible, and related to diverse languages, through promoting Open Source software around the continent. The Namibian, and Grocott’s Mail, are two examples of publications that have benefited from aspects of Open Source. In addition, a clear training policy and strategy, including mentoring, could make a difference to media development at the various levels.

More controversially, another recommendation could be that mergers, acquisitions, ownership, alliances and joint ventures should be considered so as to promote media development. While “monopoly” is seen as a major problem in First World markets, such trends could strengthen – rather than stunt – media development in much of Africa. Less integrated collaborations could also make a big difference to the health of African media enterprises – such as joint marketing, content-sharing, research, and purchase of inputs.

A further recommendation could include development of micro-financing available for

new media ventures, such as media content being disseminated by cellphones.

Conclusion

African media has seen a number of innovative steps being taken, all of which could be further amended and adopted for further development of the industry. One is cross-language publishing – for example, Naspers in South Africa is able to recycle content for different language markets by sister publications in different languages (FT weekly magazine; You and Huisgenoot magazines). IPP media in Tanzania is also good at sharing content in different languages and for different audiences. Like IPP, Naspers has also shown how it is possible to publish extra titles riding on the backs of existing ones – sharing costs, facilities and expertise.

Another innovation has been the data-mining of customers by the Sunday Times in South Africa. This has meant the launch of specialist products only available to subscribers. One can also point to Independent Newspapers’ fusion of financial pages in six titles, spread across four cities, to produce a new newspaper. The result has been the Business Report. The same company has increased productivity through newsroom convergence at its Cape Town office, where several different titles are now co-located with common staff in certain sections (sports, photography, sub-editing). However, similar attempts in other cities have not worked well. Also, pushing convergence to extremes, in the form of bi-media (dual radio & tv skilling and servicing) has not worked at SABC.

Convergence with cellphones is still an early phenomenon. But there has been the use of SMS as a means for classified adverts to be placed and paid for in newspapers. In addition, at least one South African newspaper has used the technology to solicit news tips and

More controversially, another recommendation could be that mergers, acquisitions, ownership, alliances and joint ventures should be considered so as to promote media development. While “monopoly” is seen as a major problem in First World markets, such trends could strengthen – rather than stunt – media development in much of Africa.

receive letters, the costs of which are covered through the revenue share with the cellular operator. There is another potential spin-off: the paper has accumulated many thousands of phone numbers which it can use for promotions and for building interactivity. The cellphone has also enhanced the workings of many media. Not least here is Radio Phoenix in Lusaka, which delivers a traffic report not from a helicopter, but via cellphone from the top of the highest building in the capital. The same device is used for live field interviews, where instead of a microphone being used, a staff cellphone is passed between host and interviewee.

What these innovations add up to is that Africa (not homogenous) appears to have potential to strongly grow its media industry. States can play an invaluable positive policy role, as can donors. Development in African conditions should have certain meanings (including community media). Small media successes have highlighted recommendations put on the table, and there are other interventions that I have discussed. The politics, however, has to change – to take a step

back so that media can thrive through other imperatives. The policies of many African governments need to change if Africa is to benefit from developed media markets (within which all three sectors are vibrant).

Looking ahead, it seems that newspaper and TV markets are shrinking in the First World. But, it seems, there are indeed prospects for all media to grow, in and across many African countries, depending on the success of specific interventions in the market environment and in particular markets as well.

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“The lion
wakes
tonight”?

Thank
you

Making a difference — not just a point

The MDDA: Building media sustainability

By Libby Lloyd

First of all I would like to thank the organisers of the conference for organising this gathering addressing one of the key issues facing media diversity across the globe — sustainability in the face of globalisation. I am going to focus on one of the ways we in South Africa have tried to address the issue of media sustainability and diversity.

We have relatively recently — only three years ago — set up an organisation called the Media Development and Diversity Agency or MDDA. The MDDA is a statutory organisation set up

by legislation as a public private partnership to provide support for non profit and small commercial media. It is as far as we are aware the first such public entity devoted towards supporting media diversity to have been established in a developing country.

The overall mandate is outlined on the screen. As you can see focus is on making sure all South Africans have access to the media. As I mentioned earlier it is a public private partnership. This means that it is funded by both government and the big media institutions. The Agency in turn disburses these funds to


support new and existing small media groups. I will outline how the Agency is set up and what led to certain decisions being made about its structure and mandate. I will also look at some of its strengths and the challenges that I think it faces.



Libby Lloyd is currently self employed as a consultant focusing on media and development, strategic planning, and policy development (with a focus on gender and communications). She has worked in a range of fields, including as a grant-maker, regulator, researcher, journalist, trainer, writer and editor. She had a pivotal role in establishing the Media Development and Diversity Agency. As the first CEO, she developed the strategic vision for the organisation. Libby Lloyd developed a range of policies for the public broadcaster (the SABC) including on language (ensuring equitable treatment of all South African languages), education (both formal and informal) and universal access. She was appointed by Parliament as a Councilor on the broadcasting and telecommunications regulator (IBA and ICASA) and assisted the Indonesian Parliament to develop media policies responsible to needs in that country. In 2005 she was chosen as South African Media Woman of the Year.

Mandate

Media Development & Diversity Agency



The MDDA should:

- **"...(C)reate an enabling environment for media development and diversity ... which reflects the needs and aspirations of all South Africans**
- **"Redress exclusion and marginalisation of disadvantaged communities and persons from access to the media and the media industry;**
- **"Promote media development and diversity by providing support primarily to community and small commercial media projects..."**

(Preamble MDDA Act)

It must be remembered though that as the MDDA really only became operational three years ago it is too early to really assess its impact on media diversity and development in the country. It would be disingenuous to claim success by just reeling off a long list of the many new media projects supported. Whilst it might sound fleetingly impressive, all of you are very aware that such lists are no way to really measure development.

I could for example glorify the establishment of Mier News — new newspaper established with MDDA support in a remote rural community in the Northern Cape province. Before the establishment of this newspaper, the community had never had any local media, had limited access to other media and had never heard a story about themselves. It is very exciting and a great achievement for Mier. But the real measure of its success will be if it is still thriving in five or even ten years time.

Before going into detail about the MDDA, however, I will give you a whistle stop tour of the history and current structure of media in South Africa as this is necessary to explain some of the policy decisions made in developing the MDDA. I apologise as it will be simplistic — but any such quick overview inevitably overlooks the details and ends up generalizing without highlighting exceptions.

History

Everyone no doubt knows how media in South Africa generally mirrored and bolstered apartheid before our first democratic elections in South Africa.

First I will deal with broadcasting — most crude of the media crutches of apartheid.

We had a state broadcaster dubbed his master's voice which was passionately committed to its mission of upholding the ruling

party. Only three other broadcasters were tolerated — two commercial radio stations with very limited coverage established to prop up government declarations that black people now lived in independent countries within South Africa, and a subscription broadcaster owned by the major newspapers. The commercial radio stations had to be very careful about their news coverage or face the wrath of the authorities and the subscription television station was not allowed to air any news or current affairs.

There were four major print companies: Two big English language companies which were linked to the mining industries and two Afrikaans companies representing Afrikaans big business interests. There was also a smaller group (Caxton) predominantly in the 1980s focusing on printing whilst producing a handful of knock and drop newspapers. And of course there were a range of non profit anti apartheid publications funded by foreign donors. They included newspapers and magazines aimed at women, workers, the homeless etc. Afrikaans papers were generally overtly supportive of the racist government.

English papers tended not to want to rock the boat. The alternative press was banned and journalists were arrested and harassed. Accessing advertising was nearly impossible for these anti apartheid publications, as few advertisers wanted to be associated with liberation forces. At the same time they faced difficulties in reaching readers as the printing works, distribution companies and even the outlets for selling newspapers were owned by the same big media companies.

Then came elections in April 1994 and for the first time all South Africans — black and white — were allowed to vote. A government representative of all people was elected and the process of transforming the country and its laws began.

So what happened to the media? Did it too become more democratic and accountable to a broader audience rather than the government of the day? Were new voices – voices of the marginalised and poor – heard and seen?

There were certainly many changes and in the mainstream media views and perspectives from those previously ignored were very visible. But unfortunately again these were generally just those of the new elite – both political and commercial as news values were dictated increasingly by advertisers searching for access to new lucrative audiences.

The new media industry

So print media. As you can see by the slide there were some changes in names. Black business groups also bought into some of the papers. But the picture remains much the same – with increased consolidation. The emphasis has increasingly shifted from content to profit – at the expense of quality journalism. Sadly the alternative print media largely disappeared after the first elections – as foreign funders focused on other countries or other media.

Only two of the original major independent newspapers still survive – the *Mail & Guardian* (once the weekly mail then bought out by the Guardian group and subsequently sold again) and *UmAfrika* – a Zulu language weekly struggling now to make it commercially.

There are a plethora of struggling independent small commercial media which often publish intermittently. For someone like me there is probably less diversity than there was in the grim eras of apartheid.

And the printing presses and distribution networks are still controlled by the media conglomerates – making it difficult for independent



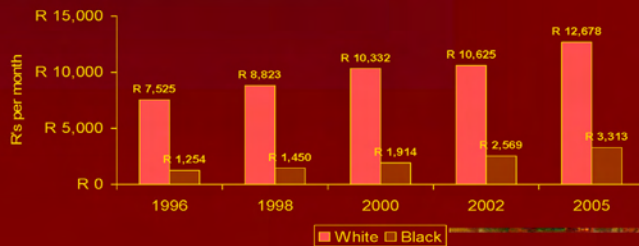
publications to reach new audiences in what are seen as non lucrative areas as the trucks just don't go there. As someone recently reported, in his home village a person has to travel by public transport for up to 20kms to buy a newspaper. The transport costs and the cost of the newspaper itself costs that learner about three times as much as the cost of a loaf of bread.

Broadcast media (which is regulated via an independent regulator) has fared better. The state broadcaster has become a public broadcaster – though it has to rely very heavily on advertising income and so often panders to advertisers more than to its public. Broadcasting stipulates that there must be a diverse range of radio and television broadcasters. So there are now public radio stations broadcasting in all 11 official languages, three public television stations, 15 commercial radio stations (located in major urban centers) and over 100 community radio stations broadcasting to local communities around the country. And the list is growing. . . .

I will now very quickly look at population and media consumption in South Africa.

Stats of SA

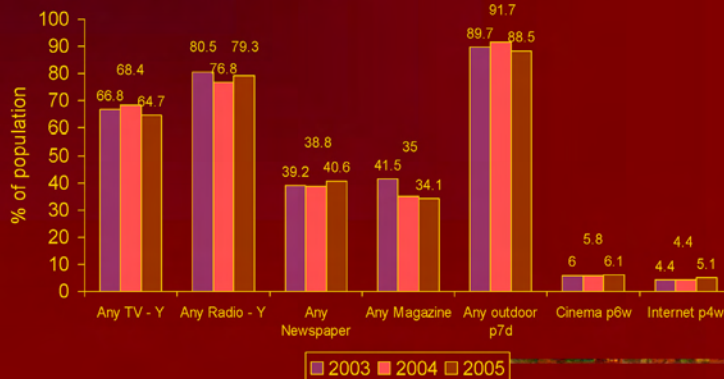
- Adult Population: 30.5m
- While income gap is decreasing – still unacceptable gaps between white and black population



From the slide on average household income you can see that there are still unacceptable gaps between white and black people in South Africa. The pink bar is the average income of white people over the years and the brownish bar shows the average income of black people. What the slide doesn't show is that black people constitute about 30% of the top income earners in South Africa. Nor does it indicate that over 80% of the poorest people in the country are black.

This next slide shows stats on media usage. This reflects surveys on adults about consumption of media – and not access. So for example close to 80% of those sampled said they had listened to radio while about 67% of the adult population watched tv. Just over 40% of the population had read a newspaper – meaning 60% had not. If you compared this to other statistics on newspapers it is also evident that whilst 80% of the top income bracket had read a newspaper, only 2.4% of the poorest of the poor had accessed print media. What is also significant is that only just over 5% of the population had accessed the internet in the previous four weeks.

Use of media



This next slide on the paucity of publications in languages other than English and Afrikaans speaks for itself. Should just note that English and Afrikaans are two of the smaller home languages spoken.

Language

11 official languages

Only 1 weekly in
Isizulu and 1 daily

All other media are in
English/Afrikaans

In essence the MDDA has been set up to reverse that.

MDDA

How did the MDDA come about?

Very early on in policy discussions about media in a new South Africa, it was recognised that there was a need to establish a publicly funded agency to support media if we were to make real the constitutional rights to free-

dom of expression and information. It was evident that even large audiences would not necessarily equate to financial sustainability. It was also clear that quality journalism around the world was being marginalized with the increasing drive by owners to produce media cheaply in order to maximize profits. Many sectors of society (such as rural women or people with disabilities) were likely to be excluded from the media and therefore denied their full rights to freedom of expression and information.

But the demands on the fiscus were huge – and the needs associated with undoing the legacy of apartheid in all spheres of life were overwhelming. Policies and budgets to deal with grinding poverty and the lack of housing, food, and infrastructure were probably inevitably prioritized over media.

On the slide is a quick outline of the process. As you can see it was only seven years after the first elections that a policy paper was adopted and a year later legislation drafted.

Between the finalisation of the policy document and the adoption of legislation there was further consultation about how to secure the funds. The paper identified that such an Agency would need about 25m euros over five years to address the identified challenges. It was suggested that this be raised through substantial funding from government as well as through a tax or levy on big commercial media or advertising income.

When this was put to Cabinet, however, Treasury raised questions about another form of tax as this they said would affect the economy and business environment. They also stated that they could not provide more than 5m euros over five years to the new entity – and that this would only be provided if it was matched by voluntary contributions from big media groups.

History of MDDA

- **1996** Report into gov communications emphasises need
- **1998** Cabinet endorses in plan of action
- **2000** Unit set up to research
- **2001** Public consultation. Policy paper released
- **2002** MDDA Act adopted
- **2003** Board appointed

The process started again.

After long and apparently difficult negotiations, the government entered into Memoranda of Understanding with the big media players whereby they pledged to jointly contribute a further approximately 1m euros a year to any new Agency for a period of five years. This did not of course come without costs.

The big media players were suspicious that the Agency would end up just providing support to government supporting media. Civil society was wary of the potential for these same big media groups to exert control and pressure over an MDDA.

There has also been speculation that the media funders were reluctant to provide support for an entity that if successful would increase competition to their products. Questions were asked about the likelihood of any public Agency spending funds supposed to be for grants on its own administration. There were reservations about the motivations of big media players – and concerns based on previous experiences of the sincerity of their pledges.

In the end though a law was drafted and passed which inevitably included compromises to the different perspectives.

The law

The MDDA Act tries to address all the concerns. Mechanisms are detailed to allay fears of government and commercial interest control. These include:

- Stipulations that the entity must be free from influence by any of its funders.
- An elaborate process of appointing Board members whereby six of the nine Board members are selected by public nomination to Parliament which then makes recommendations on appointment to the President. The other three are chosen by government, the print funders and the broadcast funders respectively.
- A clause stating that the MDDA may not interfere in the editorial content of media it supports.

The law further sets out strict criteria which must be considered by the Board before

providing any support and stipulates that support can only be given to non profit media, and small or micro projects with a very limited portion set aside for research into diversity issues.

Getting the Agency up and running

As highlighted previously, the Board was appointed at the beginning of 2003. Staff were appointed from August of that year.

The Agency was finally up and running properly by the end of 2003 - though with about a third of the funds originally projected in the analysis of the needs of the sector. The first grants were approved in January of 2004.

During this set up phase, the organisation had to finalise its mission and vision, (which is on the screen) and conduct research to determine priorities whilst putting in place all the systems and administrative policies necessary to ensure efficiency and effective corporate governance.

Highlights and Challenges

One of the biggest challenges of course was to determine what to prioritize – given the huge expectations, the great need and the limited funding.

After research an outline of priorities was developed. As you can see from the screen – in line with the legislation – projects have to have proper business plans, good governance and show they are sustainable if they are to receive funds.

But very worthy projects – including newly established ones – can not necessarily meet these requirements. We therefore developed a mentoring scheme where we would allocate a mentor to a project to assist in meeting the criteria before giving any funds.

Mission and Vision

Vision

Each and every South African citizen should have access to a choice of a diverse range of media

Mission

The MDDA is a development agency that will assist in building an environment where a diverse, vibrant and creative media flourishes and reflects the needs of all South Africans

In order to ensure that we made it easier for projects to apply only for what we would provide, we also developed lists of what would and wouldn't be funded. A summary of these are listed on the screen. As you can see we set slightly different objectives for small commercial entities than for non profits.

I will now highlight what I believe are three of the key challenges and detail what the MDDA did and is continuing to do to address these.

Challenge one – reaching out

One of the biggest challenges is how to reach out to the most marginalized. This is a conundrum facing all development agencies. It is easy (and necessary) to respond to the needs of those media projects that already exist – but to really make a difference you also need proactive strategies to try to reach out to those communities and interests that have limited or even no access to the media.

It isn't possible to run traditional awareness campaigns about the importance of media in development and about the existence of the MDDA as if existing media is used such communities might never learn about us. The first issue therefore was how to identify those communities. Although it was clear from statistics that there are some communities who currently do not get any media, there was no existing quantitative research outlining where they are and how many people are affected. But this wasn't enough.

So we worked together with the public broadcaster to try and map out which areas of the country did not receive an FM radio signal and who if anyone was living there. The presumption was that those communities would be highly unlikely to receive other media that has a smaller reach. This is a long process and it is not finally over. But it is clear

Priorities

- Must be diverse – content and language
- Must be sustainable and have realistic 3 year business plans
- Must have good governance
- Will prioritise support for media projects in rural communities and/or for inadequately served audiences.
- Will encourage gender equity and the participation of all sectors of a community – including women, children, the elderly and people with disabilities.

What will and won't fund

Will fund

- Training
- Research into media diversity
- For small commercial media once off funds to increase sustainability
- Core running costs for non profits – if these will build sustainability

Won't fund

- Projects controlled by government, political parties or entities which are funding the MDDA.
- Needs that are already met by other donors.
- Conferences and attendance at these.

that many of these communities are spread over vast rural areas.

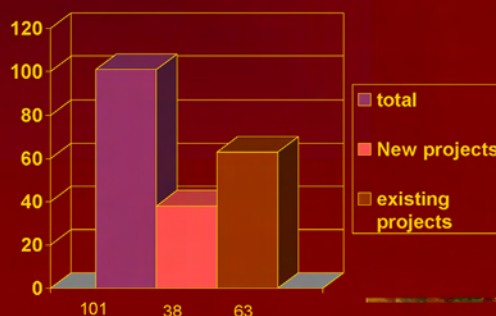
We also needed to get the message out.

We simultaneously ran campaigns on public radio stations – particularly those in indigenous languages – as we know they have a greater reach than any other media.

We also started working together with local and provincial government structures and identified other broad development agencies – including public and non governmental

Projects supported

■ Number of new and existing projects



entities – aimed at eradicating poverty and inequity and asked them to assist us in creating awareness about the importance of communication in development and about the MDDA. Together with the broadcasting regulator we conducted roadshows in remote rural areas to inform them of new opportunities to apply for radio licences. All of this is ongoing work. Whilst some inroads have been made – and as can be seen from this slide more than 30% of all projects supported would not have existed without the MDDA – there is a great deal more to do.

Challenge two – reaching groups within communities often ignored by traditional media

Then there are those groups of people who are ignored or neglected by traditional media even though they live within their reach. How can a development agency address these needs? It is very difficult and involves not only finding ways to mainstream issues into existing media, but also to explore whether there is a need for niche media.

The MDDA has focused in this set up phase on funding projects, research and feasibility studies from organisations representing these groups. It has also assisted in the development of, for example, workshops for journalists on addressing disability. Some of the types of projects given support are listed on the screen.

Strategies to really make an impact in this regard though need still be fine tuned – including how to ensure mainstreaming within other media projects without being prescriptive.

Challenge number three – creating an enabling environment.

The MDDA in the two and a half years since

Challenge Two cont....

- Mainstream and/or niche?
- Support includes:
 - Women's ICT groups and journals
 - Gay and lesbian org research into bias in media
 - National magazine for people with disabilities
 - Workers radio programme
 - Magazine and newsletter for homeless
 - Training materials for kids in radio
 - Feasibility study for magazine for HIV positive people
 - Organisation developing guide for journalists on sensitive approach to disability

Challenge 3 – core environmental issues

- **Printing:** high costs and cash flow
- **Distribution:** getting print media to hard to reach communities
- **Advertising:** audiences not advertisers target
- **Skills:** limited management skills



it first approved of support provided support for over 100 projects across all of South Africa and expended all of its funds every year.

As said at the beginning though, this will be meaningless in the long term if the Agency does not simultaneously address the environmental issues which inhibit growth of media.

What are the core environmental challenges?

- Printing costs are exorbitant and many of the print outlets are owned by the big media groups. Alternative and small newspapers and magazines are therefore often reliant on their competitors to print them and have sometimes accused these groups of foul play. The media projects also face severe cash flow problems as printers insist on upfront payment whilst publishers can only expect income from advertising once that issue has been produced. This has led to many small publications closing down – or forfeiting reader and advertiser confidence as they cannot publish regularly.

- Distribution networks are controlled by the big media players – and they are not geared to reaching all people across the country. They are focused on delivering their products to their target audience – which often has a very different profile to the readers of the media the MDDA supports. So many rural areas receive no direct newspaper deliveries. Small media projects with limited resources face difficulties in getting their product to their audience.

- Accessing advertising is difficult for a range of reasons:

- Advertisers have been accused of racism and of neglecting media targeting black people. Whether such accusations are valid is probably irrelevant as the advertising indus-

try will inevitably only focus on marketing goods to those that can afford to buy them.

- Small media groups don't have the resources to verify their circulation figures and advertisers naturally want proof of readership profiles before taking any risks.

- It is easier to place ads in the well established well organised big media. It only takes one or two calls. Small media are not necessarily effectively organised and haven't therefore exploited their collective numbers and reach – or collaborated to set up a one stop advertising procurement agency. They are too busy just producing the content.

- There is also a lack of skills in marketing and selling advertising

- Capacity challenges. Many of the small media groups – both profit making and non profit – are set up by committed and passionate journalists or wannabe writers. They often have few staff members and lack general management and governance skills. Those involved also have little time to address these skills gaps. There have been a number of courses aimed at the sector run by a range of institutions over many years. Those trained, however, are too often lured by offers of secure salaries and are recruited by the big media groups.

Addressing environmental challenges – printing costs

- Developing strategies jointly with sector and printers:
 - joint ownership of printing presses
 - Ways to reduce costs
 - Guarantees
 - Government printers?



Addressing the challenges

Given its resources, the MDDA has had to develop creative ways of addressing these challenges. I will highlight just some of these.

- With regards to printing, there has recently been a workshop held by the MDDA with printers and small media to jointly identify solutions – including looking at guarantees of payment. At the same time a pilot project is being run in the Western Cape where a number of small publications have together set up a small media house and are purchasing their

own printing machines. The MDDA has also explored the possibility of utilizing the resources of government printers, but it seems this wouldn't be viable as these printers are battling with existing demands on them.

- A similar approach has been taken to address distribution challenges. The MDDA is talking to government and other NGOs that distribute other information to poor communities about how to set up alternative circulation networks. The sector itself has also been drawn into such discussions so that strategies are responsive to their needs and supported by them.

- With regards to advertising, there has been a multi-pronged approach:

- The MDDA has held workshops around the country together with the big advertising organisations. These provided both practical skills and opportunities for advertisers to meet small media and vice versa – hopefully breaking down prejudices.

- The major publications have established a joint auditing bureau to measure circulation – the Audit Bureau of Circulation (ABC). The MDDA has persuaded the ABC to develop less complicated mechanisms to verify circulation of small publications.

- The Agency has also recently entered into an agreement with one of the biggest media buyers in the country to provide mentoring to MDDA projects to develop skills.

- The MDDA has gone on awareness campaigns with different sectors of government to persuade them of the importance of using non profit and small media in their advertising as these media are reaching audiences government itself needs to reach – the poor and disadvantaged.

- The Agency is also encouraging the establishment of networks within and between the different media sectors in order to strengthen them.

Addressing challenges: advertising

- Skills workshops with advertisers
- Developing alternative ways of verifying circulation/listenership
- Mentoring with media buyers
- Convincing government of worth of small media
- Facilitating building of networks and advertising selling agencies

Addressing environmental challenges - Distribution

- Research into other experiences
- Joint strategies developed with sector:
 - Setting up alternative channels
 - Working with government and NGOs
 - Other innovations?

• And what about training? The MDDA did not want to duplicate the work that other funders are already doing in the country. We decided therefore to focus support for training a bit differently to rather complement these initiatives. So we developed mentorship programmes – where skilled media and other practitioners are sent out to projects to provide them with practical support. Simultaneously rather than funding training institutions directly, we have encouraged projects to do needs assessments and then provide support for them to attend courses they have identified as necessary.

• Some of the other strategies MDDA has developed are:

- Focus on developing simple research skills amongst projects by conducting training on participatory research techniques. This serves many purposes. It assists publications to put together qualitative evidence and provides opportunities for them to involve their target communities in determining their priorities.
- The MDDA has provided advice to groups about how to challenge issues of unfair competition with the Competition authorities in South Africa.

And we work together with structures such as a media funders forum – including all funders of media in the region – to discuss strategies and work together.

Conclusion

So has the MDDA been successful so far – given its resources? I believe so – though none of the challenges identified can be solved with quick fixes. Like any development approach it will take time and it is important not only to come up with solutions, but to ensure that the Agency consults continually with the sectors themselves to ensure they are part of the process.

Strengths of MDDA

- Political Will
- Access to government
- Good will from broader sector
- Prudent and effective financial management
- Commitment from activists around country and world



The founding legislation is also of course not without its loopholes and contradictions. There is I believe a potential dichotomy in the legislation founding the MDDA. The Act focuses on increasing media diversity for all South Africans, whilst limiting support to only small media. Real diversity of information cannot be achieved by only focusing on local media. We need also to facilitate the growth of further big media groups. This though will hopefully be achieved by addressing the environmental issues facing independent media groups.

And if any entity can achieve that, it is probably one such as the MDDA. There are huge advantages in its very nature:

- There is political will to address the issues of media diversity and the Agency has received great support from Parliament and from the government department it reports to.
- As a legislative body it has far greater capacity than some of its non governmental predecessors to influence public policy and persuade government to, for example, reduce the barriers to entry faced by SMMEs and non profit entities generally as well as those specific to media.

The Agency has access also to government forums to, for example, show case the benefits of advertising in this media.

- By virtue of the representivity of the MDDA Board (which includes people from the community media sector, people with expertise and influence in advertising, and representatives of the funders) the Agency has been able to harness support and commitment not only from government but also from advertisers and other commercial entities.

- By ensuring prudent and responsible financial management, whilst focusing on delivery, the MDDA has allayed concerns that it could become yet another government bureaucracy. This has also lead to opening up opportunities for increased income from

government.

- Probably though most importantly the MDDA has the backing and commitment from a wide range of media and political activists – all of whom have given generously of their time, support and advice to assist in determining its direction.

South Africa has a philosophy called Ubuntu. Very roughly translated it means that I am because we are – or a person is only human because of other people.

MDDA's journey is probably an epitome of that. It has taken its first steps not because of any of us who were involved in starting it up – but because of the passion of everyone around the organisation.

mdda mdda
MEDIA DEVELOPMENT & DIVERSITY AGENCY MEDIA DEVELOPMENT & DIVERSITY AGENCY



From state to public service broadcasting

Difficulties in the transformation of Radio-Television Afghanistan

By Carsten von Nahmen



I would first like to give you an insight into the work of the Deutsche Welle Akademie in Afghanistan and what the situation looks like.

Our main focus is on Radio Television Afghanistan (RTA). We have been working there since 2002, more-or-less since the fall of the Taliban regime, providing trainings for journalists as well as engineers and production technicians. In addition, Deutsche Welle Radio and TV have over the past few years contributed technical equipment and programmes in Dari and Pashtu which have been rebroadcast by RTA.

For the DW-AKADEMIE, our main project until a few weeks ago was the establishment of an international news department at RTA. For many years – basically since the withdrawal of Soviet forces from the country and the fall of the communist regime – RTA did not broadcast any international news, because they did not have the technical capacities or the professional skills to receive and adapt material from international news like Reuters, AP etc. From 2002, DW-TV in Berlin did

that job for RTA, producing daily international news in Dari and Pashtu and transmitting these programmes to Afghanistan, where they were rebroadcast by RTA in Kabul and by a number of RTA's regional stations.

In summer 2005 then, the DW-AKADEMIE began to establish an international news desk at RTA in Kabul, to ensure that over time the Afghans would be in a position to do this themselves. Everything had to be done by us. When we started, we did not even have a room. And when we finally got the room, it had no proper windows, no furniture, no technical equipment, nothing.

All that had to be bought and installed by the DW-AKADEMIE, with the help of funding mainly by the German Foreign Office, and also some contributions from the Deutsche Welle itself. Now, since August 23rd, the international news desk of RTA is on the air, producing and broadcasting world news on a daily basis in Dari and Pashtu.

We are not only active in Kabul but also in the provinces, for instance in Faizabad, Kunduz

Carsten von Nahmen works at the Deutsche Welle Akademie (DW-AKADEMIE) as the Head of the Regional Team for the Near and Middle East and Northern Africa. The DW-AKADEMIE has been training managers, technicians and journalists from radio and TV stations worldwide for 40 years. The main focus currently is the Middle East, Sub-Saharan Africa and South-East Asia, but there are also a number of projects in Latin America, Eastern Europe and the former Soviet Union.



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and Mazar-e-Sharif in the north, Kandahar in the south and Herat in the west.

The people at the RTA regional station in Faizabad were particularly receptive to our trainings: A very small team, eight to twelve people, but highly motivated. Unfortunately, the station burned down a year ago, and due to lack of money has not been rebuilt yet by RTA — but until then, it was a real success story (for Afghan standards).

The colleagues in Faizabad really did an impressive job, given the little means they had: They used an old Russian transmitter, and some ordinary VHS video recorders and a cheap video camera to produce and broadcast their programmes. So video editing had to be done by pressing “play” on one recorder and “record” on the other, and that was that. But it worked somehow.

The video recorders, by the way, the journalists in Faizabad had to buy from their own money, as there was little to no support from the headquarters in Kabul. So the Afghan colleagues put in a lot of effort and energy and money into this, and this was a very rewarding experience for our trainers.

As I said, we have not only been in Kabul and the north, which is relatively safe, but also in more turbulent places like Herat and even Kandahar, although not for the last year or so, as the security situation has markedly deteriorated, particularly in the southeast of Afghanistan. But even in Kabul, the situation is not that good anymore, with bomb attacks happening on a regular basis. A few weeks ago, the guesthouse where our trainers were staying in Kabul was attacked; luckily, the attack was repelled. And we had several incidents when bombs went off in the streets while some of our colleagues were close enough to hear the explosion. In the western media, you normally only hear about

these things when they take place in Kabul or when foreigners are affected, but there are also countless unreported attacks, particularly when they happen in the countryside, or when “only” local NGO workers are affected. So we are definitely doing a very dangerous job — there is no doubt about that.

Still, we believe that Afghanistan deserves a chance — and that there still is a chance to succeed in this international exercise of development, reconstruction and nation-building. Afghanistan surely is on the brink right now. And we — the West and those Afghans, including President Karzai, who want change — might lose. But in my opinion this very real danger should not make us give up, because if we pull out now it will mean that everything achieved in the recent years will be destroyed, and all the efforts made and money spent so far will have been wasted. And even worse, the whole idea of helping a country to develop and to rebuild its society from a post-conflict situation will be damaged for good — particularly in this region of the world. Nobody will then ever believe us again when we say: “We will help you!”, “We will stand by you!” So in my view, it is clearly “Make or Break” time now. And I truly believe that we can still be successful.

Having said that, clearly it will be a very difficult task to succeed — even without looking at the security situation. Our experience with RTA in Kabul in particular has not been positive; which is quite the contrary to what we have seen in the regional stations. As I said, these regional stations are relatively small, often with a dedicated staff. The impact of the DW training in these stations was mostly good, whereas RTA in Kabul on the whole was a complete disaster for the first few years, not only for DW but also for other organisations. The BBC World Service Trust, Canal France International and the DW-AKADEMIE tried to improve things with the usual concept of



conducting two- or three-week workshops, often several workshops per year.

So in some cases, we had people sitting there who had been trained by the French and the British, the Dutch and twice by Deutsche Welle, but still they were not capable of anything. They simply did not improve. And even those colleagues, who did improve individually, often reported back to us that they could not use their new knowledge in their daily work, because their bosses or the general structures at RTA were against it.

So quite clearly, this concept of short-term workshops simply did not work in Kabul. Therefore, we established the international news department, because the only way to have an impact is to find and bring together talented people and train them not for just a few weeks but for one year or longer, keep them together and not only talk about what to do, but offer practical exercises, practice everyday and give them a working routine. Another consequence deriving from the failure of our “normal” workshop concept in Kabul was the cooperation with our European partners. Afghanistan, to my knowledge, is the first country where a cooperation exists between the DW-AKADEMIE (the main institute for media training in Germany), the BBC World Service Trust and Canal France International in a consortium working on the reconstruction and reformation of RTA.

This project of transforming RTA – which right now is a typical state broadcaster, and which in the past was a typical state propaganda broadcaster – is hopefully going to be funded by the European Commission. We are about to present the elements for a blue-print on the transformation of RTA to the Afghan government and the European Commission (EC), and hope that the EC and other donors will be willing to go ahead with the funding of the main project next year.

The main objectives of the consortium are:

Changing the regulatory framework

A media law existed but it was not what is needed in a democratic or even semi-democratic society. Now there is a new media law, which was put in force by presidential decree about a year ago by President Karzai. Meanwhile, the consortium has been lobbying for some amendments, which we thought were necessary. Part of those amendments was a more concrete regulatory framework for RTA as a public service broadcaster.

This change is important because so far, the director general of RTA can basically do nothing, i.e. he cannot employ or fire people, or use money received from the sale of airtime for commercials as RTA is still a branch of the Information & Cultural Ministry. As a public service broadcaster, RTA has to be financially and organizationally more independent from the government.

Preparing the top management

This is very difficult since, like most of the employees of RTA, those who run the station are not there because of their qualifications in media, but because some have been there forever and others are there because of their closeness to one or the other government.

Restructuring the organisation

We have to think about new programmes and about a programme schedule, which does not exist so far. RTA currently broadcasts whatever comes to the editors' minds, only national and international news are broadcast at certain times. There was also no proper concept regarding the organisational chart. The consortium has prepared such a chart, since the old one was 20 years old and did not reflect reality.

...because the only way to have an impact is to find and bring together talented people and train them not for just a few weeks but for one year or longer, keep them together and not only talk about what to do, but offer practical exercises, practice everyday and give them a working routine.

In a nutshell, it basically means rebuilding a whole broadcasting service from scratch under very difficult conditions. But we are ready to do it.

Setting up a financial and human resources plan

Another thing RTA does not know is what it owns (i.e. how many buildings, what technical equipment, how many cars are there etc.). They are now trying to figure that out by virtually driving to the provinces, counting the cars on the premises, looking at the state of the buildings, assessing the value, etc.

There is also no information within RTA what donations it has received from international donors; the Japanese, Germans and others have given a lot of technical equipment. No one has actually prepared a register containing all these things; there is no official register stating that the assets of RTA have increased by the sum of "X". Moreover, they do not know the exact figure of people working at RTA: There are estimates of between 2,000 and 2,500 persons on the payroll, but no proper human resources plan exists. And whatever the official figure might be, hardly any of these persons show up for work on a regular basis. My personal estimate is that only about 200 people actually work regularly in the production of programmes — this includes journalists and technicians. The others only come once a month to sign a list in order to receive their monthly salary and then disappear for the rest of the month.

Also, the whole imbursement structure has to be altered; the average salary amounts to US\$ 50 which is not enough to survive, even in Afghanistan; this means that every person works overtime (officially), i.e. between 6:00 and 24:00 according to the list. This "system" enables them to double their salary, but in reality, they do not work at all or work for only four hours or so. This has to be changed, of course, but it is only one part of a huge problem. Another important task is to find ways to create extra revenue for RTA. Right now the

budget officially totals roughly US\$ 3,000,000 a year, of which US\$ 2,000,000 are for salaries. An exact figure cannot be stated since sometimes subsidies are granted, ministers hand out extra money etc. As I said before, all money earned by RTA goes to the Information & Cultural Ministry (such as license fees paid by DW, BBC and other international broadcasters which rent out transmitters from RTA to broadcast programmes). So RTA as a state broadcaster has a fixed budget, and no matter what it does or how hard its employees work, the money goes to the state coffers. The director general in a self-defence measure has started to put money from commercials aside for the restoration of toilets, buildings, equipment which is officially illegal, but President Karzai has inofficially given his consent to this, since there is currently no other way to move things at all. But clearly, this can not be a solution for long. As you can imagine, this is a hell of a task. But we will try to convince the EC and other donors that it is worth investing more money in RTA. The amount we are talking about for the restructuring plan is at least € 15,000,000 over 5 years.

The most difficult aspect is to change the personnel structure of RTA. Too many people at RTA are not productive. But firing 90 % of the people is not easy in a country like Afghanistan or in any country. So we hope that through some other EU programmes for the reform of the civil service we can move the people into retraining schemes, give them big packages, induce them to leave their jobs by offering them a salary in cash over 10 years. These things still have to be discussed. The people working there are mostly unqualified and, being there for many decades, they are not even trainable any more.

In a nutshell, it basically means rebuilding a whole broadcasting service from scratch under very difficult conditions. But we are ready to do it.



From a banned local radio station to a national media company

By Saša Mirković



Whenever I have to tell people our success story I have to start from the beginning. Don't worry, it won't be long but it is necessary to understand the whole story about our station.

History of bannings and closures

Radio B 92 was established in 1989 as a youth radio programme with a temporary licence which, unfortunately, expired after several months, but we, nevertheless, continued to work as a "semi-pirate" radio station. This status allowed the Milosevic regime to close down our radio station several times during the 90s.

The first time we were closed down was in 1991 after the first big riots prior to the tragic wars on the territory of the former Yugoslavia. The second time the regime closed down Radio B 92 was during large demonstrations in Serbian towns at the end of 1996 due to the fraud during the local elections. The third

time we were closed down was on the night before the NATO bombing started in March 1999.

At that time we continued to broadcast our programme for a network of associations of independent electronic media but ten days later the Milosevic regime took over our station by illegally changing the statutes. Our staff refused to work for the pro-regime B 92. We therefore created the radio programme B2 92, used the frequency of a local station Studio B and worked under that name until democratic changes in our country took place in October 2000.

This was the history of the banning and the closures of our radio station.

A new concept in Serbia

From the very beginning, our radio station differed from those of our competitors. We created "an umbrella institution" which con-

Saša Mirkovic is one of the founders of B92 and presently the Chairman of the Board of Directors. From the beginnings of B92 he has been one of the driving forces behind the development of the company. The station and various staff members have received too many awards to list all of them here. Naturally, first of all, B92 expresses in its mission statement the dedication to high-quality programming and its social responsibility. But the statement also implies that, as a commercial organisation, B92 "plans to establish itself as a sustainable organisation, capable of developing under its own steam in a highly competitive market whose lack of regulation provides additional challenges".

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sisted of a radio station, publishing departments (books, CDs), a cultural centre and TV production. Our editorial concept was based on the universal declaration of the United Nations on human rights. We used to say that Radio B 92 is a radio of minorities: national, political, sexual... We were anti-war oriented and very well connected with the non-governmental sector.

Clearly, this concept was something new and totally opposite to what was on the air in Serbia in the early 90s.

First contacts to donor community

After several years we established our first contacts with the donor community. Evidently, without their support and donations, we would not have survived as our country was under sanctions, closed and isolated, e.g. if someone wished to have a commercial broadcast on our programme, the next day the financial police would be on their premises.

We did not hide that during that period we were receiving donations from the outside world, therefore, a lot of our enemies in the state media accused us of being spies, mercenaries etc.

The biggest donor was George Soros and his foundation. They have been extremely important because they had a local office and could react immediately. Other important donors were USAID (through IREX), the European Commission (with huge delays), Press Now from The Netherlands, the Swedish Helsinki Committee, the British government, etc. Despite these difficult years we made a great leap forward in developing our organisation. Each donation received was used for projects that strengthened the brand B 92.

We were known as a medium which was ap-

plying new technologies, as we knew that they could provide us with an additional opportunity to deal with the problems and obstacles set by the Milosevic regime. This was the reason why we were the first legal Internet provider in our country.

Internet provision became one of the activities in our firm's portfolio. Documentary films from our TV production were awarded prizes at a lot of international and domestic festivals. Some of our books and CDs became bestsellers on a market that is not big.

Several weeks before democratic changes took place in October 2000 we started to broadcast our TV programme from Bosnia. After October 5th we returned to our premises, which led to a new phase of development for our company. A phase in which we expected that work would be easier.

How naive we were! Our situation became even more complicated because during the Milosevic era we knew our enemy, the agenda and what we were fighting for. It was quite simple, black and white.

The radio, TV and website belonged to our core activities. Other activities still form part of our portfolio but are less important for the daily existence of our company.

Success on the market

Step by step, we were addressing a growing number of persons, despite it being difficult, dangerous and expensive to install transmitters. But this was the precondition to compete with the market and increase our income.

Nowadays, our website is the most popular website in the whole region. More than 100,000 users visit our website per day and we have approx. 1,000,000 open pages. Of all the websites worldwide, we are at position 1,598.



Ours is the most popular radio station in Belgrade and second most popular in Serbia. Until the end of this year we are planning to become the most popular radio station in the country.

TV B 92 is the third most popular television station in Serbia which is a huge success considering the fact that we have only been on the market for 6 years.

All these results are measured on a daily basis by People-Meter, which shows success or failure of our programmers. More important is the fact that these data are used by advertising agencies and clients when they decide on how to allocate their budgets.

The advertising market's total expenditure this year is approx. 65 million EUR with respect to TV stations. Annual growth is still 15-20% per year.

To date, TV B 92's share of viewers is more than 8% but our marketing share is much higher – over 12%, which shows that our viewers belong to the urban population with a higher income and education level.

Please keep in mind that currently there exists a very respectable and competitive TV market with another two large stations – RTS acting as a public service broadcaster offering a lot of entertainment programmes and Pink with mostly entertainment content.

We have to adhere to the Advertising Law according to which we, as a commercial private station, are restricted to 12 minutes of the commercials per hour. RTS, as a public service broadcaster, is limited to 6 minutes of commercial airtime per hour.

We also have to respect the trends in the advertising business. Several years ago the coffee industry was the main advertiser and was

then replaced by the beer industry. Now, after the privatisation of the financial sector, foreign banks are spending enormous amounts of money on commercial time. We expect this trend to continue next year in the sectors of health insurance, private pension funds and the car industry.

MDLF's most ambitious project

Our company is one of the rare media institutions that was privatised in the past few years. The Media Development Loan Fund (MDLF) acquired 30% of the social capital during the auction in 2003. In the meantime they have increased their share in B 92 to 48%.

A further 8% of the company are owned by small shareholders and 44% are held by the Trust B 92 which is owned by 15 founders and top managers of our company. Trust B 92 guarantees an independent editorial concept and credibility of our programme.

MDLF is a friendly investor assisting professional media worldwide to move from donor support to companies receiving loans and, step-by-step, in turn becoming successful and self-sustainable companies.

B 92 is, presently, MDLF's most ambitious project.

Training as important success factor

Continual education is one of the most important factors for success. In the past few years our editors, journalists and technicians have taken part in various trainings offered by the BBC and other prestigious schools. The European Agency for Reconstruction (EAR) supported this project and the result is obvious.

Nearly three years ago we moved to new premises. After 14 years in various locations all B 92 activities are now finally under one

Continual education is one of the most important factors for success.

Credible news and programmes based on investigative journalism are crucial. But it is not enough for our competitive role on the Serbian media market.

roof (3,500 m²) where 420 employees work. Before we moved to this renovated building we had been working in 8 different locations in Belgrade, which made the whole operation and daily work extremely complicated.

The news super desk

Moving to a new building gave us the opportunity to create “super desk”: a news desk which produces news for five different platforms, namely TV, Radio, website, mobile telephones and TV text.

The existence of the “super desk” enables us to decrease the costs of producing news as only one crew with journalists is sufficient to produce news for several platforms in various forms. Credibility of our editorial policy is extremely important for us. Credible news and programmes based on investigative journalism are crucial. But it is not enough for our competitive role on the Serbian media market.

You need to offer excellent films, high quality entertainment programmes, best sport events, documentary programmes, etc. B 92 has for years been broadcasting the football championship league. This season we bought the rights for the Formula 1 race and the Spanish football league Primera. We have entered into contractual relationships with Sony Columbia for Hollywood production films and the BBC for documentaries.

The promotion department is very important in our house as we have to promote our programmes in newspapers, on the billboards and through various events. On the air promotion means that we are using the opportunities of several media under the same roof, which are cross promoting each other. This is huge value which a majority of our competitors do not have or are not using sufficiently. We also have to think about constant and

daily communication with our audience. One of these examples is the recent opening of a B 92 shop in the centre of Belgrade where we sell our books, CDs, goods with B 92 logo, etc. It is not our core business but it is important for the image of our company.

Growing competition

Nearly six months ago, after a long process, five private national frequencies have been allocated for a period of eight years to the television stations Pink, B 92, Fox, Avala and Kosava/Happy. Radio Television of Serbia has two channels. We are the only station that has national frequencies both for radio and television. We now have seven national channels for a relatively small market and are expecting conflicts regarding advertising income. The problem is that I am afraid that a lot of the stations will have a very similar set-up due to, in many cases, targeting the same audience which switches from one channel to the other.

I am still not sure that this process of allocating the frequencies is finished yet as we are having serious problems with RTL who did not receive a frequency from the Broadcasting Council. They appealed to the High Court because of serious violations regarding the procedure of the allocation of frequencies by the Broadcasting Council.

We are also waiting for the closure of many stations that illegally operate on the air and block our signal. We pay very high fees for the national frequencies and expect proper service and the rule of law in this field.

“We will certainly survive”

Unfortunately, we cannot prepare a business plan without having in mind the political environment in our country and region. There are still several hot political issues: better



cooperation with the War Crime Tribunal in the Hague, the future status of Kosovo, the EU integration process and the future elections in Serbia.

We do hope that all these problems will have a positive outcome. This will mean that market access for foreign investors will be much easier and they shall have a guarantee for their investment. This will automatically create a better, more positive atmosphere in the whole of society and impact the social standard of our people.

Moreover, this will also influence the increase of the company's budgets for the media advertising campaigns. But who is to guarantee

that this direction will be taken? This lack of stability is a serious threat for future development.

There are still a lot of fields for possible growth. Regional expansion in neighbouring countries is realistic since there are similar languages in a region. The development of the cable system is also a great opportunity for starting specific topic-TV channels, such as sports, women, children, business, etc. But none of this will happen if things move in the wrong direction in our country. We have to be aware that this scenario is also possible. We will not be surprised and unprepared but we will certainly survive. That has always been the case with B 92.

Unfortunately, we cannot prepare a business plan without having in mind the political environment in our country and region.





malaysiakini
news and views that matter

Tough decisions

Business strategies of Malaysiakini.com

By Premesh Chandran



Legislative environment

Print and broadcast media in Malaysia are indirectly controlled by the state through rigid licensing. Only media owned by political parties or those aligned closely to the ruling coalition are allowed to exist, stifling independent news coverage.

In the mid 1990s, Malaysia created the Multimedia Super Corridor, a zone with special laws to attract foreign investment into the IT sector. As part of this effort, the government pronounced that the Internet would not be censored. In 1998, the no censorship policy was included in the Communications and Multimedia Act (CMA).

Although the CMA allowed online media to exist without licensing, such media continued to be subject to other media laws such as the Sedition Act and the Official Secrets Act, thereby ensuring some degree of restraint on parts of the online media.

In September 1998, the Asian Economic Crisis

produced a split in the leadership, resulting in the ousting and detention of deputy prime minister Anwar Ibrahim. The compliant media failed to deliver accurate and balanced coverage of the political crisis.

Responding to the need for balanced media, Premesh Chandran and Steven Gan proposed the formation of an online media organization – Malaysiakini.com. With a track record in journalism and human rights activism, \$100,000 were raised from the Southeast Asian Press Alliance. Malaysiakini.com was launched on November 20th 1999 with a mission:

“To use the Internet to provide independent and balanced news to the Malaysian public and to set new standards in journalism as well as to support the development of freedom of speech, social justice and democracy in Malaysia.”

The site was very well received. Its popularity grew rapidly, reaching 100,000 unique visitors per day by August 2000.

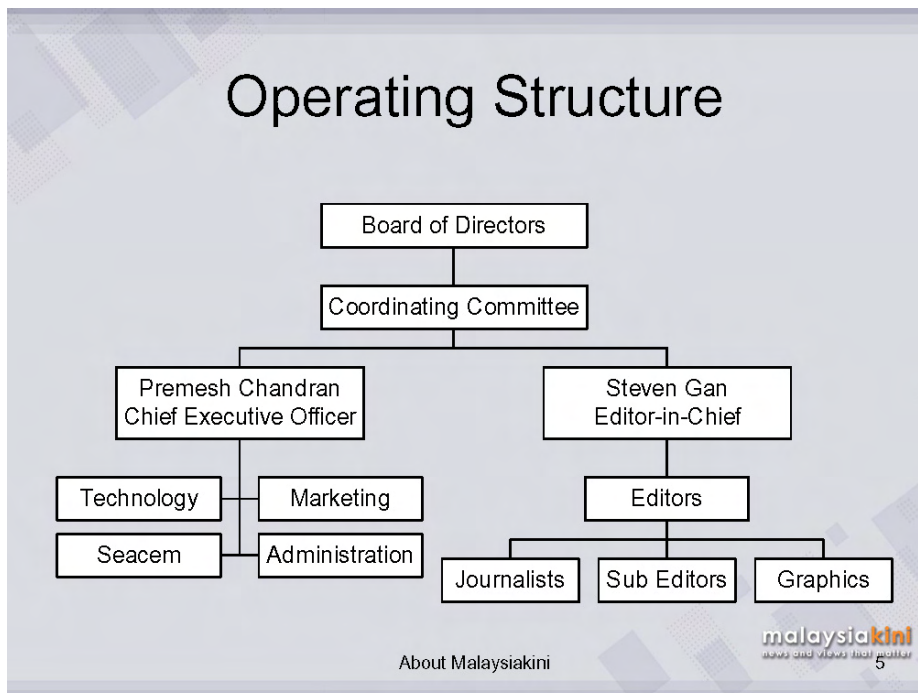
Premesh Chandran worked as consultant on a variety of environment and development issues. He has written extensively on the economic crisis, trade, development, and labour issues. Together with Steven Gan, his former colleague at the Special Issues desk of TheSun, Premesh co-founded Malaysiakini.com in November 1999 and holds the position as Chief Executive Officer Business. Malaysiakini has received various Press Freedom Awards and has been marked as one of the “50 Most Powerful Communicators in Asia” (Asiaweek 2001), the “50 Movers and Shakers of the New Economy” (The Edge Dec. 2000) and the “50 Stars of Asia, Asia’s Best and Brightest” (Business Week, 2001).

Malaysiakini today

Malaysiakini currently publishes over 60 articles per day, in English, Malay and Chinese, in the categories of News, Letters, Features, Opinions, Columns and Editorials. There are also political cartoons and links to blogs and other relevant content.

Malaysiakini charges a subscription fee of US\$40 per year. There are about 5,000 paying subscribers, although due to sharing of passwords, there are about 20,000 logins per day. Taking into account readers who view the free content, Malaysiakini now reaches about 100,000 readers directly on a daily basis. We estimate that about 500,000 access Malaysiakini directly or indirectly every month.

Operating structure



Stakeholders

Malaysiakini has currently the following stakeholders:

- Shareholders:

- Steven Gan (30%), Premesh Chandran (30%)
- Media Development Loan Fund (29%)
- Employee Shares (10%)
- Staff 30: Editorial (18), Technical (4), Administration and Business (3), Marketing (3), Seacem (3).

Impact on press freedom

Primarily, Malaysiakini's ability to reach 500,000 people directly or indirectly has a major impact on press freedom. The debate and discussion on Malaysiakini is vibrant and informative and has led to significant policy changes. These include the government creating a commission to investigate police conduct, changes to waste management, addressing complaints of corruption and responding to issues of local government.

By reporting today's news today, Malaysiakini has also put pressure on the traditional media to report more accurately and independently. The traditional media have improved their coverage, and have also started reminding the government that too much control will drive readers and viewers away from newspapers and TV.

Evolution of business strategy

Malaysiakini was launched as a grant-dependent non-profit organization. Besides grants, Malaysiakini targeted revenue from advertising, mainly from cash-rich dotcoms. In its first year, Malaysiakini earned over \$25,000. As revenue and readership increased throughout the year, Malaysiakini grew from 6 to 18 staff and matured into a semi-commercial organization. At the end of the year, Malaysiakini began negotiating with the Media Development Loan Fund (MDLF).

However, the dotcom bust (triggered by the NASDAQ crash in April 2000), reached Malay-

sian shores by the end of the year. In 2001, advertising revenue slowed to a trickle. Before the middle of the year, Malaysiakini was forced to make some tough decisions. The choice was to return to being a small grant-dependent organization or develop a sustainable revenue model.

Grant model

As Malaysiakini had previously obtained grants, it was a possible option to continue being grant-dependent for a period of time until advertising or an alternative business model emerged. However, this would mean reducing staff size by half.

The downside was that a dependence on grants would counter the perception of editorial independence and instead reinforce that notion that Malaysiakini carries with it the agenda of its international funders.

Subscription model

In 2001, a few media organizations began testing the subscription model with limited success as most Internet users refused to pay for content. Malaysiakini had the necessary basis for introducing a subscription website – unique content, in high demand. Malaysiakini estimated that perhaps 10% of 100,000 readers would opt-in to the subscription model.

However, the subscription model would severely limit access to Malaysiakini. While this would be somewhat overcome by individuals copying the content and circulating it, the subscription model placed business sustainability in opposition to the Malaysiakini mission of providing independent news as a tool towards democracy building. It was also recognized that the organization would need to create a strong business focus, including creating a marketing department and a strong

Subscriptions

- Cons
 - Believed that 10% of 100,000 would subscribe, got 1%, demoralizing
 - Password sharing, posting on other websites
 - Hard to get good marketing people
 - High cost:
 - lost advertising revenue,
 - Investments to manage subscriptions
 - Dependent on payment channels, subscription software
- Pros
 - UVP Independent news
 - Steady income
 - Grown by average 30% for first 4 years
 - Grow by 20% for next 3 years
 - Brand recognition
 - Quality audience
 - Leverage on audience
 - Good KPI

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21

Business Experience

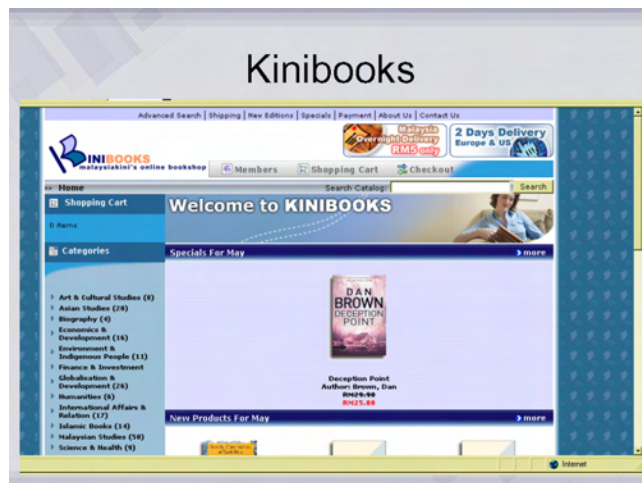
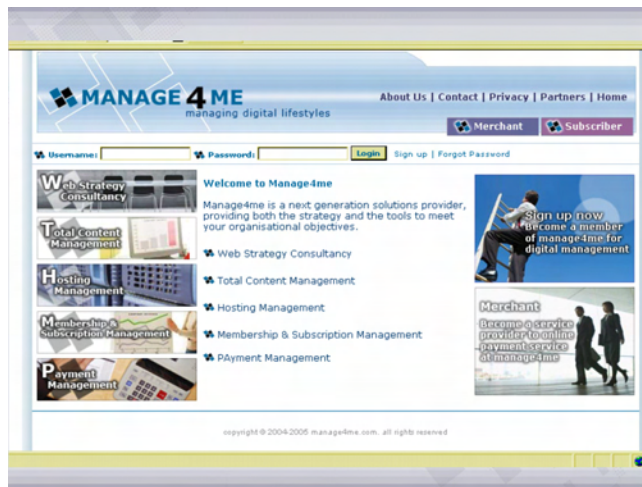
technology department to support payment and subscription management. There would be little net income from subscription without a significant number of subscribers.

Furthermore, the reduced readership would result in a loss in advertising revenue, although, this was not an immediate problem as advertising income was low anyway.

With the support of MDLF, Malaysiakini decided to opt for the subscription model. It was seen as a step towards sustainability.

This decision was based on reaching 10,000 subscribers in the first year, relieving the reliance on grants. Instead, we only reached 1,000 subscribers, barely covering the additional marketing and technology costs. This forced Malaysiakini to continue relying on grants, while increasing subscriptions, in some way defeating the original objective. Nevertheless, developing momentum towards subscription and sustainability, created a fundamental change in Malaysiakini, with a sharp focus on becoming grant-free.

Malaysiakini began by launching a new subscription service called Strategic Analysis Malaysia (SAM), a fortnightly political intel-



ligence report aimed at institutions following local political developments.

Using the SAM experience, Malaysiakini launched the subscription-based service in February 2002. Some of the components of the launch included:

- Developing a pre-paid card called “e-coupon” which was sold at retail outlets to assist online payment among Malaysians without credit cards and who want to remain anonymous.
- Developing a relationship with retail chains to sell the e-coupon.
- Developing software to manage subscriptions.
- Cooperating with MDLF’s e-store to complete credit card transactions online.
- Cooperating with online banking services.

- Deciding which areas of the website should be free and which paid for.
- Producing marketing material, developing alliances for promotions.

In April 2002, based on Malaysiakini’s business plan, MDLF invested \$350,000 for a 29% stake in Malaysiakini.

As mentioned earlier, subscription efforts failed to reach the targets. Following Prime Minister Dr. Mahathir Mohamed’s decision to step down in mid 2002, Malaysiakini applied for a license to publish a weekly newspaper. However, the government has yet to grant us the license.

In 2003, Malaysiakini focused on improving the subscription offering, including improvements in content, technology and subscription process. Subscription revenue improved by 57%. However, it was clear that the growth was insufficient to achieve breakeven within 5 years.

Responding to these developments, Malaysiakini decided on the following:

- Increase the subscription rate by 33%
- Develop a greater online presence
- Develop new revenue streams

Since 2004, Malaysiakini has been expanding its Internet presence. Malaysiakini launched a lifestyle section called Rentakini as well as launching Chinese and Malay language editions. Malaysiakini is now expanding into Internet TV. In order to sustain our technology development, Malaysiakini successfully raised funds to set up the Southeast Asian Centre for e-media. Seacem’s mission is to build ICT capacities in civil society and independent media. The Seacem grant allows Malaysiakini’s tech team to build new technologies that are then shared with other ICT users.

As mentioned earlier, there is a minimum cost to building and maintaining subscription

management software. In order to maximize the return on this investment, Malaysiakini created a subsidiary called Manage4me that handles subscriptions for Malaysiakini and other similar subscription services. This service, located at manage4me.com, was launched in December 2004.

Malaysiakini also launched its own online bookshop called Kinibooks which sells books on Malaysian current affairs. Kinibooks is tightly linked to Malaysiakini, guiding readers to books on similar topics. Kinibooks earns a commission of 35% on all books sold on Kinibooks.

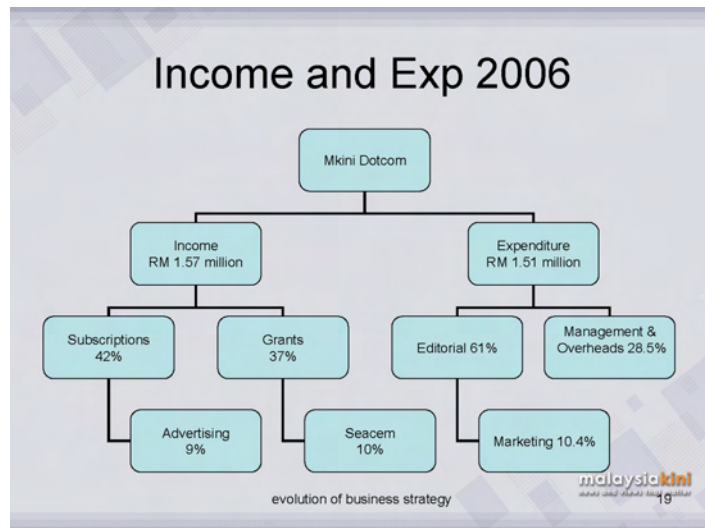
With 40% annual growth in subscription revenue plus income from various projects, advertising and grants, Malaysiakini was able to breakeven in 2004, and 2005. It is expected to do the same in 2006, with the following financial structure:

Moving ahead (2007 – 2009)

Over the next three years, Malaysiakini will seek to do the following:

a. Subscriptions are expected to grow by 25% for the next three years, reaching \$365,000 by 2009 before moderating to 15% per year. Malaysiakini will achieve the subscription revenue targets by improvements in the editorial offering, marketing, payment management and additional services that reduce password sharing

b. Malaysiakini intends to introduce new advertising products such as text ads, tower ads and video ads. Advertising sales will be intensified, with more marketing targeted at advertising agencies and institutions. As readership, visibility and advertising products increase, Malaysiakini expects advertising income to grow by 60% each year, reaching \$130,000 by 2009. Growth is then expected



to moderate to 20% per year.

c. Malaysiakini expects to reduce its reliance on grants from the current level of 37% to 25% by 2009.

d. Malaysiakini will build up Seacem, Manage4me and Kinibooks to ensure that revenue is diversified.

e. Malaysiakini intends to develop a key focus on Internet TV in Malaysia and launch an Asian wide Internet TV offering called Asia247.tv

Key elements of sustainability

The trajectory of Malaysiakini has been described above. In order to conclude the experience, there should be several factors highlighted.

a. Good partnership between the founders, focus on business and editorial

Many media organizations are founded by journalists. Too often the business and sustainability issues are not addressed until a later stage, sometimes only in the face of dwindling grant support. In Malaysiakini's case, the strong partnership between the

two founders and their respective focus on business and editorial, allowed a more balanced growth and the ability to face both business and editorial challenges. Although there were many mistakes made on the business side due to inexperience, having clear responsibilities and focuses is critical.

b. Committed team members

No organisation would succeed if it failed to attract committed and talented staff members. The opposite is also true – the Malaysiakini team has been critical in developing the organisation, including sticking with Malaysiakini during tough times. In areas without committed team members, Malaysiakini's development has stagnated.

c. Strong support from local and international civil society and foundations

Since its inception, Malaysiakini has found strong support locally and internationally in the form of grants, awards and recognition. Such support was a major moral booster and played a critical role in supporting the growth of the organization. In the early stages, such

support was forthcoming because of the previous activist and journalist experience of the co-founders. However, in most cases, few funding organisations are willing to take risks and to fund new projects with unknown personalities. In order to support media development, there is a need for more investment into creating an environment whereby small organizations can grow to a stage that they are recognised and receive funding.

d. Critical support from MDLF

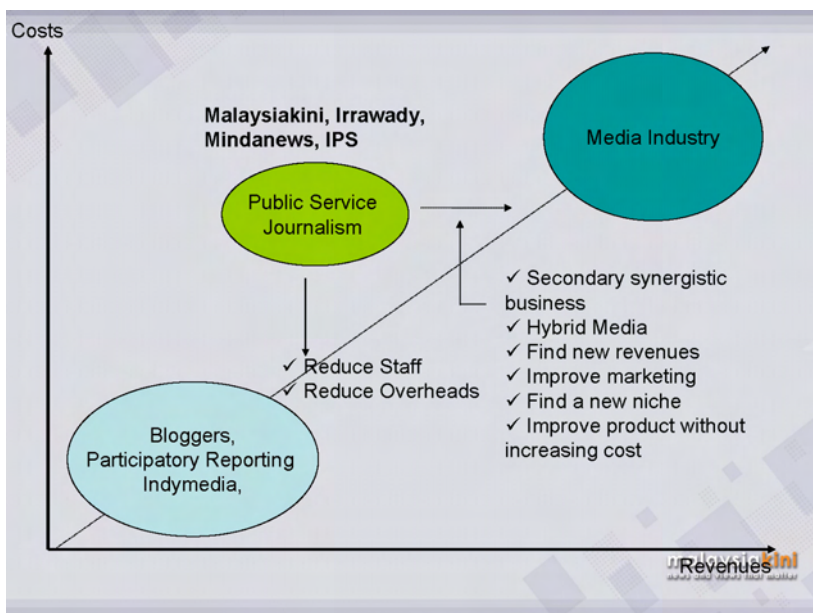
The Media Development Loan Fund played a critical role in assisting and shaping Malaysiakini. Besides investing in Malaysiakini, MDLF assisted by:

- Providing capacity building for journalists to become media managers
- Creating (or reinforcing) a balance between editorial and business focus
- Understanding of the politics of emerging democracies
- Crisis assistance, loans, grants
- Networking with other independent media via MDLF's bi-annual media forum
- Access to big players like Wall Street Journal.

Perspectives on media development

Promoting Media Development has become an integral part of Malaysiakini's broader mission. Towards this end, Malaysiakini has participated in the Global Forum on Media Development and hosted the first Asian New Media Forum in January 2006 and spoke at various conferences about Malaysiakini's experiences.

While developing a strong sustainability focus, Malaysiakini does see a critical role in media development and media assistance. Malaysiakini believes that today's media can be divided into three categories:



a. Bloggers, citizen journalists and other types of volunteer media.

These services tend to be small or niche-operated by individuals and organizations. Although their individual readership may not be big, it is a key element of the media landscape, playing a role of highlighting issues and a watch-dog role of big media. Generally opinionated and ideological, most would appeal to a narrow audience that agrees with the perspective presented but collectively has a loud and plural voice.

b. Big media

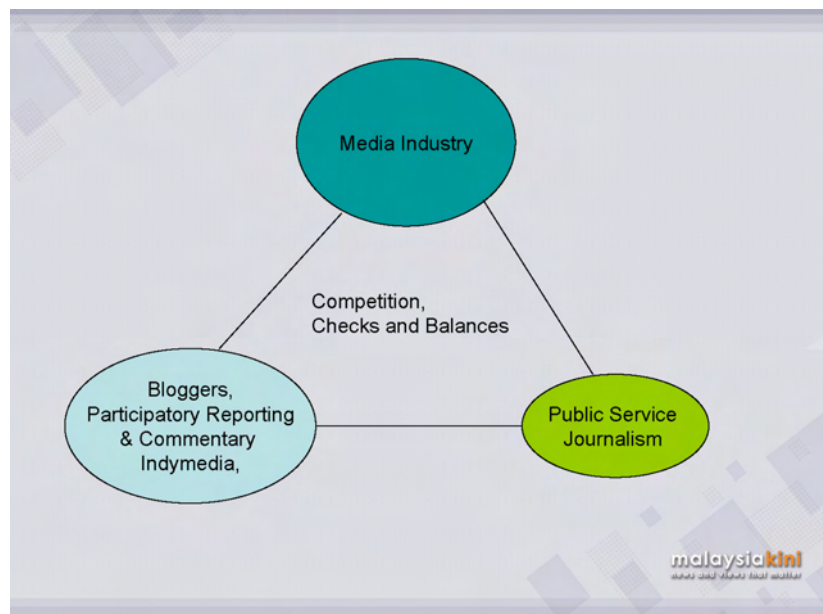
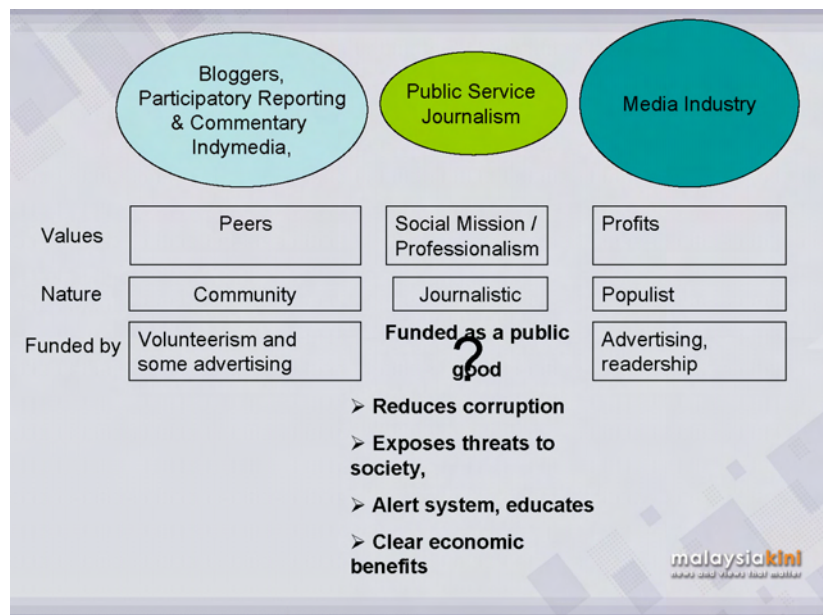
Big media organisations have always had to trade off editorial independence and courage against the interests of advertisers, owners and government officials as well as populist interests and addictions. Now, with audiences being further diluted by the Internet explosion, investments into quality journalism are declining. This has given rise to the question of whether journalists actually belong in the media industry.

Nevertheless, big media organisations have the reach and agenda-setting power, absent in smaller media organisations.

c. Public service journalism

Informed, independent journalism is a critical factor in governance. There are tangible economic benefits for society at large, including exposing corruption, giving visibility to trends and social dynamics, alerting the public to health and other threats, opening space for public debate and generally providing critical information to society. Societies that lack independent media are often economically inefficient, corrupt and lack the ability for long-term development.

Good journalism suffers from the free-rider



problem – everybody wants it, but nobody is willing to pay for it. One solution is a public broadcast system. However, most public broadcasters who receive direct funding from the taxpayer are often not subject to market forces. They are often accused of catering for the government of the day, becoming irrelevant to public interests, or are of poor quality.

Perhaps the future lies with privately owned, public service journalism. Such media organi-

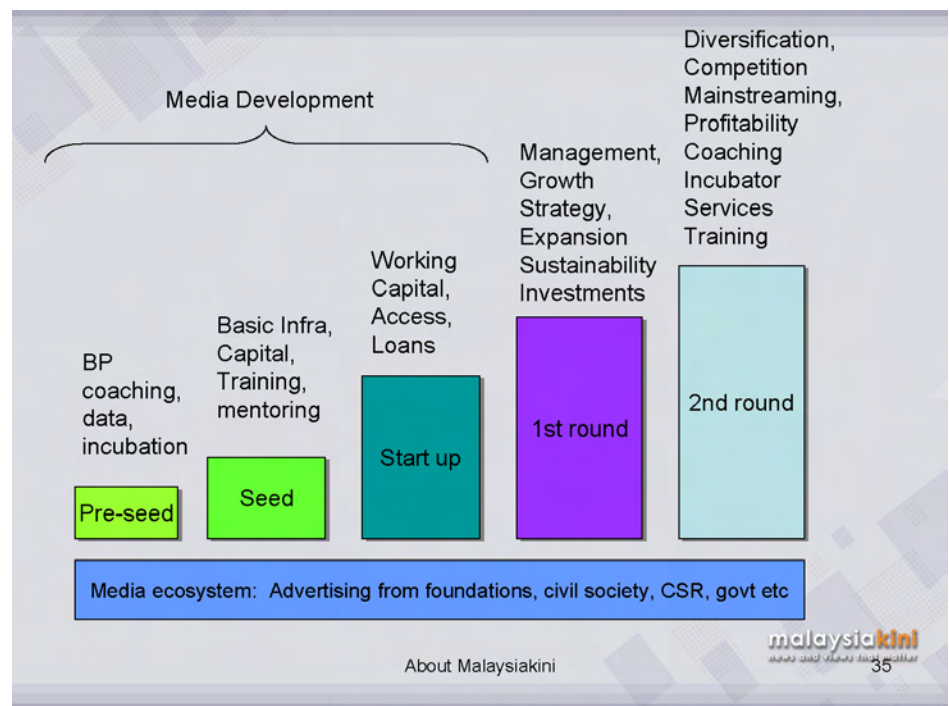
zations could compete for a pool of tax-payer funds, foundation grants, public donations and public-service advertising by government and civil society. Indeed grant-receiving civil society, encouraged by international aid agencies and foundations, has to invest more in advertising via public service media organisations.

This would promote the agendas of civil society while encouraging media to be more responsive to developmental issues.

The three types of media illustrated above form a rich media ecosystem, competing and

complementing the others. Issues sparked off by bloggers or public service journalism become major issues demanding a response from the government only once they hit prime time or the frontpages of major newspapers. At the same time, bias and mistakes by big media are often mocked by small, more independent media.

Hence media development should be aimed at infusing the blogging community with journalistic ethics, creating a financially sustainable environment for public service journalism and ensure a high level of accountability of big media organizations.





Political reporting as new segment

Successful market strategies of KBR 68H

By Hendra Pasuhuk in collaboration with Ging Ginanjar



Political framework

During Suharto's rule (1967-1998) news were censored. PWI was, at that time, the only state-controlled journalist association. News/journalism only took place, in a limited way, on print media. Most of the (political) news came from the state's news agency ANTARA.

News in electronic media were only produced by state radio stations, namely RRI (Radio Republik Indonesia) and TVRI (Televisi Republik Indonesia). News was mostly pro-government propaganda with little information value. All private radio and television stations had to broadcast these news in their programmes. Independent news productions in electronic media were prohibited.

This was a special situation, where electronic media markets were open to private investors, but no news production was allowed. Until 1998 there were about 800 local radio stations and 5 national private stations. The media licensing procedure was very political.

Indonesia:

Population: 240 m,
Religions: 88% muslim, 5% protestant, 3% catholic, 3% hindu and buddhist, 1% other
Telephones: 10 m
Mobile Phones: 30 m
Radio Stations: 3000+
TV Stations: 55 (11 national)
TV/Radio users: 80 m

The implications of this situation: The electronic media only produced entertainment programmes. Journalists lacked to a large extent professionalism and integrity, many were also corrupt. E.g. at companies' press conferences the organisers had to make available envelopes with money, if they wished these conferences to be reported. In Indonesia we call this "Envelope Journalism", a phenomenon with wide-ranging consequences concerning the development of journalism. People did not expect much from electronic media in terms of news. RRI's and TVRI's task was to report on the government's develop-

Hendra Pasuhuk and Ging Ginanjar are closely associated with the history of the implementation of an independent and critical journalism in Indonesia, a movement that rose already under the dictatorship of Suharto. Hendra Pasuhuk has watched and analysed Indonesia's political development since the early nineties as a freelance journalist and book author. Ging Ginanjar has been working at the independent radio station 68H almost since the very beginning in 1999. 68H has been the original seedbed of the independent radio movement which emerged as opposition to the Suharto regime. Since the transition to democracy 68H has become a news agency supplying about 400 independent stations all over Indonesia with news programmes and reports. Currently, both are working at the Indonesia editorial office at the Deutsche Welle in Bonn, Germany.

Many radio stations did not want a news programme. They argued that listeners were only keen on entertainment.

ment programmes and to be the propaganda station of Suharto and his military regime. The listeners did not really take these news seriously; nobody would refer to news and political reports in the radio.

International stations were the only source for news programmes and political reports. BBC, Radio Nederland, Deutsche Welle, Voice of America, ABC (Australia) were several stations which produced programmes in the Indonesian language and were transmitted via shortwave, but only reached a small number of people.

Transition and political reforms

This situation ended abruptly after Suharto's (forced) resignation in 1998. The demand for political reforms was very strong at that time; thousands were on the streets protesting.

The financial crisis in Asia had greatly weakened the government. There were violent mass protests, with an increasing number of deaths due to clashes with security forces. The political elite and the foreign countries urged Suharto to step down; on 21st of May 1998 Suharto announced his resignation.

The new government then passed a law allowing private radio and television stations to produce their own news programmes. The censorship in electronic and print media was lifted, i.e. for the first time in more than 30 years, the radio stations could produce their own news. Independent journalist organisations are now allowed and the media licensing procedure has become less political. In 1999, after more than 40 years of authoritarian rule, the first free election with 48 political parties took place.

The idea of a radio news network

Initially, journalism was developed in the

print media. Due to the strong censorship, critical journalists had to work carefully and be shrewd. Under Suharto, critical newspapers and magazines were often banned. In 1994, 3 news magazines were prohibited, namely "Tempo", "Editor" and "Detik". Hundreds of journalists were suddenly out of work, however, many did not simply want to give up.

They – illegally – founded the first independent Indonesian journalist association, the AJI, and the Institute for Free Flow of Information, ISAI. Both these organisations played a major role in starting a public debate on press freedom and journalistic standards. The journalists soon realised that only a limited number of persons (namely the middle and upper class) has access to print media. Newspaper are only circulated in large cities. The number of print media sold per year totals 5 m compared with approx 40 m radios in the households. Radio is the medium which is most used in Indonesia due to the Indonesian tradition of communicating verbally and also due to radio being cheap. ISAI then founded a working group "radio", which began to develop a concept of news programmes for radio stations.

From the idea to implementation

In 1999, a small production studio was set up in house number 68H in Jakarta, also the office of ISAI. This is how the name 68H (NAM-LA-PAN-HA) came into being. The team comprised 7 persons. 7 local radio stations, initially, joined the 'network'. In March 1999, the first trainings began. At the beginning, the team of 68H produced between 7 and 15 minutes news bulletins, with a maximum of 60 seconds per news item. The first news programmes were broadcast and transmitted in April 1999.

For the distribution, the team used audio cassettes which were delivered within Jakarta by



motorbike. The problem was, however, that there were no experienced radio journalists, and no basic radio journalism equipment was available. Many radio stations did not want a news programme. They argued that listeners were only keen on entertainment.

But there were international NGOs, foundations and organisations who supported the development of a new radio format: News Radio. At the beginning, 68H was funded through subsidies and donations. The Media Development Loan Fund (MDLF) and the Asia Foundation were responsible for the start-up financing. Later, foreign organisations and institutions (also the EU) gave funds.

Since Suharto's demise there are, in principle, only two non-governmental organisations, which produce political reports and features: 68H (NAM-LA-PAN-HA) and Internews Indonesia. These agencies produce a collection of news, but which they themselves do not broadcast. They distribute their programmes amongst radio stations belonging to their network. They organise trainings and workshops for radio journalists and give technical support in connection with the development of new radio stations.

Chances and challenges

Soon, the number of interested radio stations rose rapidly. In August 1999, already 60 local radio stations used 68H's news programmes; moreover, many more trainings for journalists were offered. Local radio stations then produced news themselves and were included in 68H's pool of news. Other member stations of the 68H-network could then broadcast these news. Since then, hundreds of reporters and broadcasters have been trained.

Many commercial radio stations began to produce political talk shows. These are popular amongst listeners. Commercial radio stations

soon "discovered" a new market segment, namely information and political reporting.

But it is impossible to produce news on a local basis everywhere. So, it was decided to set up a news team to produce news, which should then be circulated to local radio stations outside Jakarta via mail or FTP-transmission. Audio-format: mp3, as these are easier to handle in terms of the software than other formats such as Real-Audio.

In mid 1999, the first free parliamentary elections took place in Indonesia. The interest in, and the demand for, news programmes have increased steadily since then. In August 1999, for the first time, 68H broadcast a 30-minute news journal. Unfortunately, the distribution via internet is problematic. Internet connections are often poor and very slow. In some cities outside Java people sometimes need more than 4 hours to download a 30 minutes mp3-file.

Satellite-technology

Indonesia is the world's largest archipelago, stretching 1,800 km from north to south and 5,000 km from east to west. Indonesia has 3 time zones. Thus, satellites are the best distribution channel for data. However, exclusive satellite broadcasting channels are expensive to rent.

PSN, a local satellite provider, instead offered to share its audio channel in its digital video broadcast system (DVB), which is used by television stations. The usage of audio channels is much cheaper.

Moreover, the television stations throughout Indonesia use this system that works with PALAPA Communication Satellite. The antenna technology is also relatively cheap and more widespread. 4-data transfer channels with 64 kbps transfer rate were offered, which was a

Commercial radio stations soon "discovered" a new market segment, namely information and political reporting.



At the beginning,
nobody at 68H
thought about
production costs, cost
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major breakthrough for 68H in order to distribute its programmes. This DVB system enabled the broadcasting of longer programmes via the Palapa satellite.

Since the end of 2000, 68H already has more than 200 radio stations in its network. It broadcasts up to 3 hours daily, including 6 minutes news and 30 minutes journals. Moreover, news are updated hourly between 6:00 in the morning and 9:00 in the evening (West Indonesian Time).

This satellite-based system functions only in one direction: transmitting data from 68H in Jakarta (uplink), but not from the local radio stations to 68H; this can still only be done via the internet.

Doing business

At the beginning, nobody at 68H thought about production costs, cost control etc; they were all journalists and eager to deliver viable journalistic work. They did not think about marketing activities, brand building, market shares etc.

But the aim of 68H was and still is to set up a media company, which has a long-term chance of survival. In order to achieve this aim, a company with limited liability was founded in 2000: PT MELIN. 60% of the shares are held by the employees, 40% by ISAI.

The decision to become a corporation has an important consequence in respect to the financing. As a corporation, 68H can no longer receive financial aid. To cover the production costs, the company must sell advert-slots. So, not only a business plan and marketing strategy were needed, but much more than that. Each 30 minute programme has now 6 minutes of advertising slots. The production costs are covered, if 50% of the advertising minutes are sold.

A calculation system has to be found as to how best distribute the advertising revenue between 68H and the local stations. In addition, the clients who place an ad demand the setting up of a system, which evidences that the local stations within the 68H network actually broadcast their ads (Broadcast-Report-System).

In order to obtain more revenue, time slots could be sold for public services announcements or campaigns.

The first “advertising minutes” were bought by international organisations such as UNDP and UNICEF for their education campaigns and also by Indonesian organisations and institutions, such as the national human rights commission for its campaigns and other announcements.

Consolidation and growth

7 persons founded 68H in 1999; at the end of 2000 this number increased to more than 40. In 2001, 10% of the “ad-slots” were sold; the revenue of advertisements totalled 1.2 bn Rp (approx. US\$ 120,000). A business plan was prepared in the second half of 2001 based on the assessment of a consulting firm engaged by 68H.

This plan clearly showed that the distribution of the advertising revenue between the local stations and 68H was much too rigid, thus allowing no flexibility regarding the prices for ads. It means, there was no space for negotiating prices with clients. For this reason, a new distribution key was developed in order to improve the marketing of the advertising minutes.

In May 2002, in the course of consolidating the company, 40% of the company shares were sold to individual persons and companies, generating additional funds for 68H in

the amount of more than 4 bn Rp (approx. US\$ 400,000) and enabling the expansion of the company. The cooperation with international radio stations such as BBC, Deutsche Welle, Radio Nederland and VoA was extended. In order to further strengthen its position on the market, it is important to further qualify and train the employees. An English journal "Asia Calling" was offered to radio stations abroad, mainly in Asia and Australia.

Profit and expansion


In 2004, parliamentary elections and, for the first time, direct presidential elections took place in Indonesia, followed by a second ballot. This is a great chance for 68H to establish itself as the only radio-news-agency. The main topics are: democratisation, human rights, corruption, poverty, conflict resolving, gender issues, education.

2004 was a good year for 68H in terms of doing business. For the first time, 68H generated profit in the amount of Rp. 2.4 bn (US\$ 240,000). The corporation paid (little) dividend to its shareholders. A large part of the profits was invested in the broadcasting infrastructure.

Perspectives

Indonesia's media market is growing fast. From about 800 private stations in 1998, there are now more than 3000 radio stations. 68H is one of the first which develop and use a network concept. Other media companies followed this trend.

Political changes since 1998 have given rise to interest in news programmes. This is reflected in the news programme advertising rate which has also risen. 68H is the first radio network that focuses in news. This unique position gives 68H an edge as provider of national news programmes. The share of radio-

Revenue 2005 				
	Rp.	Rp.	%	%
Ad-Spot				
Commercial	353,456,818.00		5.38	
NGO	259,636,363.00		3.95	
Government	1,555,318,362.00		23.67	
Total Ads		2,168,411,362.00		33.00
Blocking Time				
Commercial	396,144,095.00		6.03	
NGO	752,631,002.00		11.45	
Government	3,035,539,774.00		46.20	
Total BT		4,184,314,871.00		63.68
Others		217,668,599.00		3.32
Revenue		6,570,394,832.00		100.00

V. Profit and Expansion

- 2004: Parliamentary and presidential elections
- 68 H, the only radio news agency throughout Indonesia
- 2004: pre-tax profit Rp. 2.4 bn (\$ 240,000)

	1999	2000	End 2005
Production	7-15 Min	3 h	18 h
Staff	7	> 40	> 90
Stations	7	> 200	430
Listeners	200,000		> 20 m
Assets			> Rp. 10 bn (US\$ 1 m)

advertises on the national advertising market is still small, only about 4% (TV 61%, print 33%, others 2%). This means there is still big potential to raise advertising revenue with good marketing strategy.

The challenges faced by media currently include growing conservatism. Debate on 'pornography' and the effects of 'communist ideology' are only examples. In order to limit criticism, political parties and politicians have moved to clip freedom of the press. Unhealthy competition and a weak rule of law could also hamper current Indonesia media development.





Local stations go for national advertising

Marketing strategies of the CNR Advertising Agency

By Cecilia Valderama

History

Coordinadora Nacional de Radio (CNR) is a 28-year-old association which links 47 educational radio stations and 29 production centres, located all over the country. The common objective is to use radio communication for citizen participation, local development and the construction of democracy. The association includes stations with diverse features, some local ones and others that are regional, stations with programming in Spanish, in Quechua and in other native languages. Some stations are operating in an urban context, others in rural areas in the Andes or the Amazon region.

For CNR, economic sustainability has been a subject for analysis and discussion for many years. The CNR Strategic Plan up to 2010 defines three priority areas, and one of them is the strengthening of economic sustainability of the radios and the association.

The Advertising Agency was created in Lima in October 1999 because the member stations did not have access to the national advertising market. Nearly all of them operate outside Peru's capital Lima. One third of the Peruvian population lives in Lima and 80% of the country's publicity is concentrated there. Thus only 20% of national advertising is being invested outside of the capital.

The CNR Advertising Agency was also created because the other agencies and their clients were not aware that the radio continues to be the most important and sometimes only available mass medium in rural areas. These agencies are only interested in short-term profits. They take advantage of the weak position of local radio stations. The latter are sometimes simply not able to determine their own market value or do not know the advertising fees. Hence the advertising agencies obtain very high profit percentages while paying the radio stations extremely low fees.



Cecilia Valderrama Puertas is a journalist and director of the Sustainability and Institutional Image Programme of the Coordinadora Nacional de Radios (CNR), an association of Peruvian local and community radios. For 12 years she has been working in the development of economic sustainability strategies for local radio stations. She manages the CNR Advertising Agency representing 126 radio stations all over the country. Cecilia Valderrama forms part of the marketing team of the Latin American Association for Radio Education ALER (Asociación Latino-americana de Educación Radiofónica).



So the CNR advertising agency not only became a means for income generation but also an important incentive for the radio stations to become more competitive.

Officially, the agencies receive a commission of 15% of the advertising contract, and the radios receive 85%. In fact the agency asks 15 cent for a radio spot in the city of Puno where the local tariff is only 10 cent. In addition, the advertising agencies often delay paying, and sometimes bills are not paid. But the money that stations have to invest to demand the overdue bills often exceeds what they would receive.

The CNR radio stations also experienced these abuses and therefore created their own advertising agency which aimed to enter the market using other kinds of practices. These practices are: transparency, mutual respect between radios and the Agency and the recognition of the radio as an important means of development. The radio stations receive 80% of the advertising contract, and 20% is for the Agency.

When the proposal to start an advertising agency arose within the association, this issue was discussed quite intensely. Would the CNR move away from its educational and political objectives and values? Would advertising on the CNR radio stations promote a society of consumption?

In spite of these doubts, CNR started the Agency, initially only representing 12 member radio stations which were already accustomed to producing and transmitting commercials. The national Peruvian elections of 2000 were an ideal moment for the first contracts. Political parties started their campaigns, and state entities like the National Election Office (ONPE) as well as NGOs developed electoral education programmes.

The first contracts created some revenue but also showed the need to improve the management of the spots, the administrative capacity and programme quality of the participating radio stations. So the CNR adver-

tising agency not only became a means for income generation but also an important incentive for the radio stations to become more competitive.

Soon all 43 CNR member radios joined the Agency. However, it was not possible to cover the entire national territory with these stations. Therefore, CNR started to approach radio stations outside of the network, the so-called "external stations", in order to develop strategic alliances with them.

Two criteria for the selection of the "external stations" were defined: they had to occupy the top places in the ratings and they had to have coverage in places where CNR did not have associated radio stations.

Following these criteria, the Agency has significantly increased the number of stations it represents to almost 140. And many other radios want to be part of the Agency network as we have always been working in a reliable and transparent way. Nevertheless, not all radio stations that want to join us have the necessary business license which allows them to transmit advertising.

The growing of the Agency is based fundamentally on competitive radio stations and programmes of quality, with high audience levels and wide coverage on national territory, with capable staff and good management. In order to guarantee these aspects, CNR has created the "Marketing and Advertising Network" in which the marketing and sales representatives of all CNR stations participate. The "Marketing and Advertising Network" meets at least twice a year for further training and to agree operative issues.

The Radio market niche

In 2003, in Peru US-\$ 200 million were invested in advertising. The most important



medium was television with a share of 37%, followed by the newspapers with 29%, and radio with about 12% or US-\$ 23 million. The investment in radio advertising has been decreasing since 1997, when the radios received US-\$ 28 million or 17% of overall advertising expenses. More than 2200 radio stations are competing for this decreasing amount of advertising investment.

Radio advertising investment is mainly based on audience ratings. But these ratings are only measured in the 12 major cities of the country where 23% of the nation's radios are located. 77% are situated in places where no audience data are available. In addition, the audience studies focus on the upper and middle classes – the so-called socioeconomic sectors A, B, and C – as they have the purchasing power relevant for the advertising clients. The majority of the population, however, belongs to the poor or very poor sectors – D and E – which do not incorporate the primary target groups of corporate advertising but in fact the main public of our radios.

Nevertheless, there are considerable differences in the consumption patterns of the poor. And the socio-economic situation of the listener is not enough to know the audience. Therefore, we are now working with the concept of "lifestyles". The "lifestyle" concept analyses the daily context, the beliefs and behaviours of the audience and therefore offers us the possibility to know and address our target groups more explicitly as well as to meet the advertisers' interests more specifically.

We started the Agency without defining our market niche but felt that we had some important advantages in comparison to the "traditional" advertising agencies: our presence all over the country, the reliability of the radio stations, their intense relationship with the local audiences and the strength of a national network. Nevertheless, we realised

the need to develop a more systematic analysis and strategy.

Based on the "lifestyle" concept and assisted by an external adviser we carried out an in-depth analysis of our target public, our market niche and the advertising clients' segmentation. We learned from this study that our strengths are the national coverage, the high audience levels in some towns and the native language programmes. On the other hand, there are some weaknesses: especially our absence in some of the major cities, the low audience levels of some rural radio stations with low management abilities and the absence of audience studies. An in-depth audience survey showed us that the CNR radios mainly target adults and therefore the decision makers within the family.

About 55% of our advertising revenue comes from government institutions. The state is the advertiser with the highest advertising investment in the country. The different ministries and governmental bodies conduct social and educational campaigns aimed especially at people from the interior of our country in their native languages. Of course, it is not always easy to collaborate with governmental bodies because sometimes the investment decisions are based on political interests and not professional criteria. 30% of our advertising revenue comes from mobile phone companies and 10% from beer companies.

Comparative advantages

Intense interaction with local audiences and the knowledge of local contexts

The commercial radio stations located outside of the capital often copy the styles and contents of the radios of Lima, leaving aside the specific realities of their regions. They speak to the listeners in a language that they do not know, about topics that they are not ac-

The majority of the population, however, belongs to the poor or very poor ... which do not incorporate the primary target groups of corporate advertising but in fact the main public of our radios.

The local, popular and educational radio stations ... aim at establishing a close relationship with their listeners. Therefore, the CNR radios are an attractive place for advertising campaigns.

customed to and transmit music that comes from other cultural backgrounds. The local, popular and educational radio stations aim to think up and elaborate their programming in the listeners' languages, with a high percentage of local information, with audience participation and music of the region. They aim at establishing a close relationship with their listeners. Therefore, the CNR radios are an attractive place for advertising campaigns.

Coverage

Peru is a huge country, it is three and a half times the size of Germany, and there are deserts, mountains and jungle areas. That means, radio stations located in the capital cannot cover the whole of the national territory. But a network of local stations is present in areas where no retransmitter of the huge commercial radio businesses exists.

Reliability

One of the big strengths of the Agency is the corporate firmness of CNR and the values that it has developed during its 28 years of existence. The CNR is widely respected for its reliable information as well as the commitments that it assumes in the defence of highly sensitive topics for our society.

Journalistic Support

As the CNR is not mainly an advertising agency but a network devoted to development work, we often do not limit our collaboration with NGOs and state organisations to the mere advertising campaign.

For example, when the Health Ministry launches a vaccination campaign for children under three years, we do not only broadcast the campaign spots, but often our journalists use this campaign to conduct and disseminate interviews with local authorities and specialists.

We bill in national currency

Another aspect is that the CNR agency bills in national currency while many other agencies make out the contracts in US dollars. This is a relevant "comparative" advantage, especially for state agencies.

Perspectives

Currently the Agency seeks to increase the revenues from private companies. On the one hand, we feel that we did not exploit the private market enough, on the other hand we do not want to depend too much on state advertising. We aim at collaborating directly with individual advertising clients instead of agencies who represent them. But we also have to overcome the following difficulties:

1. Absence of a radio station in Lima

One main difficulty is that the CNR Agency does not have a radio in the capital. Peru is a very centralistic country, political and economic decisions are taken in Lima. Hence we need a radio station in Lima to have more journalistic influence and obtain more advertising revenue.

2. Low audience levels of some radios

Some of our radios have low audience rates, so we have to develop integral plans of how to strengthen their journalistic and management profiles. This includes especially the evaluation of the programming and staff training in audience research techniques, in radio production techniques and in business administration.

3. Absence of audience studies

We are also looking for ways to finance audience studies. In Peru there is just a single company that has the research monopoly for



the elaboration of audience studies, Compañía Peruana de Investigación de Mercados (CPI). As already mentioned, this company only measures the audience of the 12 major cities of the country. We therefore seek to establish contracts with the local universities, asking them to realise audience studies where these data are not available.

Role of assistance

Three years ago the CNR started a pilot project financed by the Dutch Development agency "Free Voice", which aimed at strengthening the financial sustainability of the CNR member stations and the advertising agency.

It included training activities in marketing and management, the purchase of satellite receivers for some CNR member stations, the development of a corporate design, the move of the CNR office into the neighbourhood of a major television channel, and the intensi-

fication of direct contacts with advertising clients. The outcome was quite positive and directly impacted the billing.

Without this integral support the process would have been slower and perhaps would not have achieved the same results. In 2000, when we started the agency, our advertising income amounted to US-\$ 35,000, and in 2005 we generated US-\$ 183,000.

Therefore, Free Voice started a second project with CNR. The project includes two new elements: the implementation of a production centre for commissioned works and the advice and accompanying of the regional sub-networks. This means that the radio stations in the Amazon area will not only produce joint regional radio programmes but also develop a regional advertising strategy. So will the radio stations from the Quechua and Aymara speaking south of Peru as well as the stations on the northern coast.

Without this integral support the process would have been slower and perhaps would not have achieved the same results.





WORKSHOP 1

Strengthening enabling environments

The workshop “Strengthening Enabling Environments” aimed at identifying major external factors which influence media sustainability as well as possible intervention strategies for media development cooperation.

Creating an enabling legislative environment

Balanced media legislation and transparent regulation procedures are of vital importance for a healthy media sector. Constitutional protection would be most helpful, including not only freedom of expression but also independent media regulation, so that the media regulation mechanisms cannot be changed too easily. Other laws mentioned were the anti-trust legislation and defamation laws, including censorship by means of high fines. International donors (World Bank, UN agencies etc.) could pressure governments to adopt balanced media legislation and transparent regulation procedures.

Nevertheless, it was also emphasised that Western legislation models are not always helpful for Southern contexts. Donors should assist in allowing a South-South exchange and discussion of legislation procedures that have proved their usefulness in Southern countries. In addition, donors should support local media advocates specifically and without a lot of red tape when “windows of opportunity” arise, i.e. possibilities

for substantial legal improvements due to changes of or within governments (or personal commitment of key stakeholders in the state bureaucracy).

Another important aspect is the weak state of the administration of justice in many countries. Training is needed for the whole of the judiciary. This would include, for example, explaining the concept of an independent regulator and his/her role in the judiciary as well as the education of specialised media lawyers. Emergency funds should be created for advice to and legal defence of defamation.

Media programmes as integral part of development initiatives

Media markets are very tied in with the general development in a country. As long as a majority lives in poverty and therefore has no purchasing power, it is going to be difficult to develop media which can be sustained just by advertising. Therefore, media development programmes should be an integral part of general development initiatives, and media organisations and foundations need to collaborate with others that are working in the development sector. The media should actively promote a reading culture and support literacy campaigns. Help is also needed to finance marketing studies, to explore new distribu-



tion channels and to lobby for more accessible and cheaper telecommunication services.

Training

Training based on a practical problem-solving approach is a key element of enhancing media sustainability. It is necessary to help train people in drawing up business plans and look at how they develop their market niches. There is the need to focus on financial administration, media marketing and management in general. Skills in market research should be promoted, as media managers often do not know how they may use it for advertising and for improving the programme.

Nevertheless, it was mentioned that training activities are not always realised in local languages and do not necessarily correspond to the local environment. Therefore, training of local trainers should be prioritised. It also would be wiser to better resource already existing university departments or other institutions that have proved their qualification rather than set up specific media training institutions that often close down when donor funding ceases.

Strengthening networks

Donors should help build up and strengthen media networks and associations. Networks are not only valuable for experience exchange and programme production but also for setting up joint advertising agencies, realising market and audience research, offering training and lobbying for an enabling legislative environment.

Supportive role of the state

State media have to become public service media. But there was broad agreement that an even bigger challenge is to ensure quality information and to strengthen public journalism in any kind of media.

The experience of the Media Diversity Development Agency (MDDA) in South Africa appears to be a best-practice model for supporting quality journalism and managerial skills which is not all foreign donor driven. In addition, the State can help the media sector by granting tax exemptions and including media development in general development programmes.

Holistic support according to specific context

The workshop stressed the need for holistic support from donor agencies. Training activities or legislative initiatives should be part of an integral concept which is responsive to the specific situation of a given country and its media sector. Solutions are not directly transferable from one country to the next, so there are no general “recipes” for media development cooperation.

Donor coordination and lobbying for media development cooperation

There was a lot of talk about how to strengthen media development cooperation in general and in the case of German development assistance in particular. It was highlighted that better donor coordination is needed. Forums where all donors meet and discuss policies and projects to not end up duplicating what the others are doing should be encouraged more (e.g. positive examples in Belarus, Nigeria and South Africa). It was also noted that implementing organisations need to find creative ways to influence the German Development Ministry with regard to the importance of media and how independent media in turn play an important role in terms of good governance, citizen participation and poverty reduction and therefore should be one key element of governance and democratisation programmes.

Alongside that it was also stated that the EU has closed tenders which are given to focal points (e.g. GTZ) and are not open to others. The GTZ should be encouraged to publicise the tenders. In addition, the EU should announce the tenders publicly, so there would be transparency and awareness about the different types of work that are happening.

Another aspect was the absence of public relations strategies in German media development cooperation. It was noted that the World Bank for example is talking of doing community radio, as if it was acting for the first time, knowing more than others. It is ignoring the work of international NGOs, German Foundations and Churches that have been doing this work for 30 years. Hence, German media donors have to develop PR strategies and look for diplomatic support for their foreign initiatives.

*Christoph Dietz (CAMECO)
Evelyn Ehrhlinspiel (FES)*



WORKSHOP 2

Supporting business / management strategies

The aim of the workshop was to identify strategies that could support independent media in their endeavour to reach economic self-sustainability. Different factors influencing the media's business performance were discussed, barriers or specific challenges as well as good practices and supportive strategies identified. Emphasis was laid on two fields – stakeholder relations and qualification concepts.

Stakeholder relations

NGOs: Show more respect for business needs of independent media

NGOs, involved in development cooperation, were requested to show more respect for the business needs of independent media. Sharing common aims, the offices of northern NGOs consider the independent media quite often as “natural” partners to convey development messages to specific publics. However, because of this proximity they quite commonly demand free airtime to spread their development messages. Regularly, so the shared experience of colleagues from South-East-Asia, expenditures for such public adverts are not even included in the overall project budgets. At the same time, such revenue could be vital for the economic survival of independent media, which have already limited access to commercial sources of income. It would therefore be supportive if NGOs saw themselves not only as partners but also as customers.

**Intergovernmental organisations:
Consider independent media as partners**

Intergovernmental organisations seem to have a bias towards the mainstream media when spending their money on public advertising, even if those media are subject to harsh criticism by the same organisations. Quite often, the TV or radio spots are produced by western experts, although the local broadcasters might not only be cheaper but also more familiar with the communication patterns and cultural norms of the particular target audiences.



**Discussed positions:
public service journalism depends on
funds**

Most of the media managers who presented their initiatives in the plenary sessions insisted that generally public service journalism depends on funds. They came into existence to compensate for the weaknesses in the existing media systems of their countries, to promote democratic and social developments. At the same time they are considered to become self-sustainable – either, just because the international funding community is moving to different focus areas (as in the case of Serbia) or because of the general funding policy of donors. It was assumed that public service contents depend on grants and cannot be financed by the media market because they will not deliver a high audience reach that attracts financially strong advertisers, or audiences willing to pay for these contents.

**and antagonism between
economic success and
high-quality-content
aspirations**

Workshop participants discussed intensely to which extent independent media are free to develop a “mainstream” content profile in order to survive economically, which might differ from the “high-quality-content aspiration” of their foreign supporters. The Serbian media house B 92 which started as an underground radio and is now Serbia’s fastest-growing nationwide TV station, most popular private radio station, and a well received internet portal, was subject to a controversial debate here.

Training / Qualification

**Most urgent need: Training
offers in the field of ma-
nagement especially in early
project phases**

In most cases the founders of independent media are journalists. Their vision of how to change society is the starting point. They are, however, mainly concerned with producing quality content and naturally have a tendency to neglect the business part of their undertakings. Therefore, assistance for the business and financial management is needed most badly. It should also be taken into consideration that experts in this field are difficult to find in developing countries. The few that might be identified would shy away from taking on a badly paid position in “alternative” media. Assistance to give the business and financial managers of independent media a chance to acquire qualifications should therefore be given high priority, especially in the early implementation phase of a project. But exactly in this field, there are not many training offers available.

Most independent media are a brainchild of a single person. These often charismatic leaders need support in the transition process to become qualified managers.

**Most effective:
Expert counselling and advice
on the spot**

In the field of business management, marketing was identified as the area in which most support is needed to become self-sustainable. Expert advice and consultations on the spot were considered as most effective. Here another request was addressed to donors: Give experts enough time to really become acquainted with the local situation and needs and take the changing environment of partners into consideration in your funding policies.

**and development of online
training curricula**

The creation of curricula in all fields of management for online training might also be a cost-effective way to provide the management of independent media with a chance to obtain qualifications. This kind of training with generalised contents would, however, not be a substitute for expert advice on the spot, especially in fields like marketing, which are highly dependent on the respective markets.

The financially often restricted independent media could hardly afford to recruit experts for financial management and marketing out of their own budgets. However, the media mana-



**New Models for support:
“Expert Holidays” /**

gers from transitional and developing countries thought already of cost-effective offers that might be attractive to managers from the field. One was to create a senior expert service of retired managers, another to offer managers a kind of part-time-holiday package, meaning the experts would work in the mornings together with the local staff, in the afternoons they would be provided with free sightseeing tours. Of course, free board and lodging would be included in the package. This individual service with local guides and the chance to really get an insight into local communities might not to be found in tourist resorts.

**Online-auctions /
Databank of experts /**

Another proposal was the creation of a kind of online auction in which experts “sell” their services and concepts for media development. Some participants thought a simple expert databank would be sufficient to provide the independent media with the respective contacts.

**High level think tank
of media managers**

The establishment of high level think tanks linked with a network of community media managers was considered as equally important. The partners’ networks of the German Konrad-Adenauer-Stiftung were mentioned as a best practice example in this respect.

*A. Sofie Jannusch (CAMECO)
Dr. Frank Habann (University of Mainz)*





Mission Statement

The German “Forum Media and Development” (Forum Medien und Entwicklung) is a network of institutions and individuals active in the field of media development cooperation. It serves as the German platform for the exchange of experiences, research and further elaboration of concepts. It facilitates the dialogue between media practitioners, development politics and the scientific community.

The members of the German “Forum Media and Development” advocate the human right to freedom of speech. They are convinced that free and independent media are essential for the development of liberal democracies. Free and independent media ensure that all groups of society can participate in public opinion forming. At the same time they demand transparency and accountability from political, social and economic players. This is also of particular importance with regard to poverty reduction and the promotion of sustainable development. Therefore, the German “Forum Media and Development” endeavours to strengthen the importance of media aid in the context of development cooperation.

The activities of the Forum include:

- exchange of information and experiences among the members
- exchange with media representatives from Africa, Asia, Latin America and Eastern Europe
- cooperation in carrying out joint projects, research and evaluations
- coordination and representation of the interests of the non-governmental organisations that are concerned with media development cooperation – at national, European and international level
- further elaboration of the political and strategic framework of the German media development cooperation
- advice to the German government and its implementing organisations.

The founding members of the Forum Media and Development:

Dr. Christoph Dietz, Catholic Media Council (CAMECO)
Evelyn Ehrlinspiel, Friedrich Ebert Foundation (FES)
Dr. Hartmut Ihne, Center for Development Research (ZEF)
Andrea Sofie Jannusch, CAMECO
Jürgen Klußmann, Evangelical Academy of Rhineland
Michael Lingenthal, Konrad Adenauer Foundation (KAS)
Dr. Helmut Osang, Deutsche Welle Academy
Frank Priess, KAS

