

Toward Economic Sustainability of the Media in Developing Countries

Working Group Report

June 22, 2007

Center for International Media Assistance



**National Endowment
for Democracy**

Supporting freedom around the world

The Center for International Media Assistance (CIMA), a project of the National Endowment for Democracy, aims to strengthen the support, raise the visibility, and improve the effectiveness of media assistance programs by providing information, building networks, conducting research, and highlighting the indispensable role independent media play in the creation and development of sustainable democracies around the world. An important aspect of CIMA's work is to research ways to attract additional U.S. private sector interest in and support for international media development.

CIMA convenes working groups, discussions, and panels on a variety of topics in the field of media development and assistance. The center also issues reports and recommendations based on working group discussions and other investigations. These reports aim to provide policymakers, as well as donors and practitioners, with ideas for bolstering the effectiveness of media assistance.

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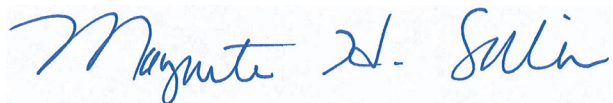
Preface

On June 22, 2007, the Center for International Media Assistance (CIMA) at the National Endowment for Democracy organized a working group to discuss key issues related to the economic sustainability of media in developing countries, as well as relevant strategies for donors and implementers. Perspectives for greater private sector involvement in media development were also discussed.

CIMA is grateful for the valuable contributions of the working group participants. We extend our particular thanks to Patrick Butler, Vice President of The Washington Post Company, Craig LaMay, Assistant Professor at Northwestern University's Medill School of Journalism, and Gerald Hyman, Senior Adviser and President of Hills Program on Governance at the Center for Strategic and International Studies, for their skillful moderation of this important discussion. Thanks also go to veteran journalist Ann McFeatters for helping to organize the discussion into a comprehensive report.

We would also like to acknowledge William Dunkerley, Elizabeth Fox, Peter Graves, Elena Popovic, Bill Siemering, and Mark Whitehouse for insightful presentations that framed the group's discussion and fostered much debate.

We hope that this report will become an important reference for international media assistance efforts.



Marguerite Sullivan
Director
Center for International Media Assistance

Executive Summary

The Center for International Media Assistance (CIMA) at the National Endowment for Democracy aims to strengthen the support, raise the visibility, and improve the effectiveness of media assistance programs by providing information, building networks, conducting research, and highlighting the indispensable role independent media play in the creation and development of sustainable democracies around the world. An important aspect of CIMA's work is to research ways to create an environment that will allow independent and free media to be sustainable and to attract additional U.S. private sector interest in international media development.

On June 22, 2007, CIMA convened a working group of experts on economic sustainability of the media in developing and less-developed countries. The one-day meeting brought together twenty-five donors, implementers, academics, and other media experts to explore common challenges and exchange lessons learned. Journalist Ann McFeatters served as the rapporteur for the meeting.

CIMA created the working group to stimulate a candid dialogue about issues of economic sustainability in media assistance and the potential for wider private-sector involvement in media development. The working group's ultimate goal was to form recommendations for policymakers on how to improve U.S. foreign assistance with respect to economic sustainability of free and independent media. Among the group's major findings were:

- **Public Service and Consumer-centric Media:** Simple economic sustainability does not automatically guarantee good journalism. The media have a public service mission: producing high-quality, consumer-centric journalism.
- **Situation-specific Programs:** Media sustainability is not always attainable, but should be a major element of media assistance. In some places, laws or the marketplace may render sustainability impossible for independent media, but even in those cases donors should include capacity-building programs. There is no one-size-fits-all solution for sustainability—donors must tailor their programs to adjust to specific economic conditions.
- **Business Skills:** Donors and implementers should support training in business skills. When equipped with management and financial skills, media owners can develop creative solutions for making their outlets more sustainable even in the least developed economies. While business knowledge and skills are essential to the sustainability of any media enterprise, they are often overlooked in the promotion of independent media. The business aspects of media development should not be ignored.
- **Media Beyond Democratization:** Many in the private sector view media development as a politically sensitive issue, because it has often been part of democracy and governance programs.

Media development practitioners should broaden their appeal to donors and raise awareness of how free and independent media contribute to social and economic development. Certain niches of media, such as local or health news, hold promise for future development in many countries. The benefits of media development are abundant and wide-ranging, and donors should be more aware of the sector's potential to address their areas of interest.

- **Increased Awareness:** The growth in private sector philanthropy over the past

ten years is expected to continue in the future and represents the best opportunity for media development organizations to expand their resource base. Education and advocacy will be required to inform Americans of the powerful and positive impact that independent media can have in developing countries. Donors should also understand that media development is a long-term project that requires sustained support; donors should not expect a program to become completely sustainable in an unreasonable period of time.

Background

Free and independent media are necessary for the effective functioning of democratic societies. Democratic governance depends on the ability of citizens to make informed decisions, which requires the dissemination of accurate information through free and independent media. Media not only facilitate communication, but also expose corruption and hold public officials accountable. Media are crucial for economic growth, because they are responsible for providing information, aiding communication, and promoting transparency. Media cannot perform these functions, however, when journalists are unable to exercise their rights or the regulatory environment in which they operate discourages independence and plurality.

Many in the field, however, argue that while fostering good journalistic practices is important, more consideration should be given to the state of the media sector itself.

Media development assistance comes in many forms, including training for reporters, editors, and publishers; grants and loans to media outlets; support for journalism networks and associations; conferences, workshops, and exchange programs; and collaboration with centers for education and practical training of journalists. The most popular media assistance activity among U.S. donors and implementers is journalism training. Many in the field, however, argue that while fostering good journalistic practices is important, more consideration should be given to the state of the media sector itself. When media enterprises are self-sustaining—financially liberated from corruptive practices, government influence, or dependence on foreign nongovernmental organizations (NGOs)—they are more likely to assert and maintain editorial freedom and independence.

The Challenges of Economic Sustainability

Presenter: William Dunkerley,
William Dunkerley Publishing Consultants

In the first presentation, William Dunkerley, a veteran publisher and editor, argued that sustainability in and of itself should not be the singular goal of media assistance. Instead, he maintained, creating consumer-centric news offerings is paramount in serving democratic objectives. In a consumer-driven business model, advertising becomes a key part of the media. As media outlets build up their consumer base, they bolster their effectiveness as advertising vehicles. That, in turn, yields increased advertising revenues with which to support consumer-centric news. In this model, media audiences and advertisers alike benefit when media companies operate with credibility and integrity. This model cannot, however, be applied everywhere, Dunkerley cautioned. In some places, the economy may be so weak that the local businesses have no incentive to advertise. In other circumstances, both media and tax laws of a country present obstacles to sustainable media. In such situations, media assistance must take on forms other than direct support of media outlets—the media environment itself must be encouraged to change. In countries that do not have a functional economy, not even an emerging one, Dunkerley suggested that assistance efforts focus on supporting objectivity and pluralism in journalism.

Media managers are faced with two, sometimes competing, objectives: providing information as a public service and operating a sustainable business.

Following his presentation, participants discussed the meaning of economic sustainability. Northwestern University journalism professor Craig LaMay's definition of sustainability as "financial sustainability with a public-service editorial mission"¹ was included in papers distributed to participants before the meeting. LaMay described news media as having qualities of both a "mission good" and a "revenue good."² Media managers are faced with two, sometimes competing, objectives: providing information as a public service and operating a sustainable business. LaMay wrote that for a number of reasons, "quality news is less attractive to large audiences, is much more costly to produce than sex, scandal, and trivia, and brings lower returns. If your first duty is to shareholders, editorial quality is going to suffer." LaMay also pointed out that media sustainability is not a struggle limited to less-developed countries or emerging democracies: "Quality public affairs media everywhere find it difficult to support themselves financially, and there is no easy way around these economic problems."³

¹ Craig LaMay, *Exporting Press Freedom: Economic and Editorial Dilemmas in International Media Assistance* (Transaction Publishers: New Brunswick, NJ, 2007), p. 27.

² Craig LaMay, "The Dismal Economics of News and Public Affairs" (background paper, Working Group Meeting on the Economic Sustainability of the Media, Center for International Media Assistance, National Endowment for Democracy, June 22, 2007).

³ See note 2 above

Although the working group members agreed that sustainability meant more than financial viability, they found it difficult to pinpoint what it requires beyond profitability. The group was asked to consider the following questions: When we set an objective of sustainability, are we assuming media with news content? What degree of editorial independence do we expect? If a media outlet is not profitable, but is part of a conglomeration that is, do we still consider it sustainable? One implementer posed a hypothetical case: “Supposing I am an operator in an independent market, and I want to start a radio station, the largest amount of my programming will be devoted to sports, music, and things of interest to my listeners. That creates the foundation of market independence. But then we get to the question of social mission. Where does that fit in?”

“We’re talking about sustainable journalism, not sustainable media,” observed one participant. It is not enough to build independent, self-sustaining media; most involved in media development have in mind serious, objective journalism, the participant said.

Referencing Dunkerley’s overview of the traditional business model for media, a participant cautioned that, in theory, a “good product leads to audience, which leads to new products. But this cycle does not work very well in every market.” That circle of revenue can easily fail, especially in developing economies where companies have limited advertising budgets. For example, if a newspaper’s readership is too small, companies may seek to use other media venues, such as billboards, which are seen by many people, thereby reducing the

revenue received by the newspaper and, perhaps, causing the paper’s collapse.

Is Sustainability Always Possible?

One participant cautioned against creating unrealistic expectations for local radio stations in less-developed countries. “We do expect people in the developing world to do things we can’t do ourselves. In this country, public broadcasting couldn’t do it without federal money. We should appreciate how inventive local stations are in raising money.”

Participants gave a number of examples of situations in which sustainability was not a reasonable goal. Dunkerley described a visit to a town in the Ural Mountains about seven years ago. It was a place where, he noted, the creation of economically sustainable media was not possible. A major local industrial business supported the community’s

Teaching media to find a strategy for sustainability is tricky but rarely impossible.

only newspaper in return for favorable coverage, he said. Advertising from a multiplicity of companies could have given the paper a chance

at greater independence. A weak local economy, however, coupled with national tax and advertising regulations that discouraged advertising, made profitability and independence quite elusive. It was not until mid-2002 that those regulations were finally repealed, he added.

In such situations, Dunkerley said, donors should watch for opportunities for creating sustainable media. As an economy grows and business competition mounts, advertising becomes more important and media have better odds for becoming self-supporting. Participants noted that teaching media to

find a strategy for sustainability is tricky but rarely impossible. One implementer joked, “It’s not so much teaching a pig to fly as teaching the pig to run faster.”

Balancing Revenue and Mission

The participants agreed that the unfortunate truth about the media business is that news-gathering costs more than most consumers are willing to pay—or perhaps even more than most are capable of paying. One veteran of the news industry told the group that the cost of producing news was about ten times what the consumer paid. Only with advertising revenue, accompanied by paid subscriptions or wide circulation, does news become affordable to the masses. A former journalist observed that “the only guarantee of a free press is profitability.”

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In some countries, however, the tradition of editorial independence—the separation between the advertising department and the newsroom—is weak, even when the press is profitable. Independence can be difficult to assert, particularly in places where media struggle to shake the influence of bribery and corruption. Journalists are often not insulated from advertisers’ interests.

“Your owner is important,” said one entrepreneur, who also noted that without careful restraint, the same reliable revenue that makes media editorially-free may morph into a hunger to drive up profits by replacing serious news with pop music, celebrity gossip, or soap operas. One funder described a recent meeting with a ben-

eficiary in Bangladesh, who complained that: “We in Bangladesh have advertisers who start dictating our editorial policy. I’d like to be able to say ‘no’ to advertising.”

Strategies for Sustainability

Media Assistance for Less-Developed Countries

Presenters: *Bill Siemering,*
Developing Radio Partners
Elizabeth Fox,
USAID
Mark Whitehouse,
IREX

Moderator: *Patrick Butler,*
The Washington Post Company

Media Assistance for Developing Countries

Presenter: *Elena Popovic,*
Media Development Loan Fund

Moderator: *Craig LaMay,*
Northwestern University

To help focus the discussion, participants were asked to consider the economic sustainability of media in two different environments: less-developed countries and developing countries. The distinction was made on the premise that in less-developed countries, where the economic and financial institutions necessary for the media's sustainability are weak or lacking, media development practitioners may need to use different strategies from those used in developing countries, where markets are more sophisticated and more conducive to sustainability. Media development focuses on building the skills of journalists and supporting media outlets themselves, rather than merely supporting particular programming or coverage of certain issues.

During the course of the discussion, however, nearly all of the participants questioned whether making a distinction between less-developed and developing economies was a useful media development strategy. One participant who had worked in East Asia said the most salient difference that she observed in media assistance was not between less-developed and developing economies, but between emerging democracies and closed regimes. Each political system has its own particular attitude toward the media. "One of the difficult things is that if you're dealing with a country that has gone through some sort of democratization, the role of news is viewed in a certain way. But in China and Vietnam, news content is subject to controls. The closer you get to the government, the tighter the controls. The way you [media assistance implementers] operate in them is different" than in emerging democracies.

Sustainable Media in Unstable Markets

After regional experts described media development in less-developed areas of Latin America, sub-Saharan Africa, and the Middle East, participants posed the following questions to the working group: What can we reasonably expect to do under the conditions we have described here? Can media companies achieve profitability and do that through legitimate media activities?

In some countries, economic, political, or legal conditions render full sustainability an unrealistic goal, some participants argued. When creating advertising markets and self-sustaining media proves prohibitively difficult, assistance implementers might

need to organize other types of projects. “I think there is a hierarchy that needs to be considered,” observed one participant. “In terms of talking about an independent and consumer-centric media, is the government going to permit it? If the government is not going to permit free media, you’re left with some variant of the Radio Marti approach [of U.S. government-funded broadcasts into Cuba]. Second, is there a set of laws that will enable it: media law, tax law, advertising law? Is there a legal structure that will support it? That’s more important than training and other forms of assistance. If you don’t address them, you’ll be stumbling over the other forms of assistance.”

At the same time, identifying the mission in a given region is essential for donor countries, insisted one participant. Donors should “question whether there’s good reason to teach them how to become self-sustainable.” In some cases, sustainability might

not be the paramount concern. “If you are going into a country with a health-education message or a political message, you are better off not trying to pretend you are going in to provide media sustainability,” she observed.

Participants agreed that regardless of economic conditions and whether sustainability was a realistic short-term goal, imparting fundamental skills for better journalism and economic sustainability was important. “I haven’t seen a market where it won’t work. Very smart design can do both communications for development and media development,” said one participant.

When creating advertising markets and self-sustaining media proves prohibitively difficult, assistance implementers might need to organize other types of projects.

Distortion of the Media Market

Participants said that well-meaning assistance efforts often had the unintended effect of distorting the media market, ultimately harming prospects for media sustainability. NGO-run radio, full of programming paid by charity groups, can be an effective way to deliver messages about health or education, but it can also create dependency on NGOs for funding, instead of encouraging station owners to identify locally-based sources of revenue.

Using Latin America as an example, one expert of that region warned against distorting fragile developing markets. Communication-for-development programs have created

vibrant media outlets throughout that region, she said, but a large influx of donor money to fund information campaigns could potentially overwhelm the advertising market.

To be safe, one participant advised: “Stay out of those areas where there

already exists commercial media. Go into areas where there isn’t commercial media, and where there’s higher risk. Anticipate what the market will do.” Others echoed that sentiment, encouraging donors to be risk takers: “Keep in mind that you can teach a lot of the elements of economic sustainability. . . . It’s important for any media outlet anywhere—taking a risk. The risk that has to be taken first is the donor’s. . . . The donor takes the first step.”

Donor money can also help media assert independence, especially where competition in the advertising market is lopsided. By providing media with funding alternatives,

one participant said, donors “can empower them to . . . change the advertising market, to say: ‘We’re not going to take Coca-Cola, because it distorts our market.’”

Emphasize Capacity Building and Business Skills

Participants stressed that the best training teaches local journalists how to cover critical local issues, rather than handing them content to distribute. “It used to be that radio was often regarded as a place to run [public service announcements].

That undervalues the media,” one participant said. Another added that funding social messaging via existing, non-independent media is “in effect subsidizing a state monopoly system.”

Donors’ subsidization of media systems of less-developed regions through paid programming, a common practice in the Middle East and North Africa, does not create self-sustainable media outlets, several participants argued. This type of subsidization creates only dependent outlets answering the needs of donors, not consumers.

While participants concurred that support must be given to training programs over social messaging, several participants questioned whether too many resources were devoted to training reporters and too little to training other media staff, from editors to the marketing staff. One government official cautioned: “You do training of journalists, but you are creating fairly narrow training models for journalists—basic interviewing

or writing skills, or how to verify data or find sources. But is the model going to be something that builds up sustainable and independent media?”

“Maybe we should have the business side of management as an integral part of training,” suggested a longtime media manager involved in training. “Train them on the skills level and the legal level and at the business management level at the same time. Teach them creative ways to get revenue. Perhaps we should think of this as absolutely an integral part of new programs.”

While the world is full of journalists passionate about their craft, in many places business management skills are lacking. “If we don’t have the ability to manage these operations, sustainability is a moot point,” one participant

said. Another participant with decades of experience in the newspaper business emphasized that journalists should learn business skills, ranging from critical thinking to financial analysis. “If you don’t sell, you don’t eat. That’s the key message we have to get across.”

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How Donors Can Help

Many donors, both private and public, are not making the long-term commitments required for building sustainable media. “We have seen really good, important media companies die when donors leave,” one participant stated. While donors are happy to assist in the short term, they have a “consultant mentality” and do “not necessarily care about what stays behind on the ground.”

Conferences, workshops, and brief exchanges may be easier to implement than long-term programs, such as setting up journalism schools or embedding experienced trainers into newsrooms, but the impact of short-term projects may not be sustainable or long-lasting. The most effective media assistance emphasizes sustainability, whether economic sustainability of media outlets or the durability of new skills learned. “Piecemeal training is not productive,” one media development expert said.

Even if a particular donor can only guarantee a short-term commitment, better coordination and collaboration would allow multiple donors to provide consistent, sustained assistance. One participant stressed that he “would like to see consistency in policy, more pressure on governments” to encourage free media. Within the U.S. government, views on media development policies differ among the embassies, the State Department, and other funding agencies, he said.

Many participants urged more cooperation and less redundancy. One former journalist now in public service said: “After Afghanistan and the invasion of Iraq, the Department of Defense spent millions of dollars to reinvent the wheel. Every time there is a failed state, every time a country emerges into democracy or slides backward” the media must be rebuilt. “The problem with foreign assistance is stove-piping, where teams don’t talk to each other. They do at the country level but don’t do it well here in Washington.”

Despite the successes of community radio, the U.S. government tends not to support

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small-scale projects, participants said. One participant familiar with U.S. Agency for International Development (USAID) programs said he had advocated working with private media on a local level, rather than on a national level. In his experience, when the U.S. government puts money into a program, it expects big results. He lamented that the agency had not done enough to support smaller radio stations in Zambia. “Congress is going to say, oh, gosh, what did you do in Zambia? If you have to report to Congress, a big station with national impact is sexier and seen as providing more bang for the buck than connecting small stations, which share stories and, occasionally, advertisers. Face it, an ambassador doesn’t want to go out and cut a ribbon in some twit village.”

Additional Sources of Revenue

Many of the examples offered by the participants to illustrate innovative methods for building sustainability involved local, rather than national, media. News-gathering operations that cannot rely on sufficient advertising or paid circulation sometimes find additional revenue streams. Several participants stressed that one key to sustainability is training journalists to do their jobs so well that they become excited about staying in the profession and invested in the survival of their stations. Their own ingenuity is what is needed for innovative solutions to ensure sustainability. Participants suggested many models for additional sources of revenue, although they did not discuss the impact of these models on the quality of journalism.

“Can you find sustainable micro-outlets that can find a niche where there is no business to speak of?” The answer seemed to be “yes.” Some members encouraged the working group to have faith in the ability of local media to find solutions for sustainability once they were equipped with business skills and training. “We need to understand that people in local markets are creative enough to foster channels and find those markets...Media can be sustainable if we help them.”

Participants suggested a wide variety of ways media could make money outside of conventional advertising. “Think of the business community as not only ad revenue, but also a source of information and programming,” suggested one participant. A radio expert said, “I’m trying to convince public radio colleagues to develop sister-station relationships. The return on investment is big.” Another added: “Health journalism sells! Look how many supplements newspapers have. In many places, it might work to have supplements.” One implementer suggested that in diasporas in developed countries, “people might be willing to pay for access to local community media, perhaps through digital means.”

Several participants said some of the smallest media outlets had been particularly creative in seeking financial support.

Media managers may need entrepreneurial savvy as much as education in journalism to succeed in terms of economic sustainability.

The irony is that media entrepreneurs often struggle to secure assistance for enterprises outside journalism.

At one radio station in Nepal, listeners bring in fistfuls of rice, which the station aggregates and sells. A popular source of income for community radio stations in Africa is airing listeners’ announcements of births, funerals, and festivals. In Mongolia, “I’m sorry” announcements read on the airwaves are in high demand. In Vietnam, one restaurant’s profits keep a news agency

afloat. These cases demonstrate that media managers may need entrepreneurial savvy as much as education in journalism to succeed in terms of economic sustainability. “Help news people become good businesspeople,” one participant suggested. “In reality, it may not work to generate all revenue from news. So how can we assist media in such societies to become better business owners?”

The irony is that media entrepreneurs often struggle to secure assistance for enterprises outside journalism. One funder described her dilemma: “Somebody comes to us and says he wants a loan for a café. We say, ‘We’re not in the cafe business,’ but it might be the only way to support certain types of media, for example a news agency. They have to be the ones to understand their market and see what additional revenue streams they can bring in.”

Sustainability Beyond Finance

Sustainability should be considered as a multi-faceted quality, participants said.

Media must attain social sustainability, which requires engagement with the community, as well as institutional and financial sustainability, which allows them to attract resources and manage those resources transparently.

Breeze FM in Chipata, Zambia, was cited by one participant in the working group as a good example of sustainability, with its reliable revenue and deep roots in the community.

While about half the station's income comes from government grants and NGOs, the rest is generated from community announcements and advertising. All staff members are involved in marketing, and they can supplement their salaries through commissions on advertising they sell. Breeze FM interacts with its audience by holding open houses at the station, reading letters from listeners, and airing phone-in programs.

One participant offered USAID's work in Haiti as an example of a project that not only emphasized economic sustainability, but also endured amid political turmoil. When the project began, 60 to 70 percent of the country had no radio at all, and it seemed impossible for media to make money. Rather than involving individual stations that were already viable, USAID's media assistance program worked to develop a network of forty stations that cut news-gathering costs and increased the revenue flow to all stations. People in Haiti came to embrace the media to the point that when the government of Jean-Bertrand Aristide fell, supporters of the radio network prevented the armed forces from damaging the stations.

Attaining comprehensive sustainability is possible only when donors are aware of the strengths and weaknesses of the media sector as a whole.

Attaining comprehensive sustainability is possible only when donors are aware of the strengths and weaknesses of the media sector as a whole, participants said. The best marketing skills, for example, will not lead to sustainability where media lack a legal enabling environment, one participant warned. "At the microeconomic level, in terms of sustainability, I don't see how it could be achieved. It will be a fish out of water; we must create the water. Sustainability is closely tied to creating a functioning media center."

Identifying Niches

Participants agreed that media sustainability is a priority in all countries, regardless of the level of development. One participant called it a "misperception" that less-developed economies do not have pockets of sustainable media.

During his presentation, Mark Whitehouse, director of media development for International Research & Exchanges Board (IREX), cited the potential for developing local news offerings in North Africa. Anyone there who can afford a satellite dish, he said, has an "amazing choice on the surface" of pan-Arab television, such as Al Jazeera and Al Arabiya. National news is dominated by state-subsidized broadcasters, while the regional market is dominated by the slick programming and sophisticated market research of the pan-Arab satellite channels. There is not much space for smaller stations to move into the larger markets, but there is a void in local news coverage. Whitehouse said Al Jazeera only reported on local issues,

when they had wider, regional significance. As long as media are not crushed by media law, the dearth of high-quality, local news on the airwaves could mean potential for media development in that market. But in order to find and capture such niches, Whitehouse said, media must have the resources to conduct audience and market research. Currently, “donors aren’t willing to put up money for that. Donors have to consider the concept of research as an integral part of sustainability—not just one-off studies but throughout the life of a project.”

New media is another relatively undeveloped space where media assistance can have a great impact. Less-developed and developing countries have eagerly embraced Web-based information, IP telephony, and text messaging by cell phone, giving them the potential to leapfrog Western nations in terms of marrying journalism with technology. Some participants suggested that in addition to working with traditional media, media development practitioners should also consider encouraging alternate delivery methods, perhaps by fueling the spread of free and independent new media, which can be less vulnerable to censorship and official pressure. While some Americans may consider the American media system worthy of emulation, participants cautioned that the American industry was not always a useful model for other countries. Compared with its foreign counterparts, “the newspaper business in the United States is awful at innovation, because we have the belief that

Less-developed and developing countries have eagerly embraced Web-based information, IP telephony, and text messaging by cell phone, giving them the potential to leapfrog Western nations in terms of marrying journalism with technology.

whenever we try something new, it has to be perfect and it takes a lot of money before we do it,” one participant said. “While we are all tempted to replicate our own system, we need to recognize that the markets are changing much faster than we want to admit,” another working group member said.

An Alternative Model: The Case of the Media Development Loan Fund

Participants considered funding mechanisms other than grants, which could help media become sustainable. One less traditional mechanism for media support has been the Media Development Loan Fund (MDLF), a not-for-profit organization that provides affordable capital to media companies.

Elena Popovic, MDLF’s general counsel, described the fund to the group and explained that MDLF was started by two journalists who were “constantly critical of the grants-oriented approach” of media assistance and wanted to find a more sustainable way of assisting media.

While the working group agreed that the loan model has been successful, Popovic pointed out that the idea of providing loans to nascent media in emerging markets had initially been met with great skepticism. The skeptics were proved wrong: in eleven years of work, the failure rate for loan repayment has been less than 3 percent. In addition to careful selection of clients, a key factor in the fund’s success has been innovation. For some countries where media loans are too risky, the fund has branched out, offering guaranties, finance

leasing, and equity. MDLF also puts media assistance within the reach of the general public through its Free Press Investment Notes.

MDLF has, however, found success to be a double-edged sword. While MDLF was successful in raising funds for its loan pool, the fund found it increasingly difficult to fundraise for its administrative costs.

“The model is not being rewarded, but punished because of how it works,”

Popovic told the group. When MDLF appeals to potential donors, it hears: “You are a business model. You make money. Why should we open our checkbook?” They do not understand that while MDLF is essentially a bank for media development. Its dedication to affordable financing and business training makes its operational costs much higher than those of grant-making media assistance institutions.

Although MDLF has found other partners for financial support, George Soros’ Open Society Institute is one of few donors who “understands that in order to offer subsidized funding to independent media, the fund itself needs to be subsidized,” Popovic said.

The working group was asked to consider whether the loan model and other strategies successful in emerging democra-

cies could be applied to less-developed countries. Participants agreed that media throughout developing and less-developed economies have few financing options besides grants and advertising. Unlike many businesses, “media don’t usually have a tangible asset for collateral,” Popovic said.

While microfinance has been successful in some of the most basic economies, small loans of \$100 or \$500 might not be not enough to purchase a printing press or upgrade a recording studio.

While some Americans may consider the American media system worthy of emulation, participants cautioned that the American industry was not always a useful model for other countries.

Some participants asked if the MDLF model could be widely replicated with the same result beyond Central and Eastern Europe, where a large part of MDLF’s clients are based. One example outside that region is the Botswana-based Southern Africa Media Development Fund. Known as Samdef, the for-profit fund, worth \$7 million, is the development arm of the Media Institute of Southern

Africa. Samdef chief executive officer Kate Senye told the group that her fund has “lots of success stories,” and said the loan model must be regionally adapted. “Samdef is the MDLF model

replicated in Southern African region, in a different way,” she said. “When you come to different environments, the models have to change.”

Since its founding in 1998, Samdef has “created different models of investing in

Media throughout developing and less-developed economies have few financing options besides grants and advertising.

publishing houses, radio stations, televisions stations,” Senye said, adding that commercial banks turn to Samdef when they want to invest in media. Coordination has also been

crucial to Samdef’s success. “If donors want to really make an impact in media development, in all these regions,” they must “force coordination among these organizations.”

Private Support for Media Development

Presenter: Peter Graves,
Center for International Media Assistance

Moderator: Patrick Butler,
The Washington Post Company

One of CIMA's objectives is to explore how to increase the private sector's involvement in media development. While the U.S. government is the world's largest donor for media assistance, private donors, such as the Knight Foundation and OSI, have greatly shaped the field.

CIMA consultant Peter Graves said estimates compiled by CIMA indicate that public and private donors spend at least \$120 million each year supporting independent media development, including journalism training and education, media business development, media law advocacy and institutional development, and programs using communications for other development purposes, such as health education. This figure does not include public diplomacy or Department of Defense expenditures, which would raise the amount significantly, Graves said.

Graves told the group that private non-profit revenues grew by 57 percent from 1994 to 2004, faster than U.S. gross domestic product growth over that period. American private assistance totals \$95.2 billion, the bulk of which consists of remittances sent by individuals to their home countries. He noted, however, that "private sector giving goes

mostly to humanitarian relief and responding to crises. Absent from the private sector is any real 'democracy development' strategy, as this has mostly been promoted by the government." He suggested that education, advocacy, networking, and research were needed to encourage more private giving for media development.

After Graves's presentation participants discussed how to engage further the private sector in media assistance. Participants were asked to consider: What are the barriers to greater private sector engagement? What can private donors accomplish that public donors cannot? Where are there opportunities for greater private sector involvement?

The perceived political sensitivity of media development projects inhibits more widespread private sector support.

Obstacles to Private Sector Support

Participants observed that while prominent donors, such as the Bill and Melinda Gates Foundation, have invested heavily in health, poverty reduction, and education, they have been more timid about delving into media assistance. One expert said that when approached about making contributions, private foundations worried that media assistance might jeopardize international rapport. "The first question they ask is if this will get them crosswise with the government."

The perceived political sensitivity of media development projects inhibits more widespread private sector support, several participants said. The case for media development

has often been made as part of broader strategies for democratization, anti-corruption, and good governance and accountability. Media assistance may also provoke concern and resistance from foreign governments. One implementer described Morocco as a country where media development has become more difficult for Americans, especially since September 11, 2001: “A lot of the work is viewed as part of U.S. foreign policy, and tied to a negative part of U.S. policy. . . . That limits us. Two-and-a-half years ago, I could meet with the head of the journalists’ syndicate and talk about joint projects. Now he’s the leading voice arguing against U.S. assistance.”

On the domestic front, one obstacle is that corporations contemplating involvement in media development may worry about making themselves vulnerable to accusations of selfishly developing potential overseas markets and not performing acts of social responsibility. Additionally, as one implementer pointed out, among journalists and some private sector experts, “many—and rightly so—can’t accept any consulting money from the U.S. government.” Technical assistance might need to be strictly on a volunteer basis if provided in cooperation with government-funded initiatives or coordinated by the private sector and with private dollars.

Strong media are also important for economic growth and the delivery of information on health and education.

Media development practitioners must convince people outside the journalism and democracy promotion fields that they also have a responsibility to promote free and independent media.

Participants discussed whether the perception of media and press freedom as development work’s “third rail” could be countered by downplaying the relationship between press freedom and democratization. Strong media are also important for economic growth and the delivery of information on health and education. For example, one participant mentioned Nobel laureate and economist

Amartya Sen’s observation that famine has never occurred in a democracy with a free press; intimations of mass starvation are impossible to hide where journalists freely give voice to public criticism and warn of impending crises.

Many participants spoke about how problems of media development and media freedom had been “pigeonholed” as an issue of governance. One implementer argued for “bringing media development out of the ‘democracy ghetto.’” As she explained, “Media development has been pigeonholed into democracy assistance, which makes it hands-off.” Another participant agreed: “We need more good ambassadors and journalists who understand how important outside the democracy ghetto this is. If you just talk about freedom of expression, [it sells] much better.”

Media development practitioners must convince people outside the journalism and democracy promotion fields that they also

have a responsibility to promote free and independent media. “Media assistance should be embedded more broadly. Media lacks a distinctive identity among the assistance community,” observed an expert on democratization. One participant who has worked with USAID noted: “Media has an information aspect and an economic growth aspect. Media that has advertising brings together buyers and sellers. That promotes growth. In the early 1990s, we were trying to convince USAID that there was a sector-level problem with Russian media. USAID said, ‘We don’t do that, it’s media.’ Others said, ‘That’s sector development.’”

“Maybe calling this ‘independent media development’ is the wrong thing to do,” a journalist said. “There may be a reason why they don’t line item ‘media development.’ [Where I work], that’s the last thing that we’d say.”

How to Approach the Private Sector

Many participants were optimistic that skittish media companies’ fears could be assuaged if the media development sector could make a good case for itself. One participant suggested demonstrating to private foundations that media development “is about humanitarian response. Talking to them from that perspective—socially powerful, entrepreneurial—it resonates more.” “When corporations hear well-formed cases about what is needed and why, they buy into the idea,” said a news industry veteran. Another agreed that advocacy to the private sector was important, but argued against downplaying the power of the media:

The media development community should figure out how to provide donors with “instant gratification.”

“We have to make the big case, rather than narrow down and diminish the importance by speaking their language.”

One participant said the media development community should figure out how to provide donors with “instant gratification.”

In philanthropy, many charities can say, “With this dollar, you will save one child.” Media development needs “a yardstick that is understandable to package our cause. For example, we could say, ‘With this dollar, you can bring information on HIV/AIDS to ten more people.’”

Another approach would be to broaden potential donors’ awareness of how media is integral to their own philanthropic causes. Many programs already include a media component, utilizing newspapers, soap operas, or radio programs, to deliver messages and change behavior in areas such as safe sex, schooling, and sanitation. Information campaigns could be even more effective when media are credible and have a wide audience. “When you go to funders, make them understand that without proper media outlets, you can’t get your messages across.” But many participants said that the media development community must first gather good research for its case. “All these foundations are kind of linked to each other, so if we disappoint one, the rest might not be interested,” said one participant.

Awareness of Volunteer Opportunities

Opportunities for American businesses to contribute to media assistance are not

limited to financial giving. Many participants enthusiastically backed the idea of promoting exchanges for journalists and sending trainers overseas. While media in the United States, struggling through their own period of downsizing and upheaval, may find it difficult to justify writing a big check for media development abroad, they may be more receptive to sending experts to help, several participants said.

Although a number of groups, including media development implementers IREX, Internews, and the International Center for Journalists, already facilitate some exchanges, many participants supported sending more “swat teams” abroad. These teams, drawn from newspapers, broadcast networks, magazines, and retired journalists, would advise pro bono on management, editing, and advertising. “I think lots of people in our business would be very interested in this sort of team approach,” one prominent journalist said. “Once we have an idea that’s well formed, I think this is a relatively simple matter to get lots of media companies involved like this.”

There was widespread agreement among the participants that while piecemeal, “parachute” training is less effective than long-term sustained training, serious volunteerism “must stay on the agenda.” Whether sabbaticals for media titans or exchanges among newsroom staff, there is enormous potential for American journalists to share their skills and talents with their counterparts in China, Cambodia, Vietnam, and

other countries where journalism is struggling. Journalism executives, past and present, said: “It would be a great benefit in lots of big media companies” and “you would find people clamoring to get on these teams.”

Some participants said more widespread engagement in media assistance was not due to the private sector’s lack of interest but because of the limited information on how to help. “We need to know where to go, where there is fertile ground,” urged one longtime journalist. “If you asked me right now where to go, I wouldn’t have a clue.”

More widespread engagement in media assistance was not due to the private sector’s lack of interest but because of the limited information on how to help.

While there was broad agreement on the need for greater coordination, finding an institution to tackle the task of orchestrating cooperation is a major challenge. Several suggested that CIMA might be suited to take on that role. “CIMA can make a great contribution in terms of coordination for institutions working on different aspects of media assistance,” one participant said. “CIMA can play the role of reaching out,” another suggested, adding that one radio station owner he talked to “didn’t have enough well-trained people for the business side. The role we can play ... is to connect those two dots.”

Boosting Business Journalism

Participants suggested that private donors had more windows of opportunity available than public donors. In China, the argument that active media spur economic growth could lead to a major breakthrough in media

development. The Communist government already gives business periodicals more leeway than other media because of their limited circulation. The information in them seldom makes the leap to radio and TV.

Officials know that China cannot compete in “global markets without real-time information. Business reporting becomes a

Trojan horse for greater transparency,” said one participant with extensive experience in East Asia. Another agreed, adding: “China has already recognized media as an underperforming sector of the economy. If you’re talking to China, you can talk to them on that basis, that if you got to the same level of performance as in the U.S., it would contribute to the GDP. They get that argument.”

Recommendations

Moderator: Jerry Hyman, Center for International and Strategic Studies

Participants agreed the media development community needed to address two main questions. First, how we can better promote media development and thinking about media as a sector? Second, how do we engage other foundations and international organizations in media assistance?

On the first issue, media assistance donors and practitioners must advocate independent media as an end as well as a means. They must also emphasize that freedom of speech and freedom of information are important basic rights. Those in the media development sector must also find better ways of articulating that free and independent media are critical for health and social development, as well as for economic growth, and not just for democracy.

One participant pointed out that the group's general prescription for better economic sustainability of the media—better coordination, wider education and advocacy, more evaluation, and increased networking—could apply to many areas within media assistance, including media law or professional journalism training.

The group specifically advised:

- **Encourage media to be consumer-centric.** Implementers should teach media owners how to lure new advertisers and donors should build market research and audience surveys into media assistance. Media will not be able to attract advertising revenue unless the news content is relevant to the audience.
- **Be reasonable about the degree to which sustainability can be achieved.** Donors should be aware that programs geared only toward full sustainability are a vain exercise in countries with inhospitable legal and economic environments for media. Donors should encourage media to become profitable, while remembering that good journalism has a public service function.
- **Teach media owners business skills.** While implementers should continue training journalists in reporting, they should also teach media owners management and financial skills.
- **Tailor media development to local needs.** Donors and implementers should base their assistance on current, local needs. There is no effective one-size-fits-all model for media development. To thrive, a media operation must grow local roots and be operated by indigenous journalists.
- **Include capacity building in all programs.** Implementers should teach journalists how to identify and cover important issues, rather than telling them what to report. Social messaging, paid programming, and message advocacy do not help media companies become self-sustaining.
- **Give media sustained, long-term support.** Donors should try to provide longer-term support and coordinate efforts with each other to sustain projects. The U.S. government and other donors are sometimes too focused on producing big and immediate results,

while neglecting strategies for sustaining them. Even the best media organizations can be killed if funding is cut off too abruptly for them to adapt.

- **Search for niches ripe for sustainability.** Even in the harshest economic conditions, donors should assess local conditions to help local media find niches with high potential for sustainable media. At the same time, donors should avoid distorting nascent media markets and crowding out existing private, independent media.
- **Explore new approaches for assistance.** Donors should consider new media and alternative delivery methods. This strategy would be particularly useful in regions where the media are dominated by the state or struggle under an oppressive legal environment.
- **Create mechanisms for coordination.** Donors, implementers, and others concerned about media development should support the creation of a network to help private sector donors share reports, information, and strategies.
- **Make the case for media beyond democratization.** Implementers should appeal to potential donors by explaining the importance of the media in terms of social and economic development. Free and independent media are unquestionably crucial for the proper functioning of democratic institutions, but the argument that media development and healthy media are crucial for solving humanitarian problems might be more compelling to donors, especially those in the private sector.
- **Increase the private sector's awareness of media assistance and how to help.** Donors, implementers, and others in media development should take their case to the private sector. American media companies might be willing to contribute, whether financially or through exchanges and technical assistance, but they will remain unaware of how they can help unless implementers and others on the ground provide information about international opportunities and needs.

Appendix

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