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 aims to assist in building an environment where a diverse, vibrant and creative media flourishes and reflects the needs of all South Africans

How

- Grant funding – provision of subsidies – to individual media projects and to projects aimed at creating an enabling environment for the development of a diverse media
- Leveraging resources and support through technical assistance
- Conducting and funding research
- Facilitating capacity building
- Advocating for media diversity and development

Who

- **Historically disadvantaged groups**
- **Historically diminished language and cultural groups**
- **Inadequately served communities**

Contents

First Annual report of the
Media Development and
Diversity Agency 2003/2004

This Annual Report of the Media Development and Diversity Agency (MDDA) describes and details the activities of the Agency from the appointment of the first Board by the President of South Africa in December 2002 until the end of March 2004.

The MDDA Board held its inaugural meeting in January 2003 and began immediately to chart the way forward and define its role in facilitating media development and diversity in South Africa.

The budget allocation from government for the 2002/2003 financial year was deposited into the MDDA account towards the end of March 2003. Thus whilst technically the financial report covers the financial year from 1 April 2003-31 March 2004, it was agreed with the Auditor General that the audit technically cover a 13 month period.

"Everyone has the right to freedom of expression, which include:
freedom of the press and other media
freedom to **receive or impart information** or ideas…"

South African Bill of Rights, Article 16

Chairperson's report

Fifteen months of hard work has elapsed since the first Board meeting of the Media Development and Diversity Agency (MDDA) in January 2003. During this time we have started to develop strategies that will assist in fulfilling the dreams of many South Africans for an institution that provides media subsidies. While we have achieved a great deal, there is still a long way to go before all South Africans have a choice of media. Development is a process and there are no instant solutions.

In writing this first report of the MDDA and in accomplishing the tasks set for us, we must remember those initial publications – such as New Age, The World, New Nation, Grassroots, Learn and Teach, Upbeat, Speak… – that first dared to provide an alternative voice in South Africa. While some of these newspapers and magazines were silenced by the apartheid regime's fear of the truth, others sadly were forced to stop publishing in the 1990s due to a lack of resources. We must also remember those media activists who were part of calling for such an Agency but who have died before its realisation – Chris Gutuza, Tshepo Rantho, Edric Gorfinkel…

What has been accomplished so far since that inaugural meeting? Perhaps first it is important to emphasize that we have nurtured a Board which draws on the rich diversity of all its members. Collectively we have experience in community, commercial and public media; journalism, marketing, advertising and media management; research and public policy. All this experience has been used to build the MDDA – an accomplishment in itself. While we have different histories, we share a common dedication to freedom of expression.

Kanyi Mkonza,
MDDA Chairperson
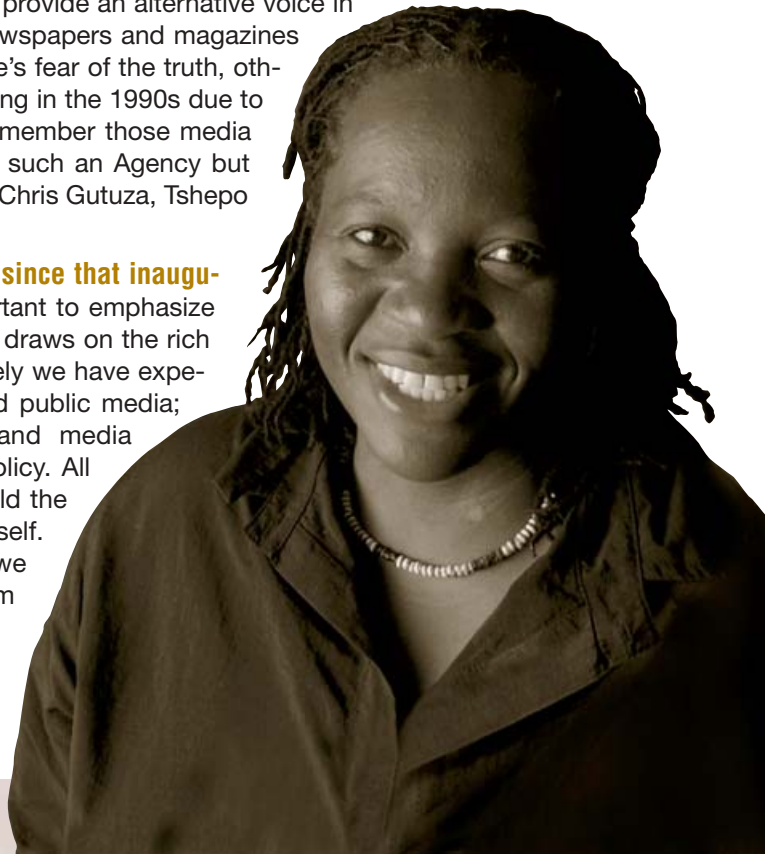
Short **History**

- December 2002 Board appointed
- January 2003 First Board meeting
- March 2003 KPMG/UXOLO appointed as project managers
- April 2003 commissioned research into needs of sector
- July 2003 draft regulations published
- August 2004 CEO appointed
- November 2003 first call for applications
- December 2003 Strategic plan adopted
- January 2004 first decisions on applications

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Let us now reflect on the objectives we set ourselves at this first meeting – and assess how many we have accomplished. In the first year of operations, we had five key goals, namely to:

- Build the institutional capacity of the Agency, set up offices and employ staff
- Research the status and needs of the community and small commercial media
- Publish Regulations as required by the MDDA Act to amongst other things set out the criteria for funding
- Start handing out grants and other support by the end of the first year
- Convert the MoUs signed between major broadcast and print stakeholders and the Minister in the Presidency into funding agreements with the MDDA.

Since then, most of these have been achieved

● KPMG Uxolo was contracted for six months as project managers after a closed tender to assist the Board in establishing corporate governance frameworks and employing staff. Our CEO, Libby Lloyd, a seasoned media worker, with experience in both print and electronic, commercial and community media, as well as a former broadcast and telecommunications regulator, was appointed in August 2003. From September 2003, other staff were appointed and it was with their help that by the December of that year we had a strategic plan setting out priorities for the next three years.

● We, together with the Human Sciences Research Council and MediaWorks, completed research into the status of the sector. This research guided the drafting of the strategic plan and enriched our understanding of the needs of the sector and our approach in addressing these.

● Draft regulations were published in July 2003 – one of the highlights of the year. These regulations set out the criteria and guidelines for support to be provided by the MDDA. After a process of public consultation, final regulations were published in September, enabling us to commence with the process of providing support.

● The preparatory work done in the first year enabled us to issue the first Request for Proposals in November 2003 and take decisions on these applications in January 2004. Details of these decisions are contained elsewhere in the report, but it was indeed a fulfilling experience for the Board to consider these applications almost exactly one year after the inaugural meeting.

● We started finalising the Funding Agreements. This process will be completed in the second year. Funding partners are committed to supporting the development of community and small commercial media. In this regard we acknowledge that negotiations have taken longer than expected.

None of this could have been accomplished without the dedication of my fellow Board members – who without staff in the initial period – met far more often than required and provided ongoing guidance. We also must acknowledge the support and commitment of representatives of the sector as a whole who assisted us in achieving these goals, including the National Community Radio Forum, the National Association of Broadcasters, Print Media South Africa, the Independent Media Alliance, the Community Press Association…as well as the many other organisations and individuals who commented on the draft regulations.

Thank you to all of you. We remain committed to acting with absolute integrity when carrying out our responsibilities. We view the work we have done so far as part of building a foundation for media diversity in this country. A lot more still needs to be done and our Strategic Plan outlines our future plans and the partnerships we need to build to achieve this mammoth task.

Kanyi Mkonza

Kanyi Mkonza

CEO **Report**

"Government should facilitate the process of setting up a **statutorily recognised media development agency…**which agency will operate a statutorily recognised subsidy system for community and independent media in South Africa"

This conclusion of the Comtask report in 1996 was the beginning of the process of establishing the Media Development and Diversity Agency (MDDA). This recommendation echoed the demands of many – both within and outside of government – for a statutory institution which would help ensure that the right to freedom of expression was not just a paper commitment but a reality to people across South Africa – in our villages and cities.

Eight years later, after a wide-ranging consultative process, the MDDA Act (No. 14 of 2002) was passed by Parliament and the process of establishing the MDDA commenced.

Commitments

Given this history, it is a great privilege, and very humbling to be entrusted with the task of establishing the MDDA. All of us – from Board to staff – are well aware of the many dreams and hopes we are entrusted with realising. We are committed to trying to achieve these, working hand in hand with the many people and organisations who have a stake in ensuring the MDDA's success.

In the first year we have moved towards setting the framework for accomplishing this. At many times it has been frenetic as we have had to focus both on setting up the office and putting in place policies and systems – whilst delivering on our mandate and providing support to the media.

We are pleased that the external Audit process has confirmed that we are on the right track. The report is unqualified and we have noted the issues raised and are ensuring we address these:

Internal Audit: The MDDA had commenced with the process of outsourcing the internal audit function before the end of the financial year. The finalisation of this process has been prioritised.

Fixed Assets: We have noted the need to finalise labelling of assets and are ensuring this is completed in terms of our Financial Policies which already detail a system for this.

Account Reconciliations: The Audited report notes the need to ensure reconciliation of accounts on a monthly basis. At the time of writing this report this had already been addressed.

Libby Lloyd, MDDA CEO

Highlights

This Annual Report details our progress during this our first year. We would like to highlight the following:

Strategising for Success

Once staff were employed, a strategic planning workshop was held to, amongst other things, jointly chart the way forward and develop a grant making framework for the MDDA. In developing this business plan, we were guided by the MDDA mandate together with the financial and human resources available. We had to focus and prioritise our plans in order to ensure that given these resources our interventions are meaningful.

Providing support

The first call for applications for support was issued in November 2003. The deadline for submission of applications was set for the second week of January 2004. We were well aware of the pressures we were putting on media projects to meet these deadlines, given the holiday period in December. Altogether 27 different projects applied for support. A week after the deadline staff had analysed these applications. At the end of January the Board made decisions on which projects to support.

Given the tight deadline for submission of applications, many projects required further assessment and/or assistance – to determine whether they met the criteria of the Act and regulations and/or how best the MDDA could meet their needs.

In line with our decision to ensure that we play a developmental role, we then commenced with the process of working together with selected projects to fine tune priorities to ensure their success.

In instances when the Board decided not to support a particular project, we explained the decision of the Board to this entity in order to enable such project to understand the reasons and if possible address the issues raised so that they may apply again.

Mentoring

The MDDA is committed to building the media sector and as such has committed itself to developing a capacity building/mentoring programme, rather than merely providing financial support. In this way we aim to fulfil our mission to act as a developmental agency – and assist in building a strong media sector.

Thank You

Many people have given of their time and resources to assist the MDDA. In particular we would like to thank the following:

- All organisations and individuals who commented on the draft regulations
- GCIS staff who have helped us in setting up the Agency – particularly Kristin Klose who provided invaluable assistance to the MDDA Board and CEO
- mweb for hosting our website for free for three months
- Orange Juice who developed our logo and corporate image voluntarily
- Ogilvy, Mather and Thompson for letting us utilise their facilities for Board meetings
- Y-Fm for lending us their Board room and providing ongoing access to research on audiences
- Advertising Media Association of South Africa (AMASA) and the Advertising Media Forum (AMF) for volunteering time and expertise to develop a marketing workshop for small media.

Administering our mandate

We have also had to focus on ensuring we develop infrastructure and set up systems and policies to ensure the efficient running and day-to-day management of the Agency.

We moved into offices in Newtown in November 2003 – beforehand leasing temporary office space. Basic furniture and equipment has been acquired or leased whilst we put out tenders for IT infrastructure and procured necessities.

Financial, procurement and staff policies have been put in place, and we are streamlining the systems to ensure proper administration of these and efficient and effective management of the MDDA. In line with requirements of proper corporate governance, an Audit Committee has been appointed – predominantly made up of external members. A tender for the outsourcing of the Internal Audit function was put out.

We have continually assessed our compliance with the relevant legislation, including the Media Development and Diversity Agency and the Public Finance Management Act and Treasury Regulations. These have guided us in development of all our policies and systems. By the end of the Financial year only one requirement still needed to be finalised – the appointment of Internal Auditors – and this was in the process of being finalised.

Money Matters

The MDDA is committed to ensuring that administration costs are kept low and that the majority of funds are dedicated to project costs. In the financial year under review, we have met this objective.

Despite not receiving all projected income (as expanded on in the Chairperson's report), we have allocated over R5m or about 69% of funds received for 2003/2004 (including R7m government allocation and interest) to grants – thus exceeding the regulatory prerogative to commit at least 65% of funds to projects in the first year of operation.

> "**Open debate and transparency in government and society are crucial elements of reconstruction and development**…..New voices at national, regional and local levels … must be encouraged…"
>
> Reconstruction and Development Programme
> base document 1994

As reflected in the financial statements, at the end of the financial year, a maximum of just over R3m of these grant funds had been earmarked for specific projects. However it must be highlighted that Treasury has approved the rollover of the total allocation.

Similarly, the budget earmarked for administration has also not all been expended (about R5m remained unspent) as at the end of the financial year. This has however been committed to particular items – most notably the procurement of IT infrastructure.

Treasury has agreed to our motivation to roll over all funds into the new financial year. Any unspent administration funds will be committed to grant funds.

Conclusion

Our focus for the next financial year will be on streamlining the process of disbursement of grants and effectively monitoring and evaluating support provided.

While doing this we will continually review our strategies in order to ensure they are appropriate and will meet our mandate. Perhaps the biggest challenge facing us in this process will be finding ways to make sure we reach all South Africans – and that new media projects develop and thrive, while existing projects strengthen.

Libby Lloyd

The **Board**

The Board from front to back   **Kerry Cullinan** (nominated by Parliament)

Kanyi Mkonza (chairperson – appointed by the President)

Govin Reddy (nominated by Parliament)

Tony Trew

Connie Molusi (from commercial print media)

Chris Moerdyk (nominated by Parliament)

Mashilo Boloka (nominated by Parliament)

Nunu Ntshingila – inset (nominated by Parliament)

Nomhle Canca – absent (Broadcast Media)

Appointment

In terms of the MDDA Act (no 14) of 2002, the Board consists of nine members appointed by the President of South Africa. Six of these members are selected on the recommendation of Parliament through a public process of nomination, whilst the President directly appoints the other three members – with the proviso that one must be from the commercial print media and another from commercial broadcast media.

As required by the Act, the Board collectively represents a cross section of the population of South Africa and a wide range of backgrounds and skills including media (both community and commercial), journalism, advertising, governance, financial management, media training, and development expertise.

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All members of the Board have taken an oath or affirmation committing themselves to:
- Fairness
- Freedom of expression
- Openness
- Accountability, and
- Upholding and protecting the Constitution and other laws of South Africa.

According to the MDDA Act (Section 8) the Chairperson holds office for five years whilst other members are appointed for three years. However, in order to ensure continuity, and in line with good corporate governance, the Act specifies that 50% of the publicly nominated members of the first Board should hold office for five years. As required by the legislation, lots were drawn by Board members and it was determined that Mashilo Boloka, Kerry Cullinan and Govin Reddy would have five-year terms of office.

Code of Ethics

The Board has adopted a Code of Ethics to ensure each member acts with integrity when performing his or her responsibilities on behalf of the MDDA.

The Code outlines the Board's fiduciary duties and defines its responsibilities towards stakeholders, staff members, and government. In terms of the Code each member of the Board must make an annual declaration of interests in order to ensure decisions are fair and to protect the Agency against perceptions of bias or conflict of interest.

Meetings

The first meeting of the Board was held on 30 January 2003.

Section 10 of the Act specifies that the Board must meet four times a year. In addition no more than eight special meetings should be held annually. As the first Board members were tasked with, amongst other things, setting up the Agency, employing staff, finalising regulations, conducting research into needs and commencing with disbursing support, they were requested to meet more regularly. During 2003 four ordinary meetings and two special meetings were held. A further meeting was held in January 2004.

Board Meetings

Date	
	30 January 03
	9 and 10 March 03
	08 May 03
	30 July 03
	16 September 03
	30 October 03
	03 December 03
	29 January 04

Committees

A range of Board Sub-Committees was established to ensure the efficient establishment of the MDDA. Many of these became redundant once staff were appointed. The Board resolved when establishing these committees to wherever possible limit actual meetings and rather conduct "virtual" meetings (using telecommunications) in order to increase efficiency and reduce costs.

Project Steering Committee

A Project Steering Committee/Finance Committee was established to monitor performance of project management consultants (KPMG/Uxolo) appointed to oversee the initial set up of the MDDA. The Project Steering Committee's tasks also included oversight of management of the finances of the Agency. This Committee was disbanded after appointment of staff and replaced by an Executive Committee of the Board charged with overseeing the management of the MDDA. The Project Steering Committee met four times during the period under review.

Executive Committee

The Executive Committee replaced the Project Steering Committee and is tasked with oversight of day-to-day management of the Agency and ensuring we meet performance targets. The Executive Committee includes the Chairperson, one Board member (Govin Reddy), the CEO and Finance

Audit Committee members

Zodwa Manase (Chairperson) External Member

Matsotso Mavuso External Member

Lehlohonolo Gabriel Mampone External Member

Thandeka Zungu External Member

Chris Moerdyk Representative of the MDDA Board

The CEO and the Finance Manager also serve on the Committee.

Ex-officio members include a representative of the Internal Audit department and a representative from the Office of the Auditor General.

Manager. Two meetings of the Executive Committee were held during the period under review (10 February 2004 and 11 March 2004).

Human Resources/Remuneration Committee

This Committee was primarily responsible for assisting the Board in the determination of a staff structure, a remuneration grading policy, and interviewing and recommending to the Board appointment of the CEO, Finance Manager and other managers.

Audit Committee

In recognition of the need to ensure transparency and good corporate governance, the Board has established an Audit Committee in line with the Public Finance Management Act and Treasury Regulations.

The Board resolved to share the Audit Committee with the Government Communication and Information Services (GCIS) as allowed by the PFMA. The Chairperson and majority of members are independent of the MDDA. Two Audit Committee meetings were held during the year under review – the first meeting on 24 February 2004 and the last on 31 March 2004.

Policy Committee

This Committee was given responsibility for guiding the public process of developing regulations setting out, amongst other things, the MDDA's criteria for support for community, small commercial and research projects. The Committee also oversaw the research into the needs of community and small commercial media. It was disbanded after the promulgation of the regulations.

Meeting the Mandate

One of the key objectives of the Agency is to provide support (both through grants and indirect means) to community and small commercial media projects.

In meeting this mandate, the Board had to first develop regulations detailing the criteria it would use for selection of community media, small commercial media and research projects. The regulations further have to outline how projects should apply for any support. In developing these regulations the Board agreed that it was necessary to commission research into the size and needs of these sectors to ensure that its selection criteria were relevant.

In line with this, the following projects amongst others were completed during the period under review.

The MDDA should:

"…(C)reate an enabling environment for media development and diversity that is conducive to public discourse and 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)

Research

The Board appointed the Human Sciences Research Council and MediaWorks to conduct research into, amongst other things, the availability of community and small commercial media as well as the need of these sectors and barriers they face in achieving sustainability and viability.

The research was completed in November 2003 after a process of analysis of existing research findings and consultation with a cross section of different media projects. The research has assisted the MDDA in focusing its strategies to ensure we meet our mandate.

Regulations

In line with this requirement of the Act the Board instituted a public process to develop proposed regulations for consideration by the Minister in the Presidency. The Board published draft regulations for public comment on 31 July 2003. Members of the public were given two months to comment on proposals. Altogether 22 individuals and organisations representing a wide range of interests made submissions on the proposals.

After considering these submissions the Minister published final regulations on 10 October 2003.

The final Regulations set out the broad criteria that the Board will apply in deciding on applications for support. According to the regulations at least 60% of grant money available will go to community media projects, 25% to small commercial media and 5% to research projects. The regulations further cap administration costs to 35% in the first year and 25% thereafter.

"The Board must prescribe

- **detailed criteria** for selecting
  - community media projects;
  - small commercial media projects; and
  - research projects
- **the manner** in which an application for support for projects must be made…
- **the information** that must accompany the application;
- **…the percentages of the money** …. to be utilised for community media projects, small commercial media projects and research projects…"

Section 19 (3) & (4)

Grant making guidelines

After finalising the Regulations, the MDDA Board and staff developed funding guidelines and a proposed grant making cycle aimed at ensuring the Agency efficiently meets its mandate.

The guidelines were developed taking into consideration the Act, regulations, the research findings and the funds available. The guidelines stipulate amongst other things, the mechanisms the MDDA will use to ensure we build a vibrant media sector in South Africa and what budget items the MDDA will and won't fund. These guidelines will be reviewed regularly taking into consideration the needs of the sector, analysis of the impact of the MDDA on media development and diversity and funds available.

Key Research Findings

- Media is concentrated in major cities.
- Media is predominantly in English.
- Many areas of the country have little or no access to a choice of media.
- Women, children, the elderly and people with disabilities have limited access to media.
- The majority (two thirds) of print projects are small commercial entities (i.e. profit making).
- The majority of radio and television projects (including stations and service organ-isations) are non-profit (91%).
- The following difficulties, amongst others plague the electronic media sectors: Lack of financial management skills, difficulties in attracting advertising, content not developmental.
- The print sector (both community and small commercial) faces similar problems and further faces difficulties in distributing their products, verifying circulation and high printing costs.

Principles of MDDA Regulations

The following principles guided the Board in developing the Regulations:

- **Regulations should stand the test of time**
  The Regulations should not be time bound. The principles informing the Regulations should be broad enough to address changing needs in the media sector.

- **Regulations should promote the MDDA's mandate**

- **Regulations should encourage sustainability rather than dependency**

- **Regulations must ensure good corporate governance by media projects**

Key funding guidelines and principles

- The MDDA will be both reactive (respond to applications) and proactive (initiate projects) in fulfilling its mandate.
- The MDDA shall through all its activities actively encourage collaboration between different media groups and between media projects and other community entities
- The MDDA will prioritise support for media projects focusing on rural communities and/or audiences not adequately served by other media.
- The MDDA will where possible prioritise the concept of matching grants – encouraging beneficiaries and communities to contribute towards any projects through for example volunteering time and resources to the project.
- The MDDA will in working together with partners encourage gender equity and the participation of all sectors of a community – including women, children, the elderly and people with disabilities.

The grant making cycle stipulates the systems that the MDDA will use for assessing applications, finalising agreements with beneficiaries and evaluating projects receiving support. It also provides for mechanisms for assessing the impact of MDDA support on the sector as a whole.

In line with this, and in order to ensure a fair and transparent decision-making process, the MDDA during the period under review started the process of developing a grant-making tool kit. This includes templates for assessing applications, developing contracts with beneficiaries/partners, interim and final narrative and financial reports from partners, and evaluation tools.

Grants

The MDDA Board made decisions on which applicants to support in January 2004 – following the issue of the first call for applications at the end of November 2003.

Altogether 29 different organisations submitted applications. In total the MDDA had just over R5.2m to disburse (R5 236 1312) whilst the sum total of applications amounted to just under R30m (R29 631 439). Ten projects were approved in principle – pending finalisation of agreements and details of nature of support required.

The Board resolved that a further nine projects should be investigated further – as they appeared to meet the criteria set out in the Regulations but the support requested did not seem to meet the MDDA priorities and/or their needs. Eleven applications were refused – either because they did not meet the criteria or guidelines (i.e. they were not licensed), or there was insufficient information provided to determine this. Full reasons for the decision were given to those whose applications were refused and they were informed that they could apply again if they addressed shortcomings.

The table below summarises the maximum amount approved by the Board (note that this might decrease upon final clarification of actual costs with applicants) and the resultant remaining budget to be considered for those applicants being investigated further. As can be seen there were no applications received for research projects. It is further important to note that whilst at the end of the financial year in question, just over R2m had not yet been specifically committed to a particular project, the sum total of applications being investigated amounted to just over R15.5m.

Negotiations with the projects on the terms of the contracts, including final details of the utilisation of these funds and monitoring and evaluation frameworks, were ongoing at the end of the financial year. Project money therefore still had to be disbursed for most projects. However, mentoring for two of the community radio stations had already taken place by the end of March 2003.

The MDDA has resolved to try and lessen the period from application to final disbursement of grants, however given the short time frame for applications much of the detailed screening of applicants and final determination of needs had to take place subsequent to the Board decision.

Treasury has approved the rollover of all of these funds until the next financial year.

Sector	Total Project Budget	Accepted	Amount approved/ earmarked	Investigating further	Refused	Budget not specifically committed
Community Electronic	R3 141 680 (60%)	7	R2 055 000	4	6	R1 086 680
Community Print		1		2		
Small Commercial Electronic	R1 309 034 (25%)	0	R 960 000	0	0	R 349 034
Small Commercial Print		2		3	4	
Research	R 261 807 (5%)	0	0	0	0	R 261 807
Unallocated	R 523 611 (10%)	-	-			R 523 611
Totals	R5 236 132	10	R3 015 000	9	10	R2 221 132