



ParMA Network Studies

The Finances of African Newspapers

An Overview of the Financial Situation of Selected Newspapers

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GRET

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OBJECTIVES AND METHODOLOGY

■ OBTAINING RELIABLE FIGURES ON THE FINANCES OF AFRICAN NEWSPAPERS

The springtime of the press that saw the emergence of pluralism and a movement toward greater democracy in many countries in Africa has ended. Since the mid-1990s, increasing competition, the lassitude of readers who are less eager for news (and sometimes disappointed by the poor quality of the newspapers), difficult economic conditions (notably with the devaluation of the CFA franc) have led to the crisis now facing a large number of African newspapers.

Though this crisis is acknowledged, it has not been analyzed. Indeed, there is not much on the finances of African newspapers or on the economic situation of journalists and other media professionals. With so little information available, it is difficult for development organizations to carry out effective programs that correspond to the needs of the press media.

The objective of this study is to provide donors with information to facilitate their decisions on how to best support the media in Africa. To do this, we aimed to examine the financial situation of press enterprises and, more specifically, journalists' remuneration.

■ SURVEY METHODOLOGY AND STUDY CONTOURS

Survey Sample Selection

The study was carried out in six African countries (two anglophone and four francophone). It covered 14 newspapers and more than 80 media professionals. To keep sample variability within reasonable limits it focused on the written press. Selection criteria for countries and newspapers did not aim to reflect a general situation in Africa but to reflect its diversity.

- A minimum of two newspapers were selected in each country.
- Countries selected reflect a wide range of media development in Africa (Cameroon, Côte d'Ivoire, Ghana, Kenya, Niger, Senegal).
- Newspapers in the survey are of very different sizes. The largest is a daily with a circulation of more than 100,000 while the smallest, a weekly, has a circulation of 1,000; the number of personnel varies from more than 100 staff and freelance journalists to six.
- There is a balance of public and private press.

Researchers

Given the sensitive nature of the study, there was an obvious advantage in using local researchers who are experienced journalists and who are also well-respected by their peers. They were therefore well-placed to help us identify the newspapers that met the criteria of the study and who could establish

relationships of trust with media professionals. The study was carried out from July to November 2001 and the surveys were done between July and September.

The researchers received specific instructions about the survey and each had a dual job to do:

- The survey included a questionnaire used for all types of media professionals (staff journalists, freelance journalists, directors of publications, and non-journalist staff). Its purpose was to obtain information on types and levels of remuneration for media professionals, other sources of income, job mobility, etc.
- Another component of the questionnaire targeted administrative and financial managers and newspapers' accounts. Its objective was to analyze financial performance (structure of operating expenditure and income, proportion of salaries in operating expenditure, income, profit margins, etc.).

Finally, in addition to the survey, each researcher submitted a short analysis that noted the main results in light of their own experience and knowledge of the sector. These summaries were taken into account in the final analysis.

Respecting Anonymity in Publishing Results

To obtain the maximum numerical data, it was necessary to guarantee the anonymity of the people and newspapers in the survey. The results collected are therefore treated globally. This does not allow for the most precise analysis but it was the sine qua non for obtaining the information requested.

Study Limits

➤ **A Sensitive Subject that Inspires Wariness.** The survey could not be carried out in equal detail in all countries. Overall, however, the researchers did obtain substantial and quite precise data on a topic that is relatively taboo. Only two newspapers (in Kenya and Cameroon) were unwilling to provide financial data.

➤ **Most of the newspapers surveyed are private newspapers** because (with the exception of Kenya where there are no government newspapers), government papers tended not to respond to the questionnaire.

➤ **It was not possible to obtain precise information on journalists' "non-salary" incomes** (sums of money they may receive as part of the "perks" of their profession, per diems and other payments in exchange for articles, etc. that compensate for insufficient salaries). We decided not to insist on this point to avoid arousing the mistrust of interviewees. But these common practices, such as per diems and payment received from outside bodies in exchange for articles, need to be investigated in greater detail.

Numerical data is deliberately reported in its raw state so that readers will have maximum freedom in interpreting it. ■

For practical purposes, data is reported in Euros. For other rates, see the currency converter site (www.oanda.com) for October 2001.

PROFILES AND REMUNERATION OF NEWSPAPER STAFF IN SELECTED AFRICAN COUNTRIES

The first section of the study was conducted through surveys of directors of publications, journalists, other salaried staff in press enterprises and freelance journalists.

■ PROFILES OF PEOPLE SURVEYED

The majority were men over the age of 32. Relatively few women work in the print media. For example, no women directors of publications are in the sample. Once women have families, relatively few continue to exercise a profession that is time-consuming and sometimes even dangerous (for additional information on women in the media, see studies by the Panos Institute).¹

“Non-journalist” staff refers to all personnel employed by press enterprises who are not journalists, reporters or photographers (i.e. secretaries, researchers, layout artists, etc.).

■ SURVEY OF JOURNALISTS

Journalists’ Environment: Training and Legal Framework

All the staff journalists surveyed said they had received training. Of 36 interviewed, 20 said they had received journalism training and 16 said they

received “other” training (university education, mostly in communication).

Collective labor agreements, press credentials and salary scales are all indicators of journalists’ level of protection.

The sector underwent profound changes with the appearance of pluralism but, in some countries, this brought no changes in legislation. In many places, journalists still have no collective labor agreements and the context often does not favor the establishment of such agreements. For example, in some countries journalists are also the directors of publications (press barons and journalists do not always share the same interests).

Press credentials are even less frequent than collective labor agreements. In Cameroon, where there were no national credentials, private dailies created their own press credentials. Before the appearance of the private press in Cameroon, the Ministry of Communication provided national press credentials and these credentials were accepted by the profession, even internationally. With the development of independent newspapers, journalists no longer accepted the attribution of credentials by a commission made up of exclusively public sector journalists. These “in-house credentials” are not officially recognized by anyone other than the staff of the newspapers in question. For example, the Cameroon Ministry of Communication does not.

A vast majority of journalists surveyed in the six countries say they have a right to paid vacation (approximately 80 per cent). Health insurance, however, is a rare commodity (only approximately 20 per cent say they have health insurance).

¹ Studies published between 1998 and 2000 in Burkina Faso, Liberia, Mali and Senegal.

Remuneration

► Salaries Are Regular but Generally Low

Overall, journalists receive monthly salaries and are paid regularly.

Salary levels vary considerably from one country to the next and from one person surveyed to the next. National averages, presented below, give an idea of journalists' levels of remuneration on the continent even if they represent exclusively the survey sample.

► Supplementary Income

Half the journalists in the survey say they receive income in addition to the salary they earn as journalists. In general, this income comes from journalistic activities, such as freelance writing for other publications. A certain number of people also say they work as communication/public relations consultants in addition to their primary occupation of journalist.

Other sources of income include covering events or demonstrations in exchange for per diems or cash payments in addition to their regular salaries. Such practices are common and allow journalists to earn additional income. Even though we could not get precise data on this income, and though such practices of informal payments are very common, this additional income still seems to be secondary to the journalists' regular salaries.

These practices need to be examined in greater detail because they affect behavior both of the profession and also the public. Paying journalists to cover an event (press conference, seminar or any type of meeting) has become a common practice

in certain countries where journalists may even refuse to attend if they are not paid. The payments that, at first, could seem legitimate (to cover expenses, such as, journalists' transportation) have become such a common form of remuneration that some organizers anticipate journalists' demands by offering a sum to cover an event. This habit has become widespread with the appearance of non-professional journalists whose precarious status means they are all the more corruptible because they are paid so little.

► Increasing Salaries

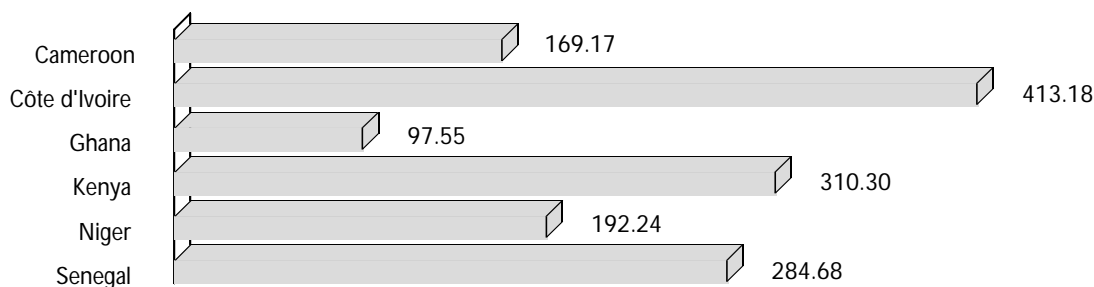
The majority of journalists surveyed say they have received raises in the last five years. In Ghana, for example, everyone in the survey received a raise because of inflation that led to salary raises across the country for all socio-professional categories. Other factors that explain pay raises in other countries are:

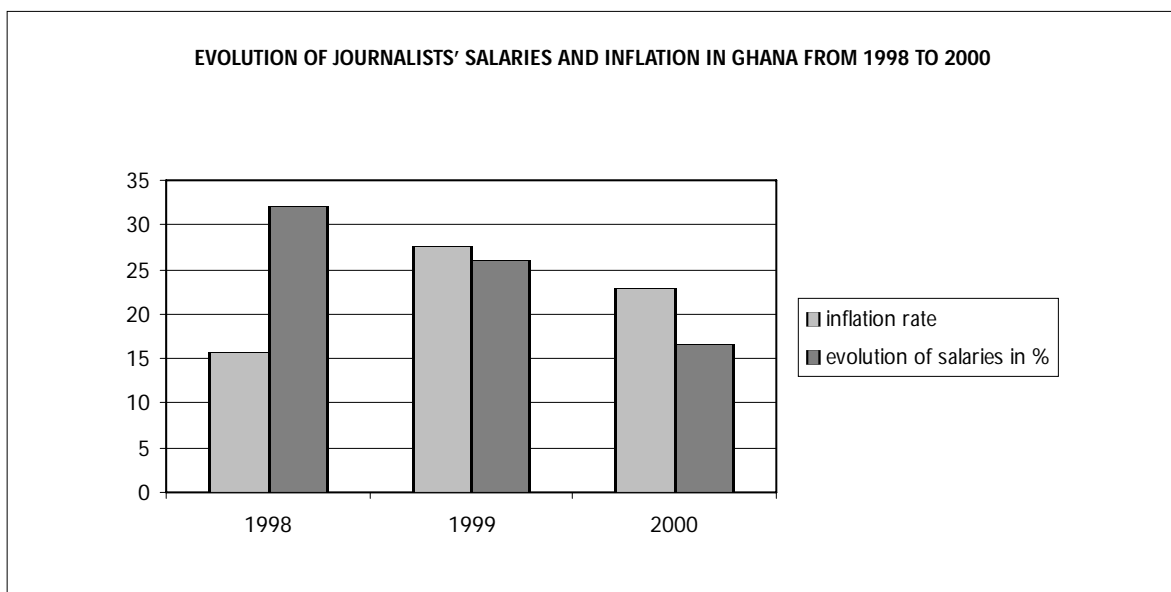
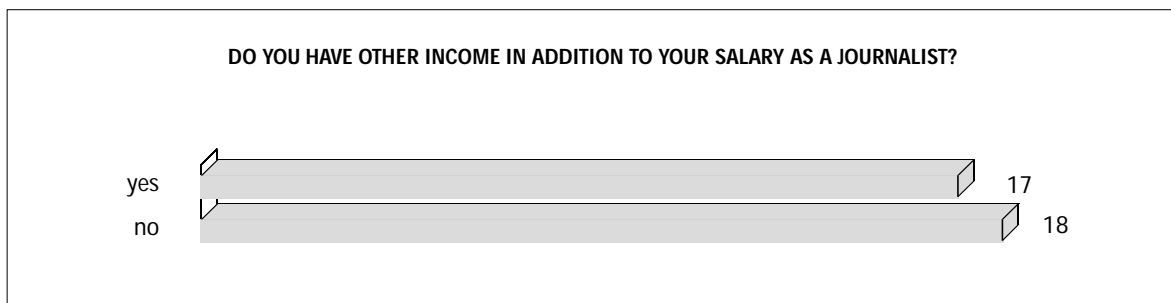
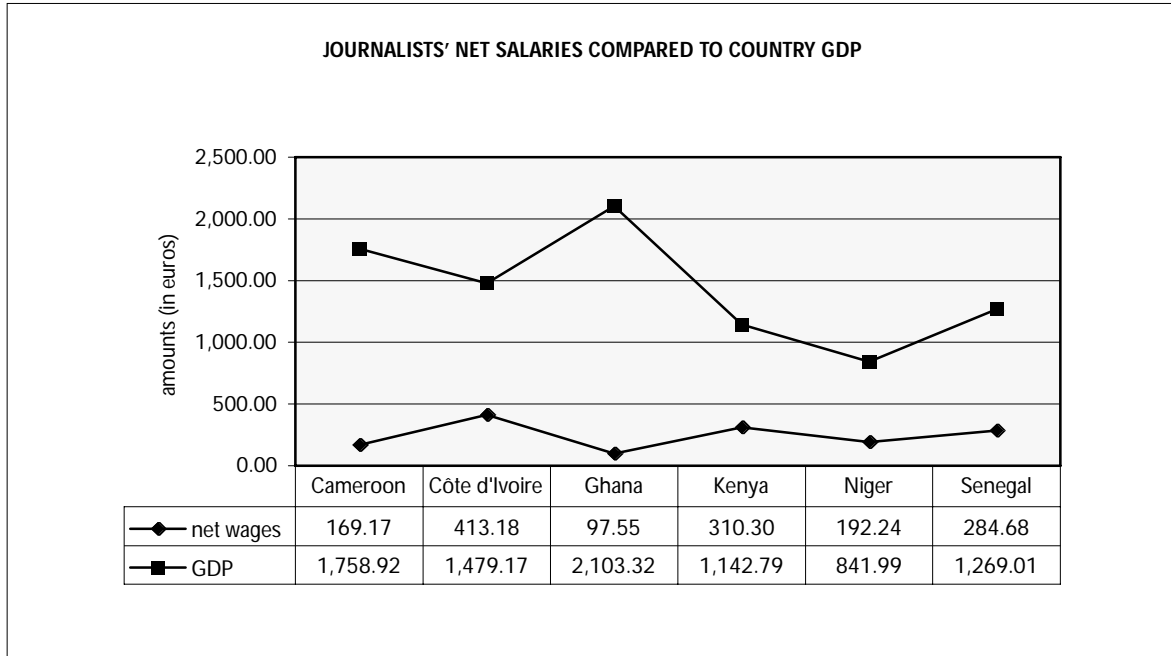
- the need to adjust salaries to bring them in line with collective labor agreements;
- the desire to ensure professionalism;
- newspapers' increased earnings.

► A Majority of Journalists Ready to Abandon their Newspapers and/or Profession to Improve their Salaries

With the exceptions of Senegal, where the majority of journalists say they have not considered leaving their profession, and Ghana, where positive and negative replies are equally balanced, the majority of journalists surveyed have considered leaving their newspapers. In most cases, they do not want to change professions but to raise their salaries.

JOURNALISTS' AVERAGE NET MONTHLY SALARIES BY COUNTRY (IN EUROS)





■ SURVEY OF FREELANCERS

Environment

Freelance journalists are younger than the average age of those surveyed. The vast majority (85 percent) are men; only 14 percent of them have received training in journalism. Thirty-five percent work regularly for one newspaper while 42 percent work for two newspapers, 14 percent for three, and 7 percent for four different newspapers.

Remuneration

► Variable Rates from One Country to the Next

The price per page of text varies from country to country and the unit of measurement also varies: lines, pages, number of characters, etc. On average, 15.50 euros are paid per "page" in all countries surveyed.

Freelancers' level of earnings is low, with 50 percent of those surveyed earning less than 180 euros per month from freelance journalism.

► The Freelance Profession: "Supplementary Income" or "Income to Supplement"

Some freelancers do not make their living entirely from this profession but work at other jobs to obtain supplementary income. Inversely, others work as freelance journalists in addition to their primary activities. The other professions noted are diverse, with a majority in communication or teaching-related professions, but they also include professions with no apparent link to journalism (farmers, engineers, actors, etc.).

Freelance journalists work in a great deal of social insecurity, 80 percent say they do not have any form of insurance.

in journalism, nearly 70 percent say they have received training in another field; the remaining have had no training at all.

Director of Publication: A Management Job?

► Similar Management Methods Across Countries

All the directors of publications surveyed say that their enterprises use salary scales.

When they exist, collective labor agreements are correctly applied. If need be, these agreements were renegotiated with the staff, as in the case of a daily paper in Côte d'Ivoire where the management negotiated and obtained the staff's agreement to a slight reduction of the points that determine salaries because the enterprise was new. In some cases, the agreements apply only to staff that hold diplomas in journalism.

Traditional management practices (the use of cash books, bank books, etc.) and/or computer management tools (accounting and/or management software such as SAARI) are known to the directors of publications surveyed, all of whom say they use at least the traditional management tools.

The directors of publications explain salary differences within their newspapers by several factors, in order of importance: seniority within the enterprise, seniority on the job, and level of training.

► Varied Motivations

We wanted to know why people become directors of publications in Africa today. Several possible choices were offered: did they take up this job for "professional", "political", "financial" or "other" reasons?

The majority, 54 percent, cited professional reasons. The others cited political (7.7 percent) or economic (7.7 percent) motivations and the remaining 30.6 percent cited "other" motivations (internal promotion not really sought after, etc.).

► Range of Sample: From Small Papers to Newspaper Businesses

From declared circulations of more than 100,000 copies for the largest daily surveyed and a thousand copies for the smallest weekly, the study examined considerably dissimilar newspapers. They also varied widely in the numbers of journalists employed, ranging from six to more than 100.

■ SURVEY OF DIRECTORS OF PUBLICATIONS

Who Are Directors of Publications?

The 14 directors of publication surveyed are all men and most are between the ages of 40 and 50. While more than 20 percent have received training

There were two basic types of management.

- the mostly English-speaking enterprises with very professional management. In Kenya, for example, the structures surveyed² pay their journalists regularly and some journalists even receive life insurance, medical coverage, loan facilities, etc.;
- newspapers that could hardly be called “press enterprises” whose management is marked by informality and approximation. Salaries are paid randomly and the survival of the enterprises comes ahead of paying their journalists who do not receive any social benefits such as health insurance or social security (priority expenses are printing, rent, and electricity). One surveyor pointed out that, given the managerial amateurism in this group, “newspapers defined as editorial successes are commercial failures.

It is certain that here, as with the rest of the study, though perhaps to a greater extent, it is difficult to treat the information globally rather than on a “case by case” or “country by country” basis since there is considerable variation between countries. This said, nevertheless, in all countries, there is the same gap between journalists’ and directors of publications’ net monthly salaries. The diagram below compares journalists’ and directors of publications’ salaries in the countries surveyed.

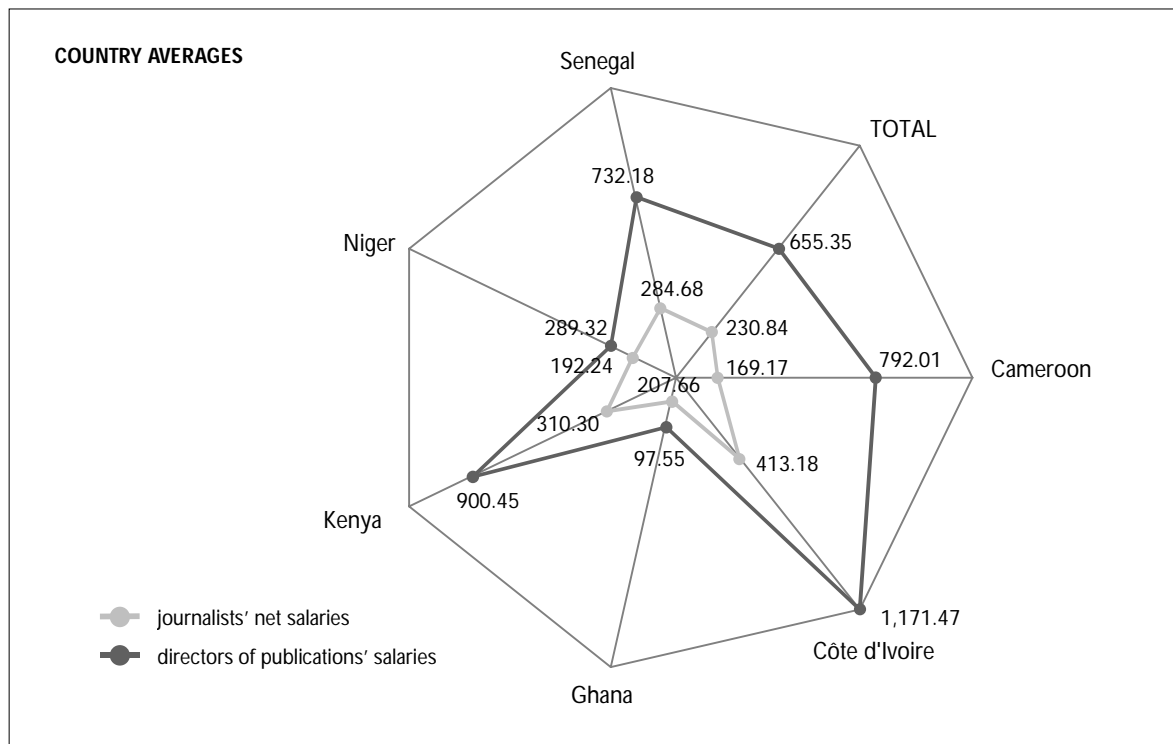
■ SURVEY OF NON-JOURNALIST STAFF

Non-journalist staff are mostly women. None of those surveyed said they had received training in journalism. “Non-journalist” staff—72 per cent of whom are employed in the private sector—are mostly typists (and/or layout artists), administrative staff, security guards, and researchers.

Remuneration

Average salaries (declared salaries, that is) are not very high. Nevertheless, the survey does reveal that directors of publications’ salaries are on average nearly three times higher than journalists’ salaries.

² These structures were difficult to analyse, however, because they are newspapers in a large press group and it was impossible to obtain accounting data separated from the rest of the group.



Average net monthly salaries are low, with the majority (58.3 percent) receiving approximately 115 euros per month. Twenty-eight percent say they have

no other sources of income. For those who have additional income, it comes from informal commerce, or freelance work as security guards or typists. ■

FINANCIAL ANALYSIS OF PRESS ENTERPRISES

This analysis was produced by Rodolphe Carlier (GRET),
based on the data from the national surveys.
A short technical glossary can be found in the appendix.

■ DIFFICULT ACCESS TO FINANCIAL INFORMATION

In addition to the general difficulty obtaining information, the study ran into two stumbling blocks:

- Enterprises' reluctance to provide specific information (the usual secrecy surrounding all financial information, fear of possible tax inspections, etc.); and
- the absence of or weakness in accounts monitoring and/or management tools (budgetary and cost accounting).

The Difficulty of Evaluating Property

It was easier to obtain information on operations than on property. When the latter was obtained, it is given in the form of an overall estimate and not broken down by type of investment.

Investments are, of course, light for newspaper activities. Nevertheless, the low level of amortization calculated from the data leads one to suspect that property estimates were partially under-evaluated, even when the financial value of subsidized investments is included.

The Difficulty Separating Integrated Activities in the Accounts

This is true mostly for the large publishing companies that own their own printing works and/or several newspapers. For them, it was impossible to determine the per unit printing cost of the newspapers studied. In some cases, these companies are groups that consolidate their financial data. Without cost accounting, it is impossible to isolate the expenses of any one of a particular group's newspapers.

In short, the difficulty in accessing information has two basic causes:

Notice

Throughout this section, in order to preserve their anonymity, we will refer to the newspapers surveyed by indicating only their country of publication (country initials³) and frequency of publication (W for weeklies and bi- or tri-weeklies, D for dailies).

Cf. table page 14.

The data obtained have not been confirmed or corroborated by legal financial documents. Accordingly, the exactitude of the financial information is not irrefutably proven.

As a result, and because of notable differences in the precision and quality of the information gathered, our analysis will focus on certain newspapers and countries more than others.

³ C for Cameroon, CI for Côte d'Ivoire, G for Ghana, K for Kenya, N for Niger, S for Senegal.

SUMMARY TABLE OF SOURCES OF INFORMATION FOR THE NEWSPAPERS SURVEYED

Newspaper	Type of Data	Precision and Quality of Information	
		Operations	Property
CID1	Financial survey	Not useable	Not useable
CID2	1999 annual financial	Average	Precise
CW1	Not available	Not available	Not available
CW2	Not available	Not available	Not available
GD	Financial survey	Average	Non-existent
GW	Financial survey	Average	Non-existent
KD1	Not available	Not available	Not available
KD2	Group annual financial statement	Not useable	Not useable
ND	Financial survey	Precise	Precise
NW	Financial survey	Precise	Precise
SD1	Financial survey	Precise	Overall
SD2	Financial survey	Precise	Overall
SW	Financial survey	Precise	Precise

■ ANALYSIS OF FINANCIAL AND QUANTITATIVE DATA

Turnover: Amount and Distribution

The newspapers studied have extremely variable turnovers. The daily with the largest circulation sells more than twice the number of newspapers as the daily with the smallest circulation. This ratio is similar for weeklies.

Nevertheless, for all newspapers and regardless of circulation, one of the elements frequently pointed out is the high variability of sales in response to current events. In general, sales can double so that two very different Senegalese newspapers (one daily and one weekly) see their sales vary between 8,000 and 12,000 copies per day for the first and between 350 and 700 copies per month for the second.

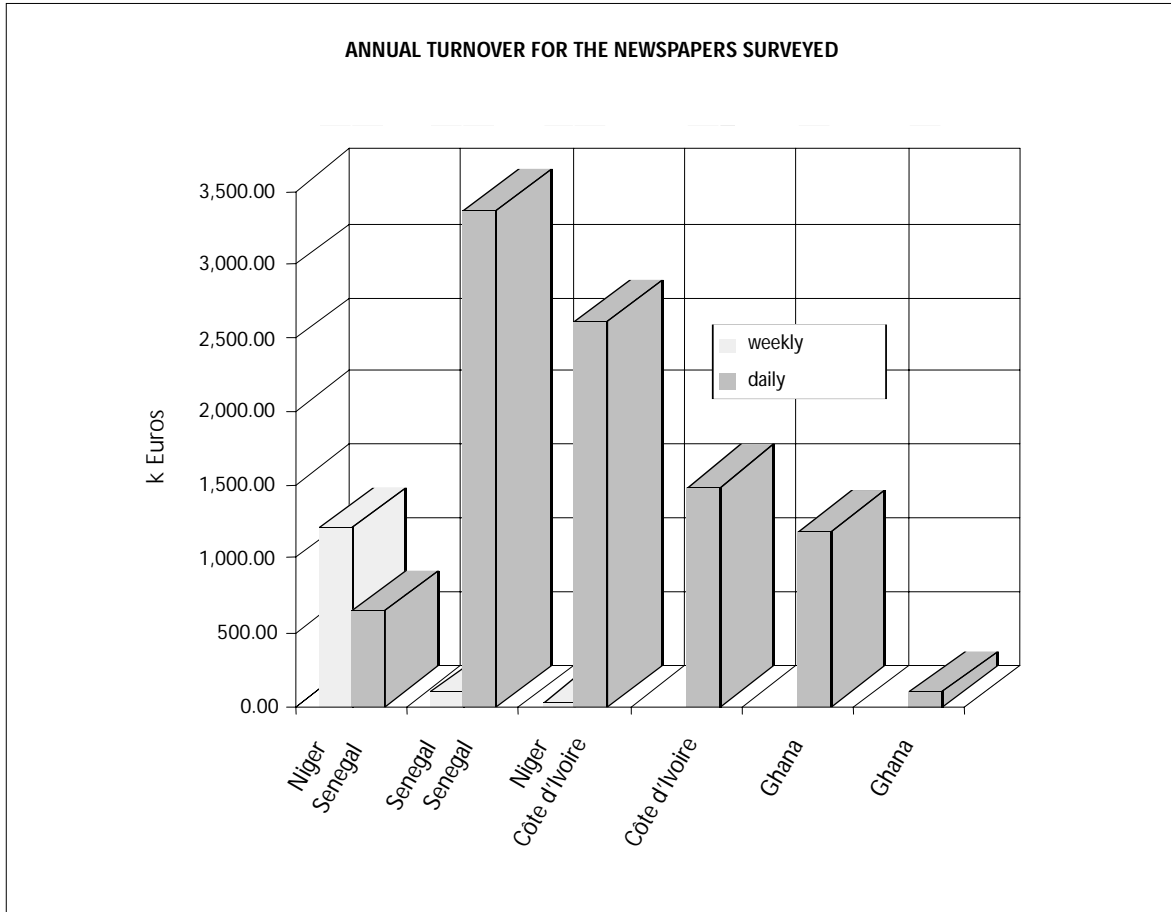
Cf. the graph "Annual Turnover for the Newspapers Surveyed", page 15.

Large circulation figures seem to appear in countries with intermediate income levels (Côte d'Ivoire, Ghana) or the highest literacy rates and most advanced development. More detailed and exhaustive analysis by country would be needed to determine whether or not there are definite causal relationships between newspaper sales and per capita income, literacy levels, and/or amount of urbanization.

► News-Stand Sales and Subscriptions

Income from subscriptions is generally somewhat marginal for African newspapers. Nevertheless, subscriptions make up 10 percent or more for three of the newspapers surveyed (two weeklies and a daily), and up to 20 percent for a Ghana newspaper.

There is generally little difference between the per copy sale price and subscription rates. The latter are therefore not very attractive. There are exceptions, however, such as a Senegalese newspaper with an attractive subscription price (0.22 euros vs. 0.30 euros in news-stands and from street vendors) that has up to 14 percent subscribers.



**DISTRIBUTION OF SALES
(PER ISSUE AND BY SUBSCRIPTION)
BY NEWSPAPER**

Newspaper	Sales	Subscriptions
CID1	99.6%	0.4%
CID2	100.0%	0.0%
GD	80.0%	20.0%
GW	99.9%	0.1%
ND	100.0%	0.0%
NW	86.8%	13.2%
SD1	85.9%	14.1%
SD2	90.5%	9.5%
SW	90.2%	9.8%

► **Other Income**

For most of the editors surveyed, income from sources other than the sale of newspapers is important and can be up to 55 percent of total income. In many cases, this income represents between one fourth and one third of the editors' turnover.

Only one Senegalese daily's total turnover is based on exclusively newspaper sales.

► **Advertising**

This "other income" comes in large part from advertisements. One must remember, however, that advertisements are a "rather rare commodity [Niger]". The rare unit prices quoted show noticeable variations: in Senegal, advertising space is sold for 137 euros per page, whereas it is sold for 305 euros in Niger.

➤ **Advertorials**

Advertorials are also sold by African newspapers but they seem to be rarer and generate less income. One Senegalese newspaper sells advertorials for 610 euros for 5 advertorials in the year.

➤ **Want Ads**

Want ads are included in “other income” even if they, with a few rare exceptions, generate little income. Only one unit price was quoted: 7.62 euros per want ad (mostly solicitors' announcements or births) in Niger.

➤ **Grant Income: an Exception**

Operating grants were not treated as other income. None of the newspapers receive operating grants except one Senegalese daily whose annual government grant income is 3,049 euros.

Revenues, Unit Prices and Volumes

Overall, the newspapers that sell the most are the least expensive. However, no clear correlation was found between sales prices and circulation. One daily sold for 1.52 euros in Niger sells four times more issues than a weekly sold for only 0.46 euros. Clearly, sales price is not the reason readers buy newspapers. Many other factors are involved: the quality of the newspaper, the market, the competition, etc. Cf. the graph “Correlation between Sale Price and Copies Sold” page 17.

This lack of correlation between sale price and copies sold is seen only on a few newspapers. A Senegalese newspaper manages to sell approximately 20,000 copies per day of its daily at 0.30 euros—the same sales as a Ghana daily sold for only 0.14 euros.

Management Intermediate Balances

Using the information obtained, we have attempted to reconstruct profit and loss accounts for each newspaper. The management intermediate balances for these profit and loss accounts (below) are calculated in relative value as a percentage of turnover. The management intermediate balances are given according to type of expenditures, from those most directly to those least directly tied to operations. Gross margin only takes into account operating expenses (that is: the inputs that directly constitute the newspaper product, and printing and distribution costs). Gross margin is therefore sales revenues minus operating expenses.

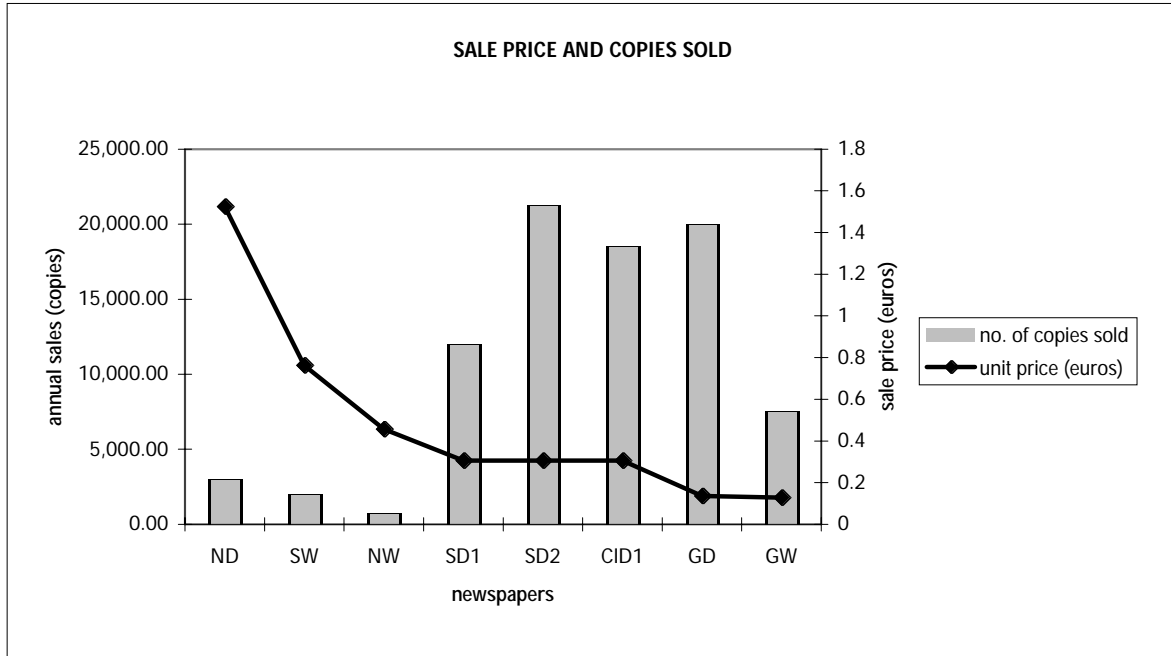
The “current result” is the enterprises' incomes minus the ensemble of their expenses, notwithstanding exceptional elements related to the enterprises' activities.

➤ **Gross Margin: Between Half and Two-Thirds of Turnover**

The gross margin was calculated by subtracting all direct production costs from total income. Gross margin is the difference between income from news-

COMPARISON OF RATES APPLIED AND COPIES SOLD BY AFRICAN NEWSPAPERS

Newspaper	Turnover (euros)	Copies Sold	Unit Price (euros)
CID1	2,611.34	18,500	0.30
GD	1,182.84	20,000	0.14
GW	99.31	7,500	0.13
ND	1,210.19	3,000	1.52
NW	32.90	750	0.46
SD1	648.12	12,000	0.30
SD2	3,365.77	21,240	0.30
SW	95.15	2,000	0.76



	CID2	GD	GW	ND	NW	SD1	SD2	SW
Gross Margin	53	52	39	76	66	50	66	82
Added Value	44	42	29	70	46	46	56	70
Gross Operating Profit	30	9	21	64	- 6	35	35	25
Net Operating Profit	29	9	20	64	- 7	29	34	23
Current Result	28	6	20	64	- 7	39	34	23
Self-Financing Capability	29	61	21	64	- 6	35	35	25

paper sales and newspaper and distribution costs. The lowest margin observed is 39 percent and the highest is 82 percent.

Three elements enter into margin calculations: turnover, printing costs (including paper), and distribution costs. For distribution costs, there is sometimes a large gap between the unit costs announced (in form of percentages) and the gross amounts provided. In Senegal, for example, the press distribution agency (ADP) theoretically charges 30 percent of the sale price for distribution but the total distribution costs are very low in comparison with turnover. This is undoubtedly because a large amount of newspapers are sold by street vendors,

bypassing the distributor's services. Similarly, some groups take care of distribution themselves, making it impossible to determine real unit cost for distribution. Distribution costs are estimated at 15 percent in Niger. They are 11 percent and 25 percent for the two newspapers surveyed in Ghana.

Accordingly, the graphic below shows only gross margin excluding distribution as a percentage of sales. The highest printing costs take up 50 percent of sales income (excluding distribution) for 40,000 copies yearly (weeklies). Printing costs range between 15 percent and 30 percent for the other newspapers with yearly circulation figures of over 500,000 for dailies and 50,000 for weeklies.

Two practices were observed for printing costs: they either cover the totality of inputs (printing + paper), as is the case in the French-speaking zone with the exception of publishers that have their own printing works, or they cover only printing, as is the case for the two newspapers surveyed in Ghana.

► **High Added Value Thanks to Low Structural Expenses**

Added value is the difference between gross margin and the ensemble of indirect costs tied to operations, and the purchase of goods or services. These are mostly overhead expenses (rent, electricity, telecommunications, etc.), transportation, insurance, and other services purchased from outside sources⁴. Added value allows enterprises to finance labor (salaries and other costs related to labor).

The added value figures are relatively high, making outside purchases of goods or services for their activities barely more than 10 percent of turnover, with the noteworthy exception of one newspaper in Niger for whom these expenses represent 20 percent. Since the expenses used to calculate added value are fixed (rent, transportation, telecommunications, etc.), the amount of added value is de facto directly tied to newspaper circulation figures. The

⁴ Excluding freelance journalists who were accounted for under salary costs (instead of under the purchase of outside services).

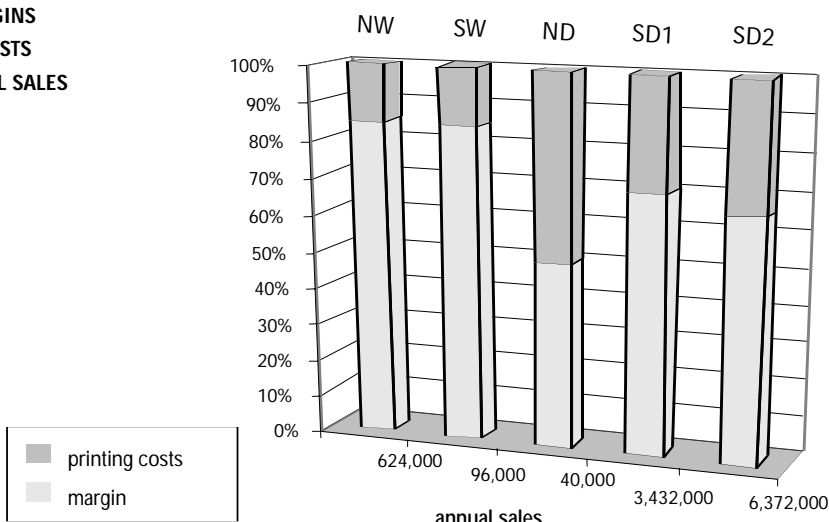
newspapers surveyed have low overhead and make little use of outside services (no advertising costs, few accessory services). Access to new technologies—notably Internet—does not weigh heavily and takes up only a small percentage of income (less than 0.3 percent!).

Consequently, most of the added value figures are around 50 percent of sales. Two newspapers have added value figures of 70 percent. One is a public newspaper, part of whose expenses are subsidized in kind by the government (rent); the other is a newspaper whose specialization favors the generation of high added value (a “financial newspaper”).

► **Generally High Gross Operating Profits and Relatively Low Labor Costs**

The added value discussed above makes it possible to finance labor. Thus, the gross operating profit is the difference between added value and the labor costs necessary for production plus the various taxes and levies paid by the enterprise. The gross operating profits calculated are high overall; the main reason for this is the low cost of labor, which barely exceeds 15 percent of newspapers’ turnover. Nevertheless, this rate varies greatly from newspaper to newspaper. Direct labor costs represent up to 50 percent of turnover for newspapers with small circulations and highly specialized newspapers.

DISTRIBUTION OF MARGINS AND UNIT PRINTING COSTS ACCORDING TO ANNUAL SALES



In addition, social security costs are a maximum of 25 percent of the total payroll. For example, they are estimated at only 7 percent of the payroll for a public newspaper and 5 percent for a daily with a high circulation.

Other taxes are paid by newspapers, notably VAT even though it is not always applied. In all cases, VAT can be assimilated with a flat-rate tax directly paid by the enterprise. There are also trading dues, but the ensemble of these taxes is barely more than 2 percent of announced turnovers.

► **Little Accumulated Depreciation and Few Financial Costs Facilitate Earning Consequential Net Profit**

The net income from operations is the difference between gross profit and amortization (i.e., the annual depreciation of investments made. Overall, depreciation expenses are derisory⁵ and—with the exception of only one newspaper for which they represent 6 percent of turnover—represent 1 percent of turnover at most in nearly all cases.

The reported fixed assets consist almost exclusively of computer equipment and small office equipment. Only public newspapers and integrated press groups seem to have vehicles. For the other newspapers, travel costs are fully covered by transportation budget lines (taxis or vehicle rentals).

The current result corresponds to the net operating profit minus financial costs and to which one may add financial income. As a percentage of turnover, financial costs are near nothing and seem to correspond more to interest on overdrawn bank accounts than on interest on fixed asset loan repayments.

The current result can be assimilated with the net income, except for exceptional elements related to the enterprises' activities. Thus, because of the newspapers' low investment levels and their lack of financing through bank loans, the current result is very close to the operating profits. The net margin is high, to say the least.

In the near totality of cases, it is between 25 percent and 35 percent of turnover sales. Of the ensemble of newspapers surveyed, only one shows a loss and this newspaper had the smallest gross margin initially.

► **A Cash-Generating Activity**

Self-financing capacity (SFC) is defined by the net (or current) result to which purely accounting ex-

penses (specifically, amortization) are added.

When investments are low, self-financing capacity is almost equivalent to the current result. Thus, in the ensemble of cases studied SFC is high. This also confirms the low investment needed to generate such an activity. Specifically, self-financing capacity makes it possible to evaluate the enterprises' potential cash flows⁶.

In order to get from potential cash to real cash (excess operating cash), all one needs to know is the variations in client receivables and supplier payables. In this activity, clients pay cash. Thus, given that debts to suppliers are never nil, real cash is at least equal to potential cash.

■ **LESSONS LEARNT**

A Profitable Activity at or above a Certain Threshold

Analysis of the respective weight of variable and fixed expenses in total expenditure clearly reveals three distinct categories in our sample:

- the newspapers whose fixed expenses are only one-third of total expenditure ;
- the newspapers whose fixed expenses are approximately half total expenditure ;
- the newspapers whose fixed expenses are two-thirds of total expenditure.

These differences are determined by sales; the first type corresponds to high-circulation newspapers, the third to those with low circulation figures.

Any given newspaper can therefore move from one category to the next as its circulation figures change. This seems to show the fixed nature of a large share of expenses (specifically, purchases and services related to operations, salaries and taxes, and amortization).

⁵ An average duration of 5 years was used to calculate depreciation.

⁶ Potential in so much as the real cash flows are determined by payment delays for clients and suppliers.

NEWSPAPERS' EXPENSES BY TYPE (VARIABLE/FIXED)		
Newspaper	Variable Expenses	Fixed Expenses
CID2	66%	34%
GD	53%	47%
GW	66%	34%
ND	66%	34%
NW	31%	69%
SD1	70%	30%
SD2	53%	47%
SW	24%	76%

Comparing expenses and circulation figures makes it possible to run income simulations according to sales figures.

It is possible to determine the break-even point (i.e. the threshold of copies sold at which the newspaper reaches financial balance) for a daily employing a dozen employees, that sells for 0.30 euros per copy, has a gross margin rate (variable cost margin, VCM) of 34 percent, and total annual fixed expenses (fixed costs, FC) of 60,979.61 euros. The line graph below shows the break-even point for annual sales of approximately 300,000 (or 1,000 newspapers per day).

The break-even point for a weekly selling for 0.61 euros, with the same gross margin rate (VCM) and the same fixed costs (FCs) is reached at 150,000 copies (approximately 2,900 copies per month).

One can therefore conclude that the structure of costs for African newspapers largely consists of fixed costs at the start of activities. This means that above a certain circulation, profits can become considerable in relative value, confirming profitability rates above 20 percent for high-circulation newspapers. A fortiori, it is indispensable that these same newspapers reach these critical sales thresholds—the break-even point—in order to rapidly meet their fixed costs.

This simulation also shows the low sales threshold needed to reach the break-even point. Nevertheless, this simulation is based on the principle that the variable costs remain the same regardless of cir-

ulation. In reality, rates vary and lower printing costs per unit can be negotiated for large numbers of copies. All the same, a weekly such as SW seems to turn a profit with a circulation of only 8,000 copies per month and another weekly, NW, is barely showing a loss with a circulation of less than 3,500 copies per month.

In conclusion, the principal challenge for African newspapers is neither sale price nor variable costs (for which there is little room for maneuver) but rather increasing circulation figures. This can be concretely measured in the press's tendency to privilege sensationalism—usually through one-upmanship and at the expense of journalistic quality.

An Ideal Activity for Businessmen?

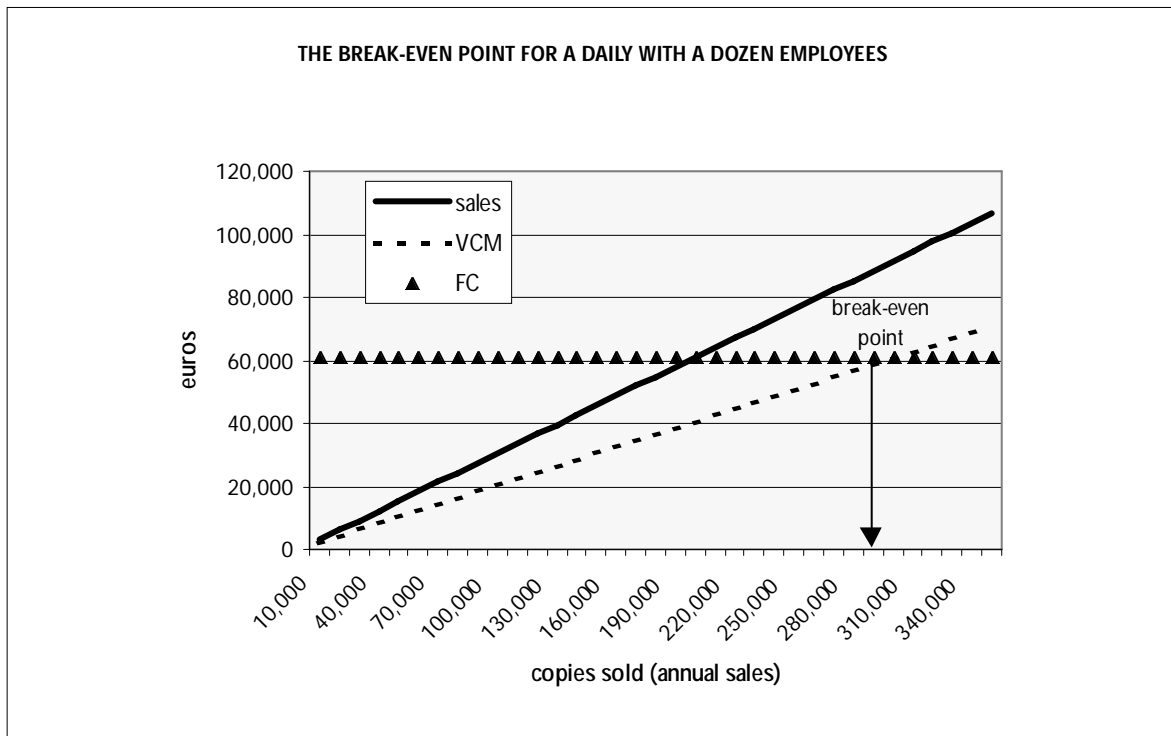
High added value activities are in principle those that require expensive, highly qualified labor. Yet, the added value produced by newspapers is relatively high and their labor costs are low because the salaries paid to staff and freelance journalists are small although salaries can vary (staff and freelance journalists' salaries and monthly incomes can be multiplied by up to three within the same country depending on the newspaper).

Also, taxes on labor are not very high. Taxes are low on salaries and freelance journalists' remuneration is not taxed. These taxes are all the lower because they are not always applied and can be negotiated.

In addition, one could imagine that the added value would serve to finance capital assets (productive investments) rather than labor. Yet, the property assessed in the surveys is relatively small, as can be seen in the operating accounts with the amortizations (depreciation expenses). The only real investments are computers, which do not require a large amount of capital. The direct consequence of this is a high net profitability rate, strengthened by newspapers' lack of debt.

In conclusion, this activity has relatively high added value for low-cost labor and low investment capital. In addition, the lack of client credit (i.e. readers pay cash for their newspapers) means that this activity structurally generates cash.

Newspaper publishing (whether dailies or weeklies) can therefore be a profitable activity for editors—if not for journalists.



Striking Differences between French- and English-Speaking Countries

One of the outstanding elements of our survey results is a noteworthy difference between the sale prices of French-language and English-language newspapers. For 5 dailies (three in French and two in English), the price of the French-language dailies is double that of the English-language dailies.

The surveys are, however, not exhaustive and therefore do not prove a tie between the low sale prices and the circulation figures in English-speaking countries.

The two newspapers in Ghana purchase their paper themselves, which lowers printing costs for the French-speaking zone and in part compensates for these newspapers' low gross margins to their low sale prices. The lower sale prices are also compensated for by even lower wage costs for English-speaking when compared to the French-speaking newspapers.

This parallels the difference between French and English press—the first generally has small circulations and sells for more than 1 euro, whereas the latter generally has circulation figures of more than a million copies and sells for less than half a euro. ■

CONCLUSION

► **African Press Enterprises' Profitability:
All Professionals and the Profession in General
Do Not Necessarily Win**

African press enterprises can be relatively profitable. Despite its limits, our sample emphasizes a consistency of trends and even results on this point, regardless of the size of the newspapers surveyed. This activity has relatively high added value since labor remuneration levels are low. In addition, investment capital is low. Because of this, editors' remuneration is relatively higher than journalists'. Of course, in all fields of activity, investors seek high profitability rates and rapid returns on investments. However, the fact remains that journalists' low remuneration coupled with low or no investment in training and with the weakness of social protection are aggravating factors in journalists' working conditions. To this, one must add the low level of investment in working means.

All of this contributes to the development of practices that provide journalists with additional income, income which is sometimes obtained in conditions that harm the profession's credibility.

This is a vicious circle that only the large newspapers in countries where the press is sufficiently developed have managed to break. Even though this would merit more detailed analysis, one can say that in these countries quality is the lever that makes a difference. The virtuous circle is established when the market seems sufficiently promising and the environment sufficiently stable for investors to stop thinking in terms of short term profitability and chose to invest in the longer term.

► **The Dilemma of Investing
when the Environment Is Uncertain**

The majority of newspapers that make up African press today—that is, small newspapers in not very promising but nevertheless competitive⁷ environments—are not there yet. And, in so much as newspapers' economic results depend heavily on their variable "circulations", scoops if not sensationalism able to drive sales up are very tempting. How then can one privilege fundamental work that ensures credibility, builds reader loyalty, and attracts publicity? This is a true dilemma faced daily by editorial staffs and seen clearly by readers.

It is—to remain within economic analysis—the dilemma of long-term investment in uncertain environments that touches the press just as it does all other sectors.

► **What Can Donors' Priorities Be to Support
the Sector in Such an Environment?**

Donors also face the long-term investment dilemma in symmetrical terms. In this context, how can one achieve sustainable results from support activities that are, overall, punctual? How can one conceive support that balances the encouragement of private investment with decent remuneration for journalists? Is this re-balancing—if it is possible through outside support activities—one of the keys, of course associated with others, to progressive cleaning up of the sector and increasing quality? ■

⁷ There are few newspapers in Kenya and, generally speaking, in countries where the press is developed whereas newspapers are numerous elsewhere.

Appendices

Appendix 1 – **Researchers**

Appendix 2 – **Terms of Reference**

Appendix 3 – **Country Indicators**

Appendix 4 – **A Short Technical Glossary**

Appendix 1

RESEARCHERS

Cameroon	Étienne Tassé
Côte d'Ivoire	Zio Moussa
Ghana	Kojo Larbi
Kenya	Martin Occholi
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Senegal	Madieng Seck

TERMS OF REFERENCE

Presentation of the Study and Overall Objective

The springtime of the press—that saw pluralism impose itself in many African countries, advocating democratisation—has come to a close and many press firms have rapidly lost their illusions. Increased competition, lassitude of readers and/or listeners who are less eager for news (and sometimes disappointed by poor quality media)—several factors explain the crisis that a large proportion of African press firms have been enduring since the mid-1990s and with the devaluation of the CFA franc.

In order to survive this crisis, press barons play on the level of remuneration of journalists, among other adjustable variables. These increasingly poorly remunerated journalists must resort to all sorts of makeshift measures to survive (advertorials, the per diem chase, activism, etc.), putting ethics and deontology second when exercising their profession.

When economic problems are this pressing, support that aims for the professionalisation of the sector through training and awareness-raising on professional ethics can not reverse the trend on its own. How then can one support the professionalisation of the sector? This study aims to facilitate donors' reflections on the subject by giving them a clearer view of the reality of press firm management, in particular as concerns journalists' remuneration. It aims to clarify—thanks to up-to-date figures—trends in a sector known for a certain financial opaqueness.

Specific Goals

The study will give numerical data on:

- press firms' financial earnings, including the distribution of their expenses and earnings;
- the mode and level of remuneration for journalists;
- entrepreneurs' strategies to adapt to the crisis or at least to the stagnation in sales and income.

Scheme and Method

► **Field of the Study**

The media taken into account will be private and public newspapers in the countries studied. In each country, two newspapers (one each from the public and private sectors when possible) will be studied in detail.

The countries for which our correspondents will be solicited for the study are (to be confirmed): Benin, Cameroon, Côte d'Ivoire, Ghana, Kenya, Niger, and Senegal.

The people surveyed within the enterprises are: managing editors, journalists, freelancers, and administrative and financial managers.

► **Field Studies and Coordination: Task Distribution**

On-site surveys will be carried out by local consultants. GRET is in charge of:

- choosing the countries to be studied;
- identifying, contacting and monitoring the local surveyors;

Appendices

- establishing a survey grid that will form the working basis for local surveyors' research;
- treating and analysing the data;
- publishing the end results in French and English;
- disseminating this publication in the framework of the ParMA network.

Expected Result

The study will result in a publication that gives the numerical data without mentioning the firms surveyed so as to protect their anonymity. The data will be commented briefly according to the fol-

lowing indicative outline:

- the expenses and income of each press firm studied, by type (salaries, consumables, accumulated depreciation, etc.);
- the salary and income levels of journalists and freelancers;
- the typology of journalists' incomes;
- journalists' remuneration modalities (including frequency);
- the evolution in journalists' incomes over the years;
- the strategies to adapt to the crisis used by managing editors;
- the adaptation strategies used by journalists. ■

COUNTRY INDICATORS

Definition of the human development index

The HDI is an indicative, non-exhaustive measurement of human development. Since its first use in 1990, the World Report on Human Development published by the United Nations Development Program calculates the HDI every year. Methodological improvements are made yearly to its method of calculation. The HDI measures the av-

erage level reached by countries according to three essential human development criteria: opportunity for long and healthy life, educational attainment, and standard of living. These three aspects are expressed respectively by life expectancy, level of instruction (adult literacy rate and school enrolment for primary, secondary and university education), and income per inhabitant corrected and expressed in purchasing power parity.

	CAMEROON	CÔTE D'IVOIRE	GHANA	KENYA	NIGER	SENEGAL	FRANCE	UNITED STATES
country size¹	475,440	322,460	238,540	582,650	1.267 million	196,190	547,030	9,629,091
population²	15,803,220	16,393,221	19,894,014	30,765,916	10,355,156 (July 2001 est.)	10,284,929 (July 2001 est.)	59,551,227 (July 2001 est.)	278,058,881 (July 2001 est.)
life expectancy at birth (1999)²	50.0	47.8	56.6	51.3	44.8	52.9	78.4	76.8
adult literacy rate (per cent of the population over 15 years old) ²	74.8	45.7	70.3	81.5	15.3	36.4	''	''
gross school enrolment rate (primary to university level) ²	43	38	42	51	16	36	94	95
GDP per inhabitant (purchasing power parity) ²	1,573	1,654	1,881	1,022	753	1,419	22,897	31,872
life expectancy rating (1999) ²	0.42	0.38	0.53	0.44	0.33	0.47	0.89	0.86
instruction level rating (1999) ²	0.64	0.43	0.61	0.71	0.15	0.36	0.97	0.98
human development index value²	0.506	0.426	0.542	0.514	0.274	0.423	0.924	0.934
telephones (permanent lines) ¹	75,000 (1997)	219,283 (31 Dec. 1999)	200,000 (1998)	290,000 (1998)	16,000 (1997)	116,000 (1997)	34.86 million (year end 1998)	194 million (1997)

	CAMEROON	CÔTE D'IVOIRE	GHANA	KENYA	NIGER	SENEGAL	FRANCE	UNITED STATES
mobile and cellular telephones¹	4,200 (1997)	322,500 (May 2000)	30,000 (year end 1998)	5.345 (1997)	13,000 (1995)	1,149 (1996)	11,078 million (year end 1998)	69,209 million (1998)
radio stations¹	11 AM; 8 FM 3 short wave (1988)	2 AM; 8 FM 3 short wave (1998)	0 AM; 18 FM 3 short wave (1999)	24 AM; 8 FM 6 short wave (1999)	5 AM; 5 FM 4 short wave (1998)	10 AM; 14 FM 0 short wave (1998)	14 AM approx. 3,500 FM 2 short wave (1998)	4,762 AM 5,542 FM 18 short wave (1998)
radios¹	2.27 million (1997)	2.26 million (1997)	4.4 million (1997)	3.07 million (1997)	680,000 (1997)	1.24 million (1997)	55.3 million (1997)	575 million (1997)
television channels¹	1 (1998)	14 (1999)	11 (1999)	8 (1997)	10 (1997)	1 (1997)	584 (1995)	More than 1,500 (1997)
TVs¹	450,000 (1997)	900,000 (1997)	1.73 million (1997)	730,000 (1997)	125,000 (1997)	361,000 (1997)	34.8 million (1997)	219 million (1997)
Internet service providers¹	1 (2000)	5 (2001)	1 (2000)	5 (2000)	1 (2000)	1 (2000)	62 (2000)	7,800 (2000 est.)
Internet users¹	20,000 (2000)	20,000 (2000)	20,000 (2000)	45,000 (1999)	3,000 (2000)	30,000 (2000)	9 million (2000)	148 million (2000)

¹ Source: The World Factbook 2001.

² Source: UNDP World Human Development Report for 2001.

A SHORT TECHNICAL GLOSSARY

This brief glossary is intended to clarify some of the financial/accounting terms as they are used in the report. Since accounting practices vary from country to country, they should not be seen as definitive technical definitions.

► Management Intermediate Balances

The management intermediate balance table gives a series of balances that represent different stages in calculating yearly net income (or loss). These stages are determined by subtracting from the enterprises' operating expenditures those costs that are most directly linked to the enterprise's activities to those least directly linked to its activities.

In order, these intermediate balances are:

- **Gross Margin:** the difference between a newspaper's total revenue and the cost of the totality of goods that enter directly into the production of the newspaper (printing, paper, distribution).
- **Added Value:** refers to the additional value that enterprises create for their products by enhancing the goods or services offered. Concretely, the added value figure is calculated by subtracting from the gross margin the goods and services necessary for an enterprise's activity (electricity, transportation, rent, insurance, etc.). Added value serves mainly to finance labor and depreciation (or amortization) of production equipment.

- **Gross Operating Profit** (or Loss): the difference between the added value produced and an enterprise's staff costs (payroll) and taxes.
- **Net Operating Profit** (excluding operating expenditure and financial revenues): the difference between the gross operating margin and depreciation (or amortization) expenses; corresponds to the annual depreciation of an enterprise's equipment.
- **Current Result:** the difference between an enterprise's net operating profit and its financial balance.
- **Net Profit** (Net Earnings): the current result minus exceptional operating expenditure and revenues as well as any taxes on enterprise profits.

► Break-Even Point

The level of activity at which the total operating income of an enterprise equals its total operating expenditure.

► Turnover

Turnover is theoretically the amount generated by the sale of goods and services. For these press enterprises, turnover and income are basically identical because customers generally pay for their newspapers up front (no client credit, no unpaid bills, etc.). ■