media
development
investment
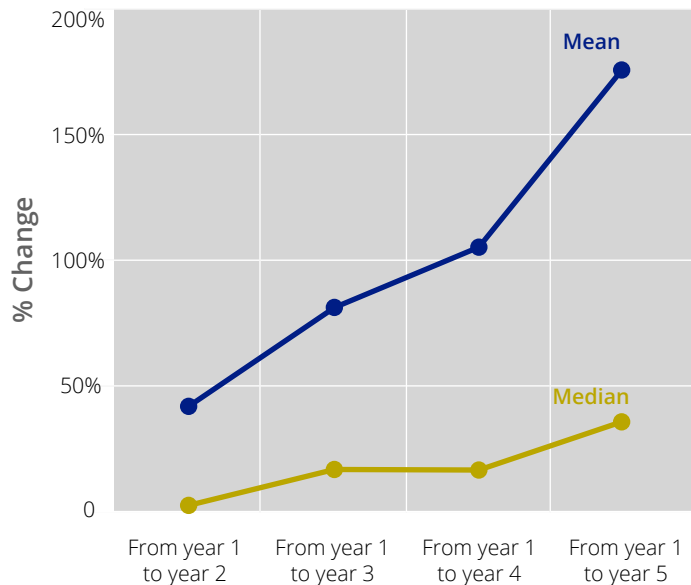fund

mdif

Impact
Dashboard
2018

Content

Executive **summary**

Client reach

In 2017, **93.7 million** people received their news from an MDIF client, **50.6 million** online and **43.1 million** through traditional print and broadcast media. After five years of working with MDIF, client reach increased by a median of **32%** (on average by 176%).

Client sales

In 2017, MDIF clients generated a total of **$381.5 million** in sales. After five years of working with MDIF, clients increased their sales by a median of **105%** (on average by 204%). Each dollar invested by MDIF leveraged **$5.32** in client sales.

Change in client reach from first year with MDIF

Change in client sales from first year with MDIF

Client viability

In 2017, the median risk rating of our loan portfolio was **5.71**, squarely within the moderate risk range. Across the loan portfolio, **72%** of our clients maintained or lowered their risk rating from 2016 to 2017.

Distribution of MDIF risk scores, 2013-2017

- **High risk**
- **Moderate risk**
- **Low risk**

MDIF client risk rating (higher score - higher risk)

Client impact on society

In 2017, **89%** of MDIF clients saw their reporting on corruption, accountability or social issues create impact. **96%** of this work took place in countries where the press is partly free or not free.

Percentage of MDIF clients publishing corruption, accountability or social issues stories with impact in 2017

89% of MDIF clients in 2017 published reporting that created impact

Distribution of the total number of social outcomes reported by type

Institutional	Civic	Personal	Other
38%	29%	19%	14%

Mission
statement

Media Development Investment Fund (MDIF) invests in independent media around the world providing the news, information and debate that people need to build free, thriving societies.

Why we are here

Timely, accurate, relevant information is critical to free societies. It enables fuller participation in public life, holds the powerful to account and protects the rights of the individual.

How we choose clients and areas of operations

MDIF invests in independent media companies in a range of countries where access to free and independent media is under threat. Clients are selected based on three broad criteria: mission impact in relation to investment; potential for long-term viability; editorial integrity.

How we work

MDIF financial investments include affordable loans, equity investments, loan guarantees and technical assistance grants. MDIF mobilizes other investors to maximize the impact of its financing. MDIF seeks to establish long-term relationships with its clients, which may involve advice and assistance in business planning, media management and other technical support.

Providing access to capital

MDIF clients are starved of capital because they work in environments with poorly developed banking systems, distorted markets and unfavorable investment climates. Often, they work in transition economies or under governments that are hostile to the idea of free and independent media. In all cases, a lack of funds is the main obstacle to their growth and development and seriously hampers their ability to be commercially viable and self-sustaining.

The changing landscape of media and investment

In the last decade, a technological revolution has transformed the media business and the way people access news and information across the world. MDIF invests in established and experimental digital products and businesses that contribute to the provision of information in the public interest.
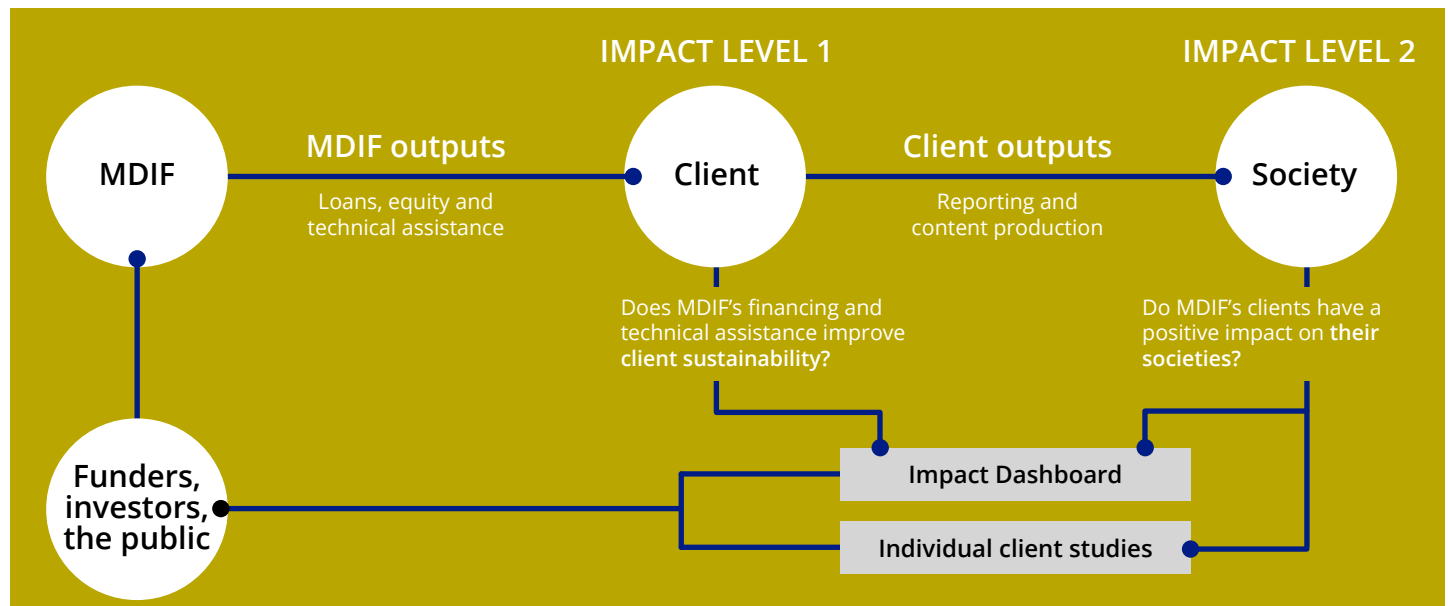
Dashboard
introduction

At MDIF, impact assessment is a critical part of our work. Since 2005, we have published our Impact Dashboard to publicly present the findings of our annual analysis. The Dashboard provides numerical and narrative information on MDIF's impact results, including both longitudinal analysis of changes across our portfolio and contemporaneous examples of our clients' performance from the previous year. We focus our impact assessment efforts on two areas: direct impact of our investment on clients and our clients' impacts on their societies.

First, we evaluate how a given media company's **reach, sales and viability** change over the course of their involvement with MDIF. Although we view our investment

as a contributor to, not the sole cause of our clients' performance over the years, this measurement helps us better understand the results of our work and the extent to which our support contributes to our clients' long-term sustainability. It also allows us to make more informed decisions around performance of our portfolio.

Second, we track the impact of our clients on society, hoping that with the information obtained we can better evaluate and convey the societal value of their journalistic work. To assess the extent to which the independent media supported by MDIF impact on their societies, we first look into their reporting on **corruption and accountability**. We also monitor our clients' efforts to provide reliable information

MDIF's approach to impact assessment

IMPACT LEVEL 1   IMPACT LEVEL 2

MDIF — MDIF outputs (Loans, equity and technical assistance) → **Client** — Client outputs (Reporting and content production) → **Society**

Does MDIF's financing and technical assistance improve **client sustainability?**

Do MDIF's clients have a positive impact on **their societies?**

Funders, investors, the public

Impact Dashboard

Individual client studies

and shine a light on **social issues** that impact people's lives but are often under-reported, like the environment, gender, ethnicity and LGBT. Additionally, to show how our clients encourage democratic participation, we examine their **election** reporting. The abovementioned areas have been selected based on empirical research, including studies on media influence and media affects, and also our first-hand experience.

MDIF combines various data sources in order to get the most accurate picture of our and our clients' impact, with much of the data coming directly from clients. At the beginning of each calendar year, we approach MDIF-supported media with an annual comprehensive Impact Dashboard survey, which collects information on various aspects of their work, from their reach to their reporting on corruption, accountability and social issues in the preceding year. When a country or region in which a client is present holds a major election, we distribute a dedicated survey to collect information on the election reporting of our clients and the media situation surrounding the election. We also rely on our internal quarterly monitoring: for example, sales and financial viability data are collected and updated regularly, with the final assessment for the year used for the annual analysis.

In addition to client records, we also ingest data from external data sources. For instance, to monitor the online reach of our clients, we rely on data gathered by Google Analytics. Across different impact areas, we also quantify survey responses against comparable and pertinent indicators, including the World Press Freedom Index published by Reporters Without Borders, Corruption Perceptions Index by Transparency International, Social Progress Index by Social Progress Imperative, as well as the World Bank's Political Stability and Absence of Violence Index and Ease of Doing Business Index.

For more information on how we track impact and collect Dashboard data see the table on page 10 and read "How we measure..." explainers in the related sections of the Dashboard. For a more detailed description, see the full Impact Dashboard Methodology on our website.

Overall, measuring the impact of media support has long been a major challenge across the sector: even trying to define media in the digital space is troublesome because the landscape is evolving so rapidly. While the outlets we invest in are diverse in terms of their business models, geographic focus and media type, we try to employ standardized metrics that would be relevant for the largest number of clients in our portfolio. Consequently, some of our investees like early-stage digital startups or technology businesses that offer platforms to connect users are not covered in the Impact Dashboard. These include, for example, OnionDev that provides services such as a voice-activated social network for illiterate rural people in India and Colab that connects Brazilian users with local administrations.

It also happens that some clients are able to provide accurate data for some indicators but not others, or a specific metric is not applicable to the client during the period of evaluation. As a result, some clients are omitted from certain sections and, thus, each indicator may have a slightly different number of clients in any given year. In a limited number of cases, when clients are unable to provide updated data for the current year - for example, their broadcast reach - we use the last year of fully vetted data as a proxy until actual data are available.

There are further challenges when it comes to impact tracking, including complicated causality, double counting of reach for outlets that distribute news both online and offline, and unreliability of audience research data in many countries where we work. Although we grapple with issues in both collecting and standardizing data across our diverse portfolio, we make every effort to ensure that we provide an accurate and reliable insight into our work. Thus, to the extent possible, we validate results clients report, eliminating or adjusting anomalous figures.

Given the still-evolving status of tracking impact and sweeping changes in the media sector, we are constantly learning and striving to improve our approach. As we continue to address challenges, we believe that full transparency regarding our methodology is important both for accountability and learning. For a complete description of the challenges and how we try to address them see the full Impact Dashboard Methodology on our website.

Impact level	Key impact question	Impact area	Key metrics and focus areas	Data sources
Impact on client business	Does MDIF's financing and technical assistance improve client sustainability?	Clients expand their **reach**	- cumulative reach and its YoY changes - average and median individual YoY changes - median individual YoY growth rate (CAGR) - distribution by press freedom and by corruption perceptions in the country	Client survey, Google Analytics, 3rd party audience measurement, Reporters Without Borders' World Press Freedom Index, Transparency International's Corruption Perceptions Index
		Clients increase their **sales**	- cumulative sales and their YoY changes - average and median individual YoY changes - median individual YoY growth rate (CAGR) - overall portfolio leverage	Client survey, company financial statements
		Clients improve or maintain their **viability**	- median risk rating of loan portfolio - YoY changes in risk classification - distribution by client risk classification - distribution by political stability and business friendliness in the country	Client survey, audited MDIF Risk Rating, World Bank Political Stability and Absence of Violence Index, World Bank Ease of Doing Business Index
Client impact on society	Do MDIF's clients have a positive impact on their societies?	Clients conduct **corruption and accountability reporting**	- % of clients reporting on corruption and accountability that created impact - % of types of social outcomes said to have followed after the reporting - distribution by corruption perceptions in the country	Client survey and publishing records, Transparency International's Corruption Perceptions Index
		Clients serve as a source of reliable information, with a focus on **social issues**	- % of clients reporting on social issues that created impact - % of types of social outcomes said to have followed after the reporting - distribution by social progress in the country	Client surveys and publishing records, Social Progress Index
		Clients encourage democratic participation, with a focus on **elections**	- no. of recorded elections - distribution by the level of voice and accountability in the country	Client surveys, publishing records, World Bank Voice and Accountability Indicator

Current
portfolio

MDIF invests in independent news businesses in countries where access to free media is under threat. Our affordable debt, equity and quasi-equity financing helps media companies fulfil their economic potential while safeguarding their editorial independence. We support talented managers and editors to move their companies forward by carrying out projects that strongly advance their news organization's economic potential, such as purchasing new equipment or hiring staff to launch new products. We also support our investments with intensive financial monitoring, technical assistance and strategic advice, so clients can get the most out of our financing and grow resilient, resourceful businesses that are strong enough to hold the powerful to account, protect the rights of the individual and provide a platform for debate.

MDIF operates its investments through a fund structure that in 2017 encompassed the MDIF General Fund (loans and equity), MDIF Media Finance I (MMF I, loan fund), MDIF Media Partners (MP, investing in Polish media company Agora SA), and a private equity fund. In 2017, we provided **$5.6 million** in media financing, extending **$3.7 million** in loans and equity and **$1.9 million** in technical assistance and technical assistance grants. We approved **11** investments for **10** companies across **8** countries, welcoming **4** new clients to our portfolio. While **8** out of **11** new investments were made from two funds – **$472,000** in loans under MMF I and **$2.15 million** in equity under a private equity fund – we also provided a little over **$1.07 million** of investments in **3** existing clients in **2** countries from the MDIF General Fund.

Key metrics:

- MDIF ended 2017 with more than **$71.7 million** total Assets Under Management allocated in 48 companies in 26 countries.
- Our investments supported the work of **4,700** journalists and media workers, **47%** of them women.
- In 2017, **50%** of MDIF clients were recognized with awards.
- At the end of 2017, **91.8%** of our investments were in countries where press freedom is limited and **53.4%** in countries struggling with serious corruption problems.

At the end of 2017, our total Assets Under Management amounted to **$71.7 million**, an increase of **6.9%** compared to 2016 and up **79.2%** from 2015 due to the launch of three new funds – MMF I, MP and a private equity fund. The largest share of our investments — **53.9%** — was in South East and Eastern Europe, followed by Africa at **19.0%** and Asia at **11.0%**. Our portfolio included **48** media companies in **26** countries, from digital startups to national multi-platform broadcasters. Our investments supported the work of over **4,700** journalists, managers and other media workers, **47%** of them women.

Despite different sizes and types of activity, our clients have a common interest in providing the independent news, information and debate that citizens need to build free, thriving societies. Whether in Africa or Latin America, our clients are vital institutions that underpin open, vibrant societies. Many are leaders in their markets, renowned for their fact-based reporting and high journalistic standards. In fact, **half** of MDIF-supported media organizations surveyed as a part of our annual Impact Dashboard survey reported receiving awards in 2017. Out of those presented with prizes, **73%** were recognized with national awards, **20%** with local awards and **20%** with international awards.

MDIF's Assets Under Management by region

Region
SE & E Europe
Africa
Asia
Latin America
Eurasia
Other
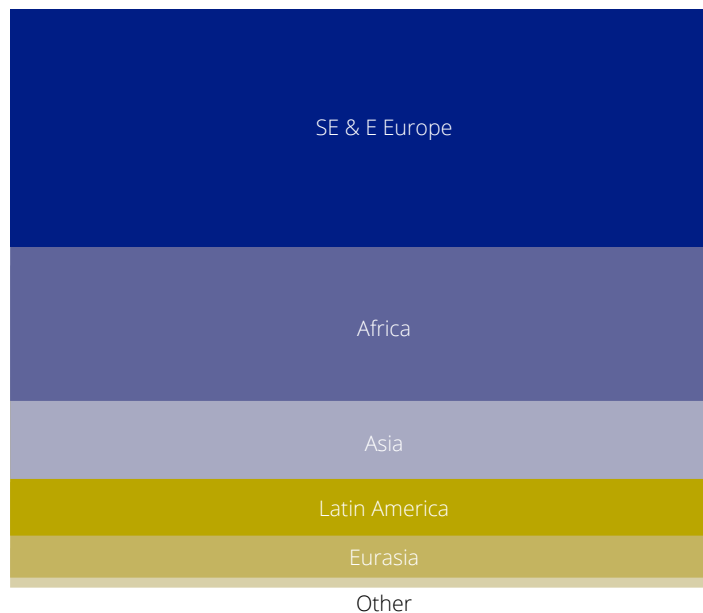
Awards won by MDIF clients in 2017

50%
of MDIF clients were recognized with awards in 2017

Employee gender distribution of MDIF clients in 2017

47%
of MDIF clients' employees in 2017 were women

Portfolio summary

	Cumulative	2013	2014	2015	2016	2017 (unaudited)
Assets Under Management	n/a	$47.9m	$42.2m	$39.9m	$67.0m	$71.7m
Number of total clients	113	59	66	53	49	48
Number of new clients	n/a	6	11	-	2	4
Number of countries	39	25	32	28	28	26
New investments made[4]	$147.8m	$5.3m	$3.3m	$1.5m	$3.8m[1]	$3.7m
Principal recovered	$70.4m	$3.9m	$2.9m	$3.2m	$3.0m	$1.96m
Interest, dividends & capital gains collected	$41.5m	$1.1m	$856K	$576K	$1.2m	$917K
Returned to investors	$45.9m	$7.0m	$1.6m	$3.6m	$6.4m	$9.1m

Portfolio in context

By design we invest in countries with a shortage of independent media companies and where press freedom is curbed. At the end of 2017, **91.8%** of MDIF's outstanding investments were in countries where the media environment is partly free or not free — that is those categorized as "problematic," and "bad" and "very bad" by the World Press Freedom Index published by Reporters Without Borders (RWB). From 2016 to 2017, the amount invested in partly free and not free countries increased by **3.8** percentage points.

MDIF also focuses its investments on countries where corruption is systemic. In 2017, **53.4%** of our investments were in countries struggling with serious corruption problems, that is, those that scored lower than 50 in Transparency International's (TI's) Corruption Perceptions Index. This constitutes a decrease of **7.8** percentage points compared to 2016.

The chart below presents portfolio allocations by country by RWB's World Press Freedom Index[2] and by TI's Corruption Perceptions Index[3], showing a concentration of MDIF investment in countries with restrained press freedom and a reputation for corruption. The further an investment is to the right, the less free the country, and the lower on the chart, the more corrupt the country is perceived to be. The size of the circle corresponds to the size of the investment.

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[1] Taking account of the MDIF Media Partners investment in Polish Agora, which is managed by MDIF, in total we deployed well over $20 million in capital in 2016, a new high-water mark for MDIF

[2] 0-25 "Free" (referred to as "good" and "fairly good" by RWB), 25.01-35 "Partly free" (referred to as "problematic" by RWB) and 35.01-100 "Not free" (referred to as "bad" and "very bad" by RWB)

[3] 0-49 "More corrupt", 50-100 "Less corrupt"

MDIF investments by the World Press Freedom Index and by Corruption Perceptions Index

Free   **Partly free**   **Not free**

Less corrupt

More corrupt

Corruption Perceptions Index

The World Press Freedom Index
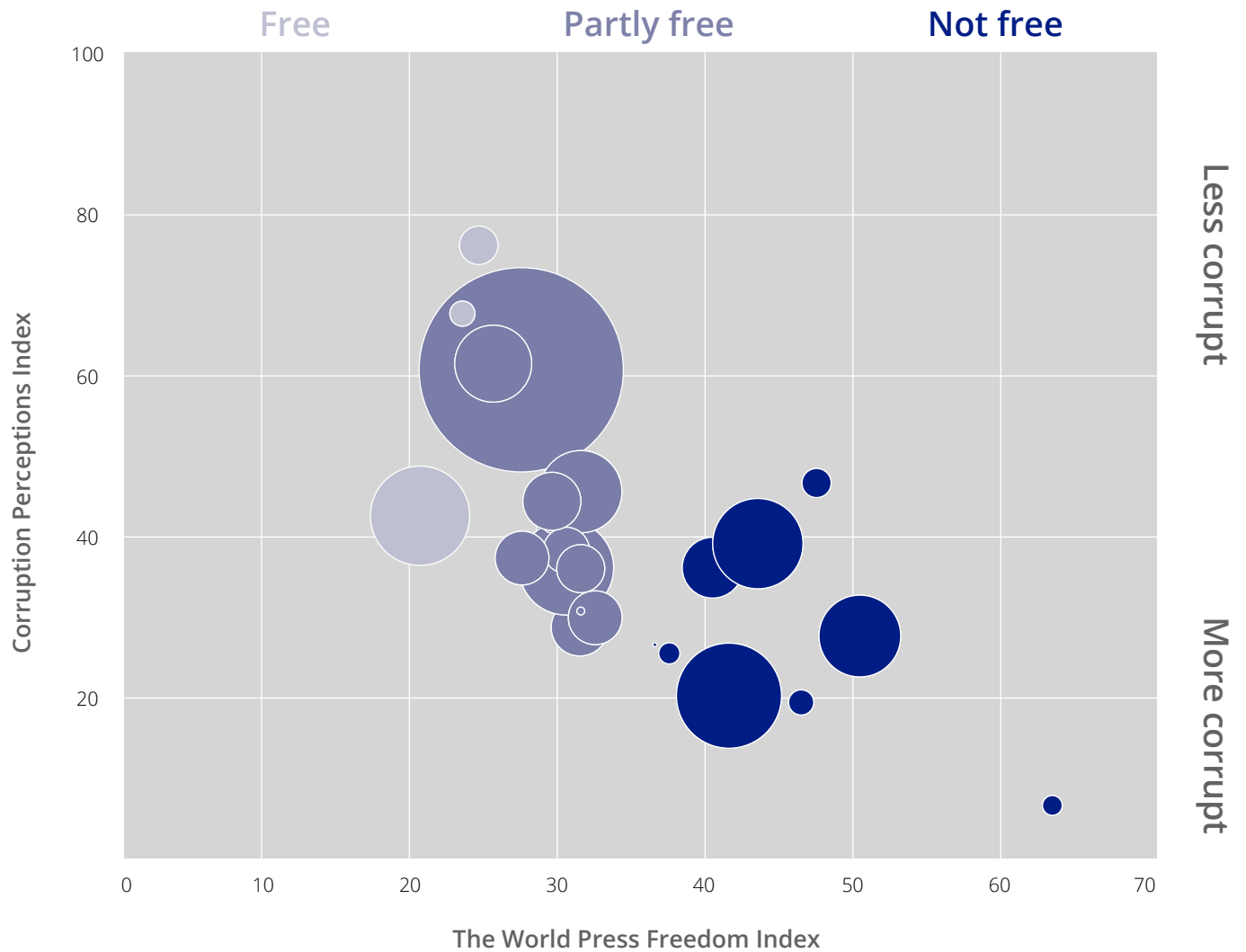
Amount invested
by country ($)

<100,000
1,000,000
5,000,000
≥15,000,000

Dashboard
reach

Expanding our clients' reach is central to both our financial and mission objectives. In mission terms, increased reach means that more individuals have access to the quality, independent news they need to participate in the economic, political and social life in their countries. In financial terms, audience growth is critical to the long-term sustainability of the media companies we support. Larger audiences frequently translate directly into higher advertising revenue and greater sales opportunities.

We assess our impact on client reach by looking at changes in their audience size from year to year. Clients active in both 2016 and 2017 increased their reach by **28%** on average (median of 2%) between the two years. The gains were largely driven by increased reach online, where **64%** of clients saw growth from 2016 to 2017. At the same time, **43%** of clients increased their reach offline over the same period.

Change in client reach from first year with MDIF
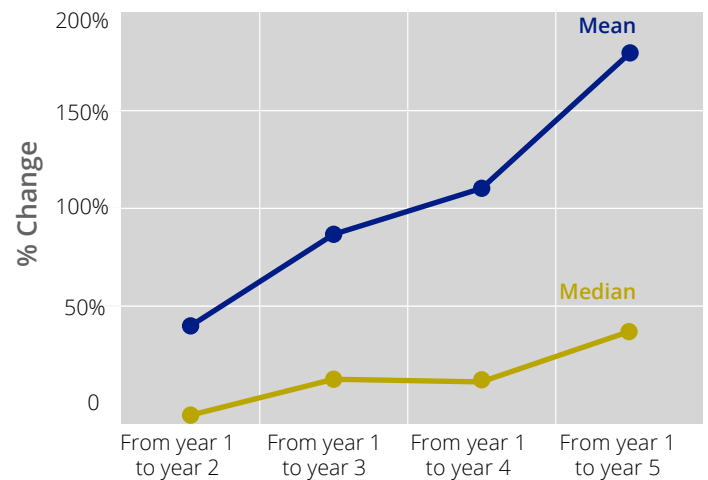
Key metrics:

- In 2017, **93.7 million** people received their news from MDIF clients, **50.6 million** online and **43.1 million** through traditional media.

- **95.9%** of the people MDIF clients reached lived in countries where the press is partly free or not free.

- After five years of working with MDIF, client reach increased by a median of **32%** (on average by 176%).

- Clients see their reach increase by a median annual growth rate of **7%** (CAGR) during their first five years working with MDIF.

How we measure reach

To calculate reach, MDIF collects online and offline audience data from its clients. We measure traditional reach, including newspaper, television and radio audiences, on an annual basis through our annual Impact Dashboard survey. For newspaper reach, we use the average edition circulation for each publication, including multipliers (an industry measure for when more than one person reads each copy) when applicable. These data are sourced from our clients' operational records. For television and radio, we use the client's average audience share as a proportion of the total population, based on information from local audience research firms when available or client estimates. Digital reach is collected on a quarterly basis and includes client-operated websites producing news and information content. For the purposes of the Impact Dashboard, we look at the median monthly users (previously referred to as unique visitors) according to Google Analytics for the given year.

For more on the methodology we use to collect and analyse our impact data, see the Impact Dashboard Methodology section on our website.

Since our founding in 1995, clients that have worked with us for at least two years increased their reach by **38%** on average (median of 3%). Over their first five years, these companies have seen average reach growth of **176%** (median of 32%), with a median year-over-year growth rate of **7%** (CAGR) over the same period. Over our investment history, **69%** of clients increased their reach from the beginning to latest year of their relationship with MDIF and **39%** doubled their audience or better. Median growth from a client's first year of involvement to their latest is **21%**, with a median year-over-year growth rate of **4%** (CAGR) for the full investment term.

In terms of their cumulative reach, in 2017, **93.7 million** people around the world got their news from MDIF clients, **50.6 million** through digital media and **43.1 million** through traditional media. For the second year in a row, more people have received news from MDIF clients online than through traditional media sources such as TV, radio and newspapers. The results mirror a rapidly changing global media landscape where the audience increasingly shifts away from traditional methods of consumption in favour of online content.

Total annual client reach by type, 2013-2017
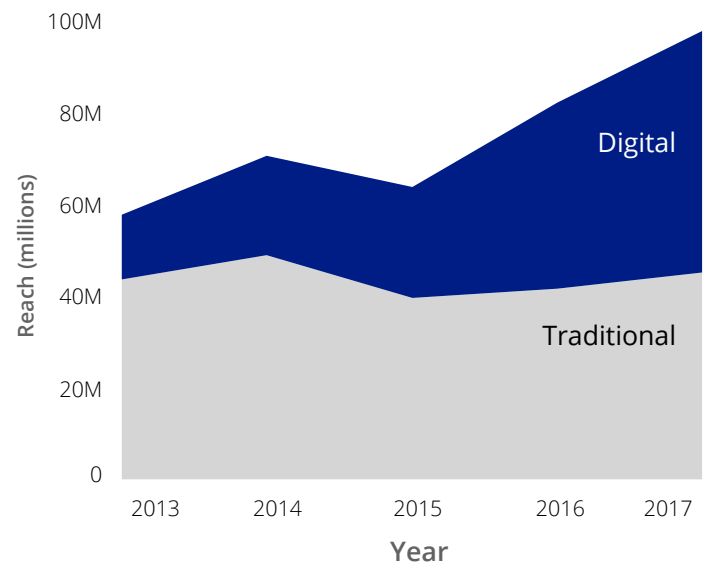
Total reach was up **21.5%** from 2016. In particular, we saw strong growth in our portfolio's total digital reach—up **29.8%** from 2016 to 2017, with the increase attributed mainly to the considerable year-on-year audience growth of India's news portal Scroll and inclusion of the audience of Ukrainian news outlet Liga that joined our portfolio in 2017.

At the same time, our portfolio's total traditional reach went up by **13.1%**, largely due to the expanding operations of Kosovo's leading independent broadcaster RTV21 that, as result, augmented its figures with a growing diaspora audience and the reach of TV 21, its daughter company in Macedonia.

Distribution of client reach growth rates (CAGR) over first five years with MDIF

Reach growth rate (CAGR)
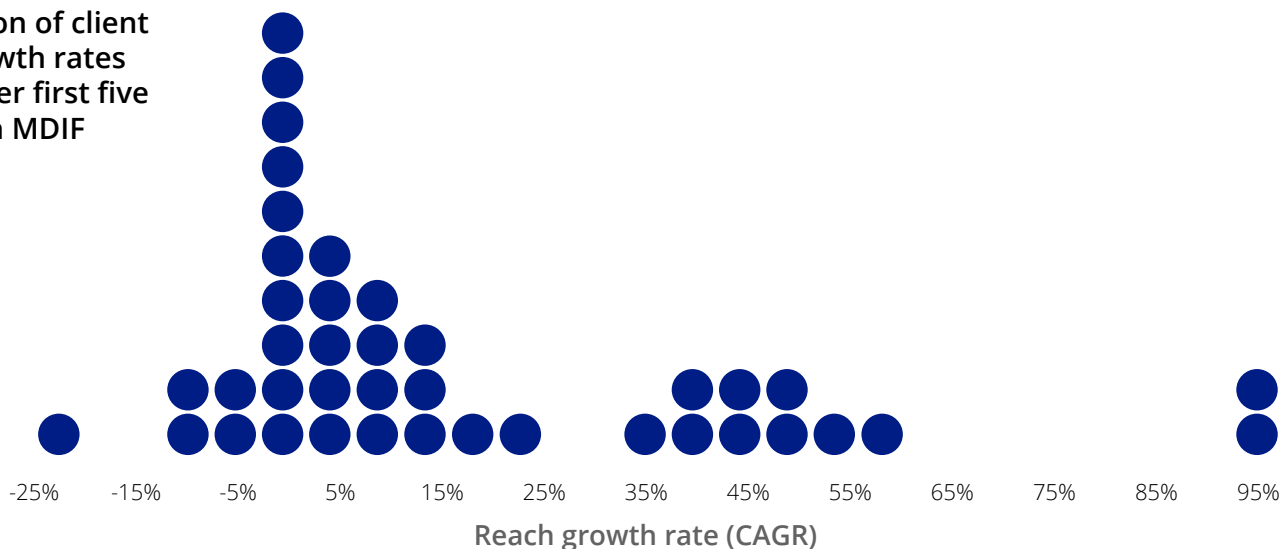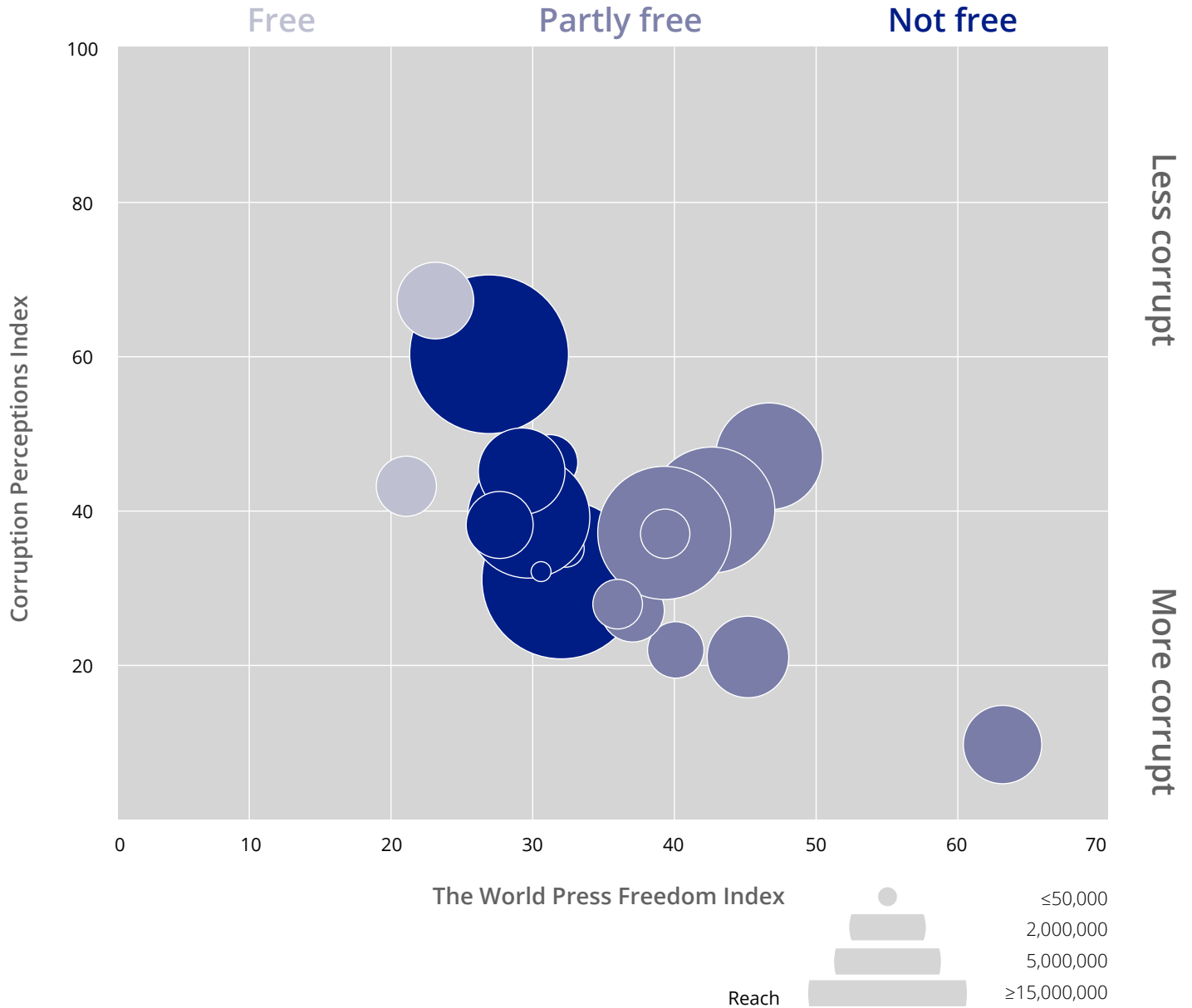
Clients' reach in context

MDIF invests in independent media companies in a range of countries where access to free and independent media is under threat and where the public has limited access to quality news. In many cases, without our clients, citizens would not have the information they need to assess issues objectively and develop their own informed points of view. In particular, our clients help citizens hold politicians and business leaders to account. By unearthing stories that otherwise may remain untold, they erode impunity and promote integrity among those in power, at the same time empowering citizens to demand justice.

In 2017, the largest share of our clients' audience —**47.9%**— lived in Asia, followed by South East and Eastern Europe at **36.8%** and Africa at **7.1%**. In the past year, **59.2%** of the

people MDIF clients reached lived in partly free countries and **36.7%** lived in not free countries, according to the World Press Freedom Index published by Reporters Without Borders[4]. Additionally, **78.5%** of our clients' audience lived in countries struggling with corruption, as measured by Transparency International's Corruption Perceptions Index[5].

The chart on the adjacent page shows that most of the people our clients provide news and information to live in countries where the press is not free and where there is a high perception of corruption. The size of the circle corresponds to the size of client's reach, while the further to the right, the less free the client's country, and the lower on the chart, the more corrupt the country is perceived to be.

Client reach by the World Press Freedom Index and by Corruption Perceptions Index

Free   Partly free   Not free

Corruption Perceptions Index

The World Press Freedom Index

Less corrupt

More corrupt

Reach
≤50,000
2,000,000
5,000,000
≥15,000,000

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[4]   0-25 "Free" (referred to as "good" and "fairly good" by RWB), 25.01-35 "Partly free" (referred to as "problematic" by RWB) and 35.01-100 "Not free" (referred to as "bad" and "very bad" by RWB)

[5]   0-49 "More corrupt", 50-100 "Less corrupt"

Dashboard
sales

As an investor, our primary goal is to promote the long-term financial well-being of the media companies we support. Beyond the clear fiscal logic for encouraging sustainable growth, we have found that financial stability enables high-impact journalism. Stable media companies are able to resist economic pressure in the form of advertising boycotts or lawsuits and are better positioned to maintain the necessary separation between the news gathering and business sides of the organization. Conversely, financially unstable companies can be susceptible to economic threats and may compromise their editorial values for monetary gain, damaging their reputation and limiting their ability to serve as effective watchdogs.

To assess the impact of our work on client financial performance, we track how their sales change over the term of our investment. We found that clients involved with MDIF for at least two years see their sales grow by a median of **21%** (38% on average) between their first and second years.

Change in client sales from first year with MDIF
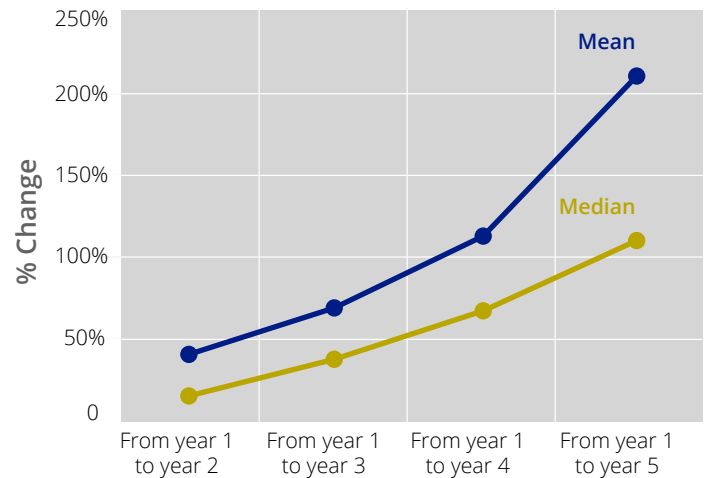

Key metrics:

- In 2017, MDIF clients generated a record high of **$381.4 million** in sales.
- At the end of 2017, **each dollar** invested by MDIF leveraged **$5.32** in client sales.
- After five years of working with MDIF, clients increased their sales by a median of **105%** (204% on average).
- Clients see their sales increase by a median annual growth rate of **20%** (CAGR) during their first five years working with MDIF.

How we measure sales

Sales refer to the total amount of client income from circulation, advertising, printing services and other activities. For the purpose of the Impact Dashboard, the term is used interchangeably with revenue. Sales data is readily available through monthly reports from clients. Clients report sales data in either US dollars (USD) or their local currency. To ensure comparability, we convert all local currency figures to USD using the publicly established conversion rate on the final day of the calendar year. The overall portfolio leverage is calculated by dividing the total portfolio sales for the year by the total Assets Under Management at the end of the year.

For more on the methodology we use to collect and analyze our impact data, see the Impact Dashboard Methodology section on our website.

**Annual client change in sales grouped
by client sales size in 2016**

2016 to 2017 change
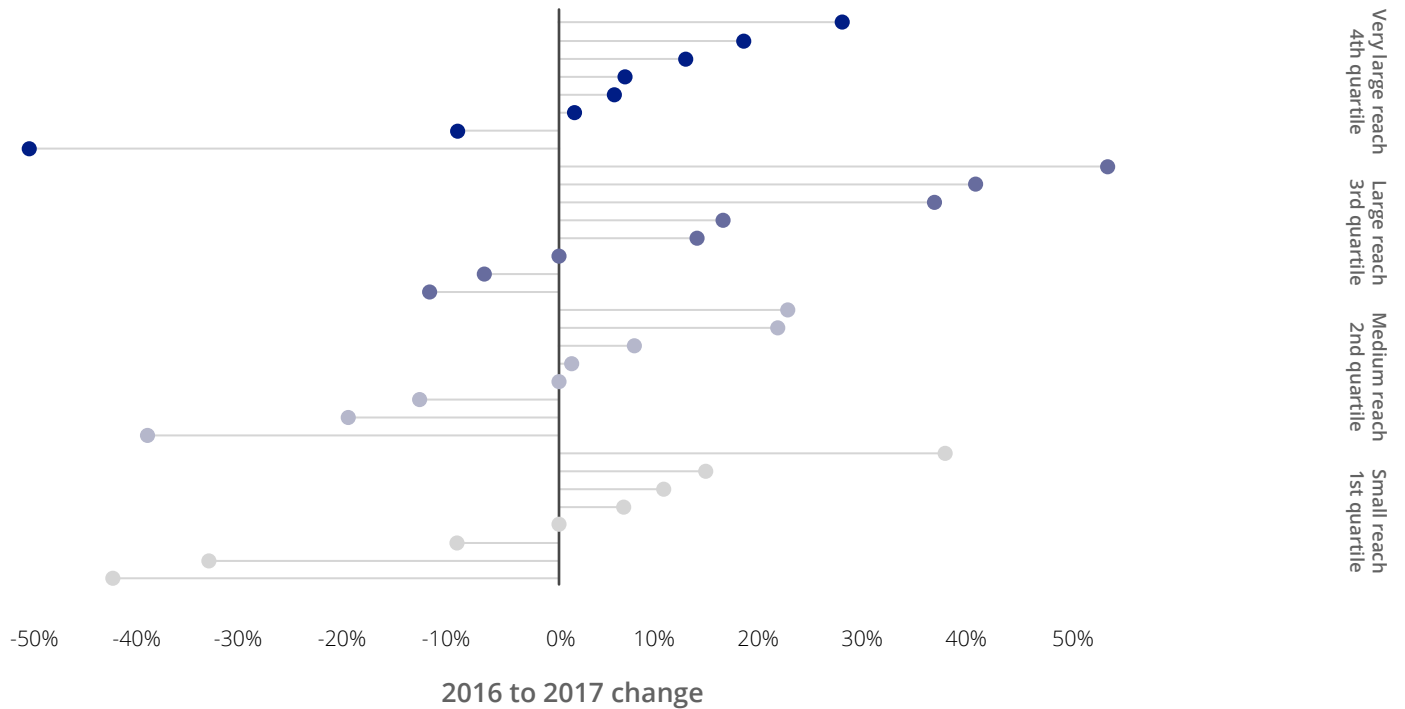
Distribution of client sales growth rates (CAGR) over first five years with MDIF

Sales growth rate (CAGR)

-25% -15% -5% 5% 15% 25% 35% 45% 55% 65% 75% 85% 95% 105% 115%
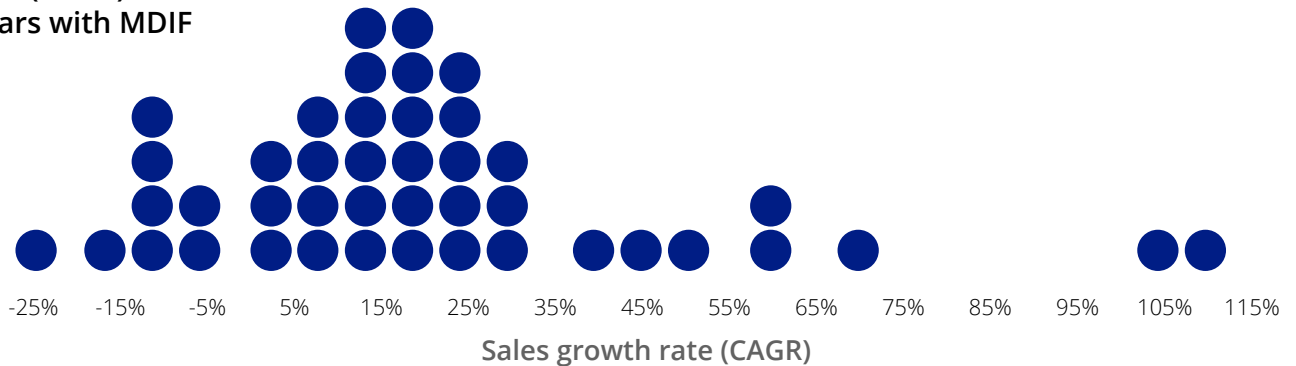
For clients that work with us for at least five years, revenues grow by a median of **105%** (204% on average) from years one to year five, with a median year-over-year growth rate of **20%** (CAGR) over the same period. Over our investment history, **63%** of clients increased their sales from the beginning to latest year of their relationship with MDIF, while **28%** doubled it or better. Median growth from a client's first year of involvement to their latest is **21%**, the same as the median year-over-year growth rate (CAGR) for the full investment term.

Between 2016 and 2017, **69%** of clients active in both years increased or maintained their revenues. Overall, from 2016 to 2017, sales increased by a median of **5%** between the two years. Still, **31%** of our investees have observed a decline in their revenue, mostly due to challenges to their advertising models, flagging growth in many emerging markets, and profits held back by weak local currencies. Moreover, several clients' sales have decreased due to direct government interference, such as the unfair allocation of state advertising spending to government-aligned media, and indirect interference, such as businesses benefitting from government largesse removing advertising from independent news companies.

Clients in Latin America saw the largest declines in their revenues from 2016 to 2017 – **9%** on average. Both Africa and Eurasia recorded declines of **6%**. In particular, an ongoing conflict and crawling economic growth put a squeeze on clients' revenues in Ukraine, South Africa's economy struggled badly amid widespread corruption

and political scandals, and Zimbabwe's downward spiral continued unabated, despite the replacement of President Robert Mugabe late in the year. On the positive side, clients in Southeast and Eastern Europe saw the largest growth of **12%**, followed by Asia with a **10%** average increase.

Total client sales amounted to **$381.4 million** in 2017, the highest in MDIF's history. A major contributing factor to the increase of **13%** compared to 2016 was the strong Polish zloty and our stake in Agora, one of the biggest media companies in Poland. Over the same period, sales leverage – the ratio of total client sales to the amount we have invested – increased to **1:5.32** in 2017.

MDIF sales leverage in 2017

MDIF investment | Client sales leveraged

Each **$1** invested by MDIF leveraged **$5.32** in client sales in 2017

Dashboard
viability

From macroeconomic crises to political pressure, independent media need to be creative and resilient to survive. With the disruption of longstanding business models and the changing dynamics of distribution and monetization, the media sector globally has been under enormous financial pressure in recent years. MDIF financing and technical assistance helps independent media to continue providing timely, accurate and relevant information to citizens despite pressure. As an impact investor, in order to provide clients with the support they need to overcome challenges, weather market volatility and maintain high news quality standards, we monitor their viability using an externally audited risk-rating tool developed in-house.

According to our risk rating, at the end of 2017, **79%** of outstanding loans (the risk-rating tool is only applicable to loan clients) were in low (10%) and moderate (69%) risk companies. Meanwhile, the median risk rating of our loan clients increased to **5.71** from 5.5 last year, with the result returning to the levels recorded in 2015 though still falling firmly within the moderate risk range. Overall, the number of high-risk companies fell by **3** percentage points, decreasing from 27% in 2016 to **24%** in 2017. **76%** of clients were classified as having low or moderate risk, **3** percentage points more than in 2016. Across the loan portfolio, **62%** of clients maintained and **10%** lowered their risk rating from 2016 to 2017, while **28%** saw their risk level rise as a result of growing economic and political pressure in many parts of the world.

It should be noted that in early 2018, our Board of Directors approved a write-off of one high-risk loan within our portfolio; this investment is not included in the current risk calculations and therefore contributes to the reduction in the number of high-risk companies and overall risk levels of our portfolio. Our historical default rate stood at **10.8%**, though this is likely to tick up in the future given the increasing pressure on independent media in many emerging markets. As can be seen in the accompanying charts, the proportion of client businesses in the moderate and high-risk categories has increased in the last five years, as would be expected in an industry sector experiencing profound change.

Key metrics:

- Median risk rating of our loan portfolio was **5.71**, squarely within the moderate risk range.
- In 2017, **76%** of MDIF loan clients were classified as having low or moderate risk.
- Across the loan portfolio, **72%** of our clients maintained or lowered their risk rating from 2016 to 2017.
- **36%** of MDIF-supported media and their journalists reported experiencing attacks, arrests or harassment in the past year.
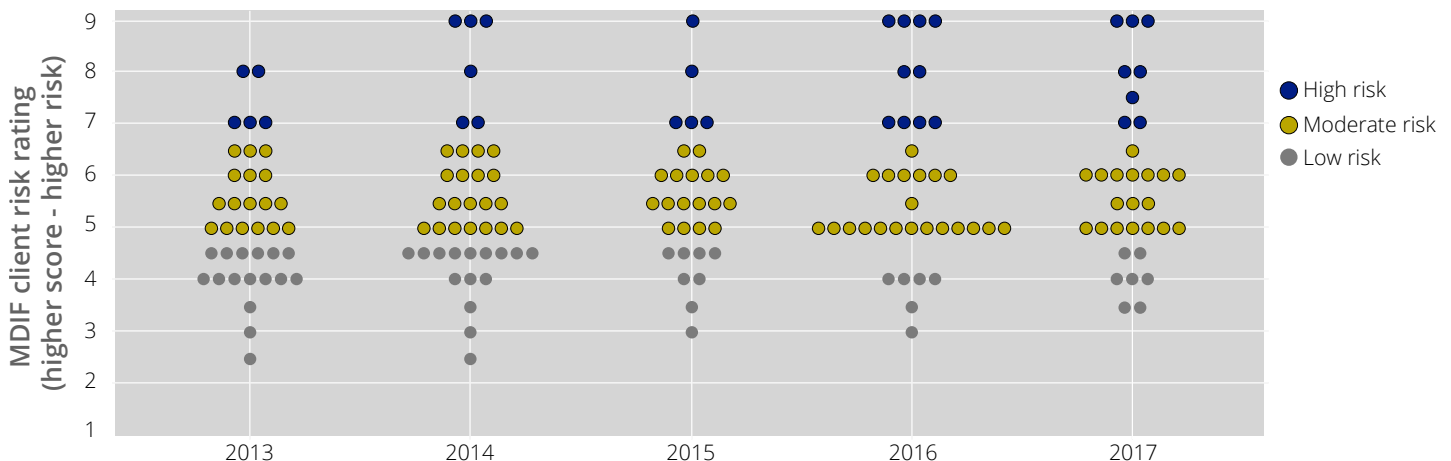
How we measure viability

Clients' financial viability determines the overall sustainability of the MDIF loan portfolio and the strength and weakness of a given investment. Calculated using an MDIF-generated risk-rating scale, it is updated regularly and the entire process is reviewed annually by an independent auditor to ensure the validity of the scores. The indicators are aggregated to form a nine-point scale with one indicating the lowest level of risk and nine the highest. On this scale, investments are assigned to one of three categories: a risk rating of seven or above is considered high risk, between seven and five is moderate risk and below five is low risk. For the purposes of the Impact Dashboard, we look at the financial viability metric at the end of each year, focusing on seven indicators, namely:
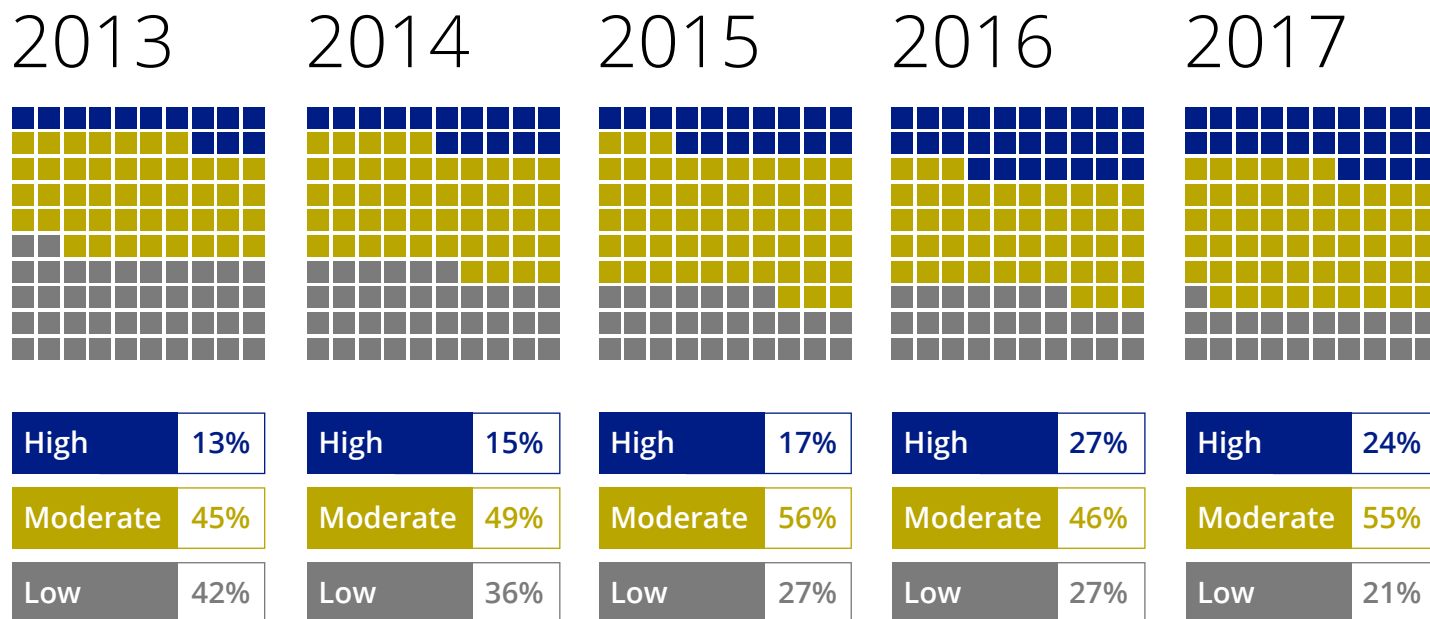
1. Earnings/operating cash flow trends
2. Asset/liability value
3. Financial flexibility/debt capacity
4. Industry segment health
5. Position within industry
6. Management and controls
7. Financial reporting

For more details on the composition of the risk rating score, see the Impact Dashboard Methodology on our website.

Distribution of MDIF risk scores, 2013-2017

Proportion of MDIF risk scores, 2013-2017

2013

High	13%
Moderate	45%
Low	42%

2014

High	15%
Moderate	49%
Low	36%

2015

High	17%
Moderate	56%
Low	27%

2016

High	27%
Moderate	46%
Low	27%

2017

High	24%
Moderate	55%
Low	21%

Client viability in context

The companies we invest in work in countries that pose numerous challenges for a free press. Often our clients have to grapple with political instability and politically-motivated violence. In fact, in 2017, the mean Political Stability and Absence of Violence Index for our investment portfolio was **-0.44** as measured by the World Bank's -2.5 to 2.5 scale, where higher scores indicate greater political stability.

Additionally, to fulfill our mission of supporting independent media in countries with the greatest need, we often operate in markets with policies unfriendly – but not prohibitive – to business. In 2017, the mean score for our loan portfolio was **71.79** according to World Bank Ease of Doing Business Index, which starts at 1 and finishes at 190, with lower scores indicating a better environment for business operation.

The two accompanying charts on the next two pages present our loan portfolio by MDIF risk score and by each of the above-mentioned World Bank indexes and show a concentration of MDIF investment in countries with a fragile political situation and a challenging environment for business. The further an investment is to the right, the higher the risk rating, and the higher on the chart, the less politically stable or business friendly the country the client operates in. The size of the circle corresponds to the size of the loan.

Portfolio by MDIF risk scores and World Bank Political Stability and Absence of Violence Index
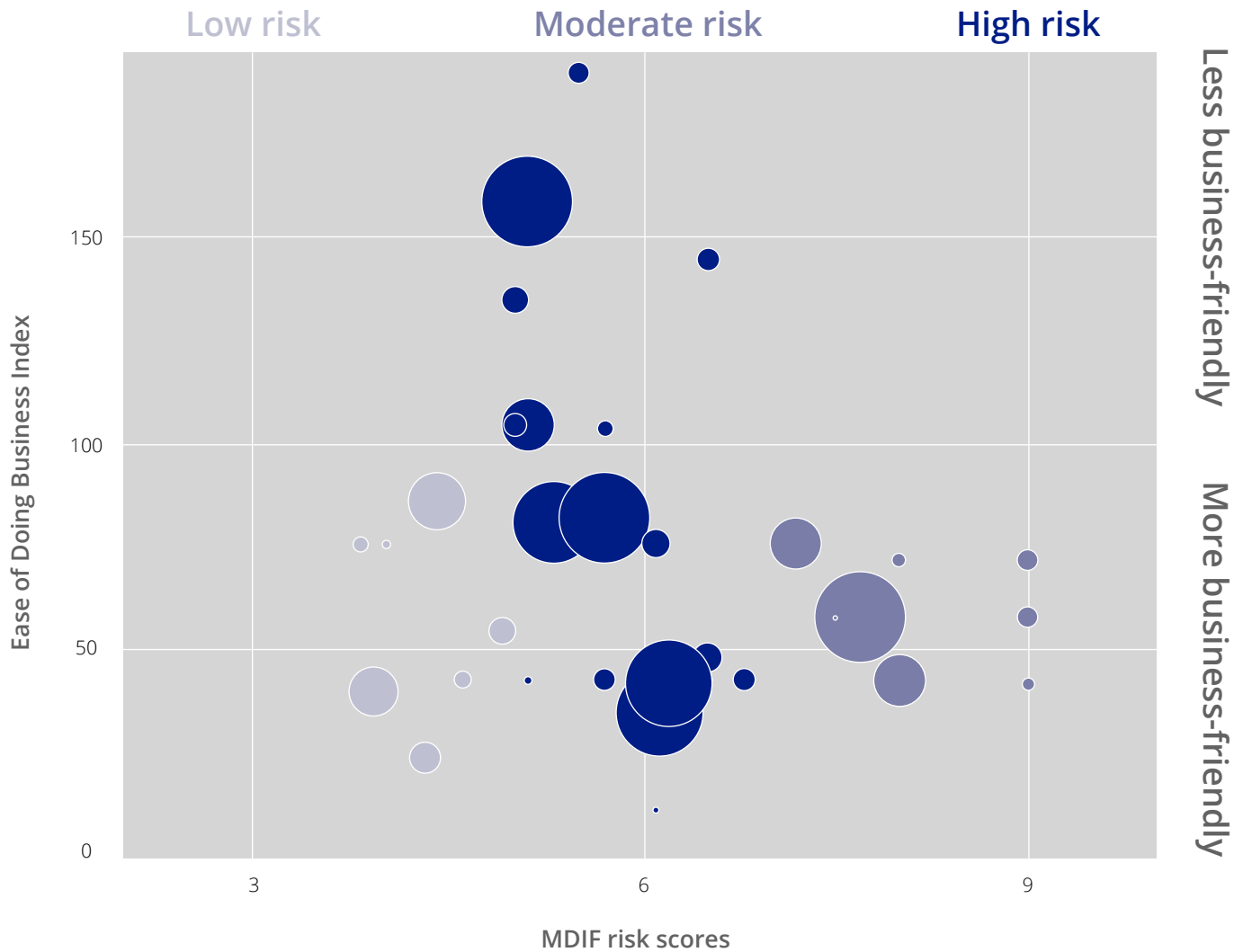
Low risk **Moderate risk** **High risk**

Political Stability and Absence of Violence Index

-2

-1

0

1

2

Less stability

More stability

MDIF risk scores

3   6   60

Amount invested by clients ($)

<100,000
500,000
1,000,000
≥3,000,000

Portfolio by MDIF risk scores and World Bank Ease of Doing Business Index

Low risk

Moderate risk

High risk

Less business-friendly

More business-friendly

Ease of Doing Business Index

MDIF risk scores

Amount invested
by clients ($)

<100,000
500,000
1,000,000
≥3,000,000

Challenges faced by MDIF-supported media

In each of the past three years, economic challenges have posed the greatest risks to independent media, according to the survey responses of the companies we work with. In fact, for three years in a row, topping the list of concerns was the macroeconomic situation in the client's country, which **79%** of respondents regarded as "a major challenge" or "a challenge that threatened the existence of [their] company" in 2017. Next were declines in advertising revenue, which **71%** cited as a major or existential threat, followed by competition from other media at **54%**. The results validate our mission to provide access to capital to independent media in countries with poorly developed banking systems, distorted markets and unfavourable investment climates.

Although economic challenges are the most troubling, political pressure and restrictions on press freedom cannot be overlooked. According to Reporters Without Borders' World Press Freedom Index, over **one-third** of the countries where MDIF has investments registered a deterioration in their media freedom situation in 2017. Additionally, **36%** of MDIF-supported media and their journalists reported experiencing attacks, arrests or harassment in the past year. We also found that in countries where the media environment is partly free or not free, and in countries that slipped in the World Press Freedom Index between 2016 and 2017, media outlets regarded political pressure from governments as more challenging than clients operating in free countries or those that improved or maintained their score.

Challenges MDIF clients faced in 2017
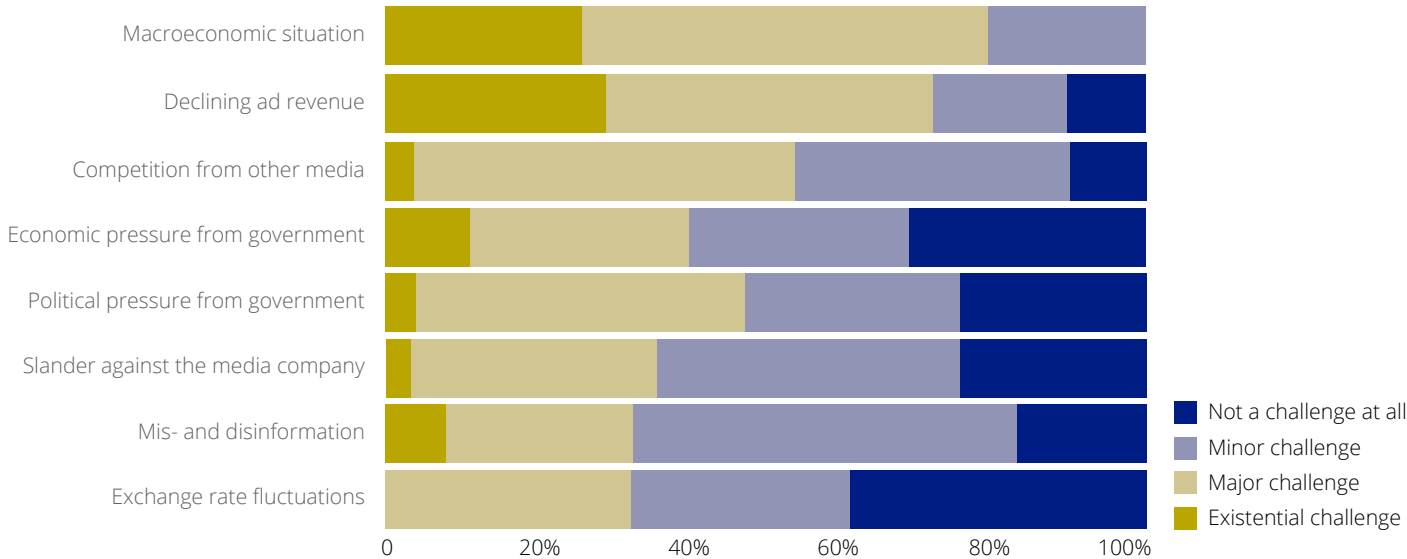
MDIF clients' views on political challenges by the World Press Freedom Index

By press freedom category

Not free
Partly free
Free

0% 20% 40% 60% 80% 100%

By year-over-year score change

Declined
Same or improved

0% 20% 40% 60% 80% 100%

- Not a challenge at all
- Minor challenge
- Major challenge
- Existential challenge
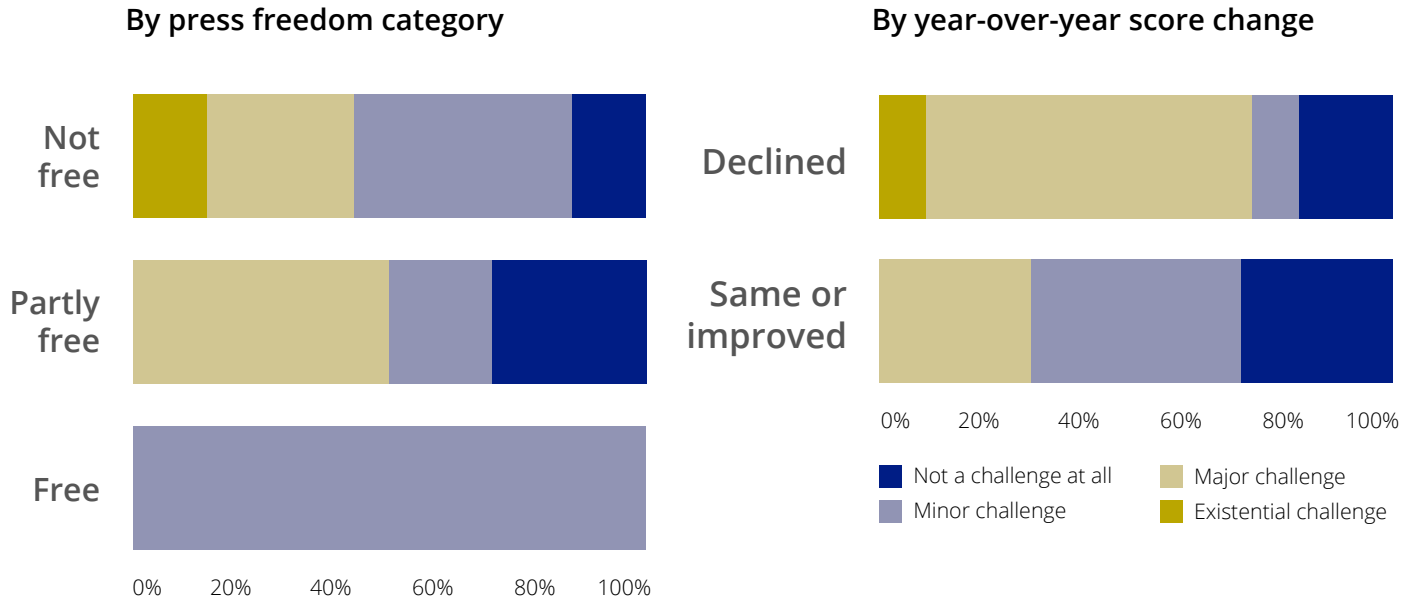
Client challenges in their own words

"In 2017, we struggled with legal disputes in which we were sentenced to maximum fines, even more than those required in the lawsuit. We have seen this as a form of pressure on our independent editorial policy. For the local media, these judgments are extremely draconian, since the amounts are identical to the monthly budgets of the entire enterprise."

- Client in Southeast and Eastern Europe

"Financial hurdles, mainly due to severe drought and economic slowdown, were our biggest challenge in year 2017. Extremism was another factor that contributed to the financial challenge and was another standalone challenge by itself, as threats from the regional militant terror group continued unabated."

- Client in Africa

"Like all print media in general, we have seen our advertising drop significantly. At the same time, there is no alternative business plan, since digital advertising doesn't provide enough volume to replace traditional advertising. The challenge then is financial survival."

- Client in Latin America

"One of the most critical issues was the problem of outflow of skilled employees. Five out of twelve journalists left our newsroom in 2017 for various reasons. Finding replacement was impeded by a nationwide migration to the EU countries, caused by a significant difference in compensation offered by local employers and those abroad."

- Client in Eurasia

# In focus: misinformation and propaganda

In 2017, many authoritarian governments and populist politicians ramped up their disinformation and propaganda efforts to silence criticism, sow distrust and spread division in society, with the phenomenon referred to by the slippery term of 'fake news'. In fact, **82%** of MDIF clients reported that politicians or other people in powerful positions used false information in 2017 as a political tool in their country. A vast majority confirm that mis- and disinformation has impacted the audience size and the public's trust and confidence in the media industry as a whole, while about half said that the phenomenon affected their companies. In response to increasing instances of mis- and disinformation, **one-third** of surveyed clients carried out projects aimed at countering falsehoods and fact-checking misquotes and misappropriations – intentional or otherwise.
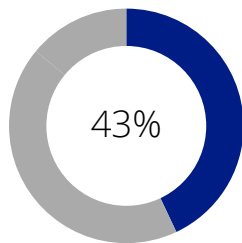
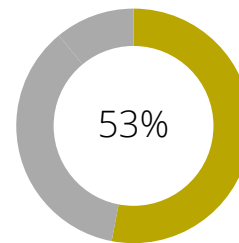## MDIF clients' views on mis- and disinformation
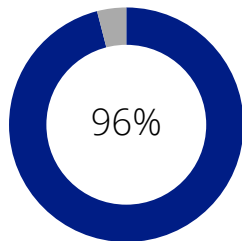
96% agree that mis- and disinformation has **impacted the public's trust and confidence in the media industry as a whole**
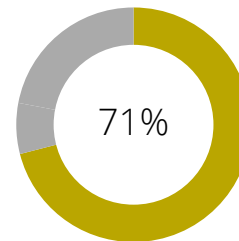
71% agree that mis- and disinformation has **impacted the audience size in the media industry as a whole**

43% agree that mis- and disinformation has **impacted the public's trust and confidence in their company**

53% agree that mis- and disinformation has **impacted the audience size of their company**

Examples of fact-checking initiatives carried out by MDIF clients

GK.city, Ecuador

As a part of its reporting on the 2017 presidential election, independent digital outlet GK.city launched "El Verificador", the first fact-checking project in Ecuador. Using data and visualization, the initiative scrutinizes claims made by public figures, determining if they are true, false, inaccurate or cannot be verified.

Katadata, Indonesia

Economic and business news site Katadata created "Jakarta, Kata & Data", a fact-checking project verifying promises and statistics cited by the candidates running in the 2017 gubernatorial election in Jakarta. Katadata examined claims against quantifiable, hard data and presented their findings in chart form.

Client impact
on society

Free access to information and independent media has been long championed by the international community, becoming an essential component of the United Nations' Sustainable Developments Goals (SDGs), where free and plural media support peace, justice and strong institutions are enshrined in SDG 16. Over more than two decades, at MDIF we have seen multiple examples of how free media support sustainable development, in particular, how they promote peaceful and inclusive societies and foster strong and transparent institutions. From local news websites to national broadcasters, we've seen our clients play a central role in uprooting corruption, holding those in power to account, encouraging democratic participation during elections, and changing perceptions on social issues like the environment, gender, ethnicity and LGBT.

In fact, in 2017, **89%** of our clients asserted that their reporting on at least one of the topics we gather data on – corruption, accountability or social issues – created impact that brought about transformative changes to their societies. An overwhelming majority – **96%** – of this work happened in countries where the media environment is partly free or not free, that is in countries categorized as "problematic", "bad" and "very bad" by the World Press Freedom Index published by Reporters Without Borders. When asked to categorize tangible effects in their communities, **38%** said that the change that followed their journalistic work was institutional, **29%** classified it as civic, **19%** said it was personal and **14%** pointed to other changes when describing their reporting's social outcomes.

Key metrics:

- **89%** of MDIF-supported media businesses declared that their reporting on corruption, accountability or social issues published in 2017 created impact.
- **96%** of this journalistic work took place in countries where the press is partly free or not free.
- Out of all social outcomes said to have followed these stories, **38%** were institutional, **29%** civic and **19%** personal, with **14%** mentioning other changes.
- In 2017, we recorded at least **13** elections in the countries in which our clients are present, with **54%** of these polls happening in countries with low governance standards.

How we track clients' impact on their societies

To assess the extent to which the independent media supported by MDIF impact on their societies, we focus on their reporting on corruption, accountability and elections, as well as social issues like the environment, gender, ethnicity and LGBT. As a part of an annual Impact Dashboard survey, we ask clients whether their organization published any stories on these issues that they think contributed to a real-world change or had a significant impact on their community. We also try to explore the ultimate social outcomes that followed, by asking whether the change the stories led to was institutional (e.g. an official response, hearing, government investigation, reorganization, change in law or policy), civic (e.g. protest, petition, community engagement, increased donation to a cause), personal (e.g. dismissal, resignation, criminal charges, fine, penalty, formal apology, improvement in person's working or living conditions) or of other sorts. Additionally, to show how our clients encourage democratic participation, we monitor their election reporting. When a country or region in which a client is present holds a major election, we distribute a dedicated survey to collect information on the election reporting our clients have done and the broader media and election context. Although we often grapple with long timelines and complicated causality, we also try to go beyond numbers to convey the societal value of work done by the news outlets we support by presenting examples of powerful and impactful reporting done in the previous year. Still, we are very careful not to attribute causality unduly – we view our clients' work as a contributor to, not the sole cause of, changes that occurred in communities.

For more details on how we measure social impact, see the Impact Dashboard Methodology on our website.

Percentage of MDIF clients publishing stories with impact in 2017
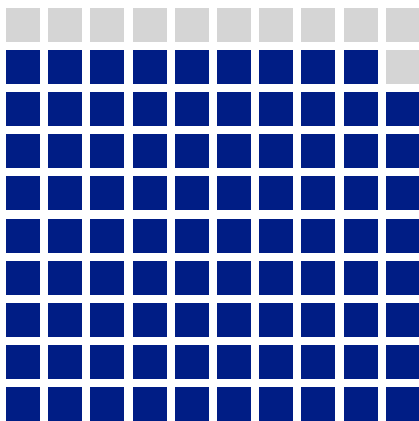
89%
of MDIF clients in 2017 published reporting on corruption, accountability or social issues that created impact

Distribution of the total number of social outcomes reported by type

|	
Institutional	38%
Civic	29%
Personal	19%
Other	14%
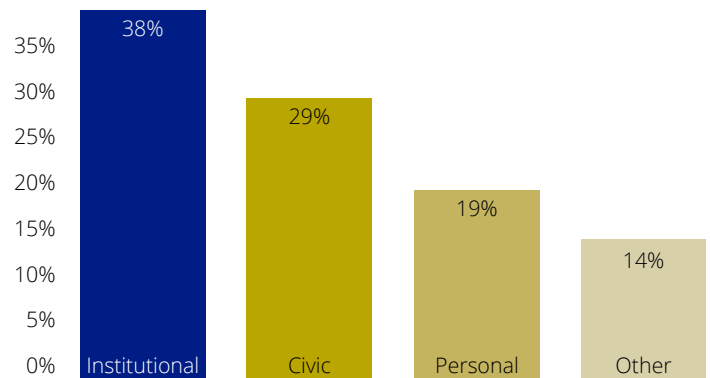
Corruption and accountability

Independent media play an indispensable role in fighting corruption and holding individuals, businesses and governments to account. Studies show that in countries with a free press, independent media are the leading source of exposure of corruption, and that improving the economic viability and competitiveness of the media sector is directly linked to a decline in corruption. Additionally, by ensuring the free flow of information, the media empower citizens to demand quality and accountability from their governments. For example, increased public access to information was shown to act as a tool to reduce capture and corruption of public funds.

We believe that this is also the case for MDIF-supported media. Over the years, we have seen countless instances where journalists have changed the course of their country's history by uncovering a corruption scandal or urging politicians to live up to their responsibilities. In some cases, to report these stories, our clients have endured violence, prosecution and relentless economic pressure simply for reporting in the public interest. MDIF investment and assistance aids media outlets in continuing to play this crucial watchdog role.

In 2017, **86%** of the media companies we support declared that they had published stories that created impact by holding those in power to account. Moreover, **86%** of clients produced impactful reporting that covered corruption scandals, with **96%** of this work taking place in countries where corruption poses a threat to governance, according to Transparency International, that is, in countries that scored lower than 50 in Corruption Perceptions Index[7]. Institutional changes, such as an official response, hearing, government investigation, reorganization and change in law or policy, were the most mentioned category of tangible effects that followed after this crucial journalistic work.
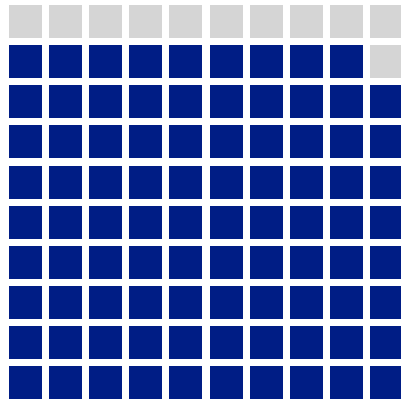
Distribution of clients exposing corruption scandals by Corruption Perceptions Index

0   10   20   30   40   50   60   70   80   90   100

Highly corrupt   **Very clean**
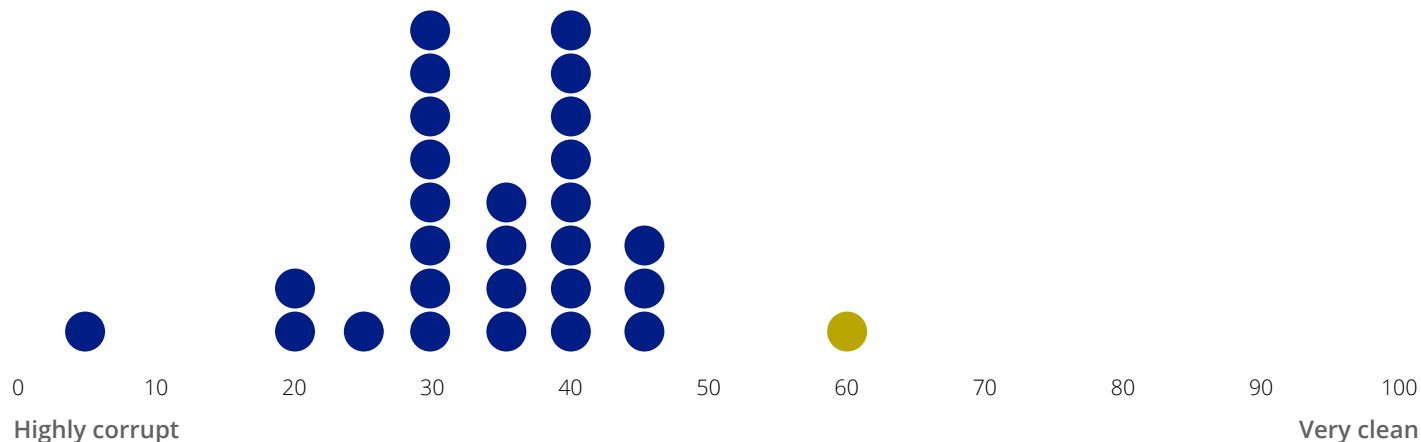
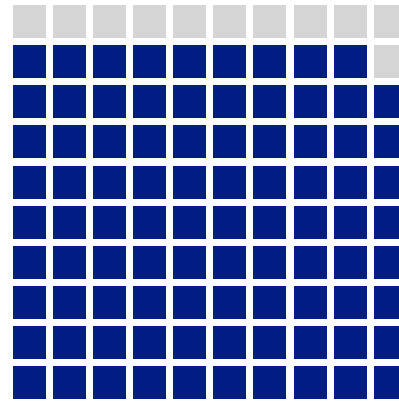7   0-49 "More corrupt", 50-100 "Less corrupt"

Percentage of MDIF clients publishing corruption stories with impact in 2017

86%
of MDIF clients in 2017 published corruption stories that created impact

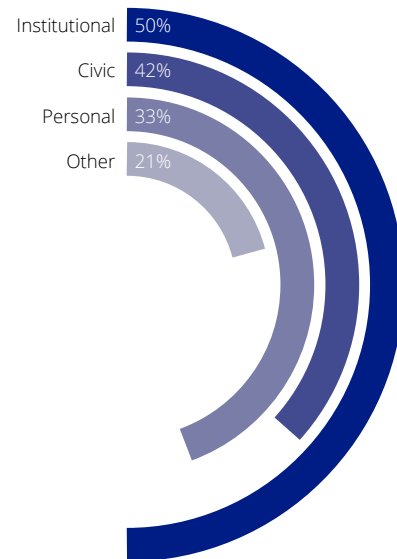## Percentage of MDIF clients publishing accountability stories with impact in 2017

86%
of MDIF clients in 2017 published accountability stories that created impact

Type of social outcomes that followed after declared corruption reporting

Institutional 71%
Civic 29%
Personal 21%
Other 25%
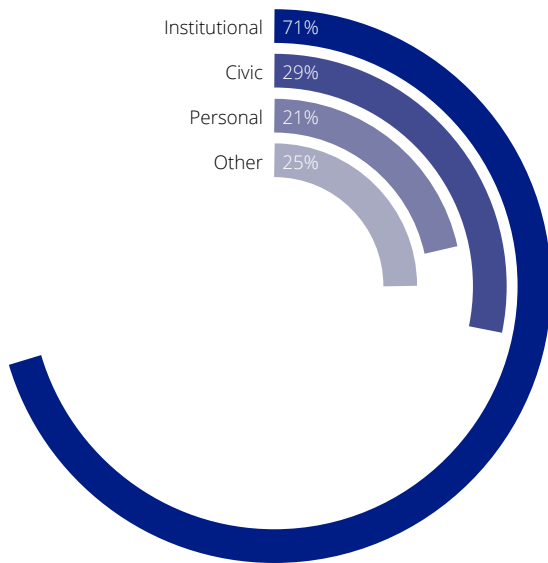
Type of social outcomes that followed after declared accountability reporting

Institutional 50%
Civic 42%
Personal 33%
Other 21%

Examples of client corruption and accountability reporting

Photo: elPeriódico

elPeriódico
GUATEMALA

28 | Corruption Perceptions Index[7]

NOT FREE
The World Press Freedom Index[8]

In **Guatemala**, the housing shortage is severe, with a deficit of 1.7 million dwellings. Moreover, 61% of homes are inadequate, that is, they require reconstruction or lack basic services, like water or sewage. The Government tries to address the problem by channeling construction through the Guatemalan Housing Fund (FOGUAVI), which offers subsidies towards new home construction. The daily elPeriódico investigated the prominent Xoná family, who abused the Fund and collected millions in state subsidies for constructing houses for low income residents without competing in a single tender. elPeriódico revealed that in many cases the buildings were undelivered or of very poor quality. It also discovered that the family scammed hundreds of people, cashing an illegal advance for future homes before the subsidy was even approved. The mother and daughter of Xoná family have been arrested and are under investigation.

Photo: Liga

Liga
UKRAINE

30 | Corruption Perceptions Index[7]

PARTLY FREE
The World Press Freedom Index[8]

In **Ukraine**, as the conflict continues in the eastern part of the country, President Petro Poroshenko introduced a state-led blockade of trade with the Russian-occupied areas, with only humanitarian aid and the personal belongings of travellers being allowed to cross the front line. He said that the ban would be in force until separatists return to Ukraine the dozens of businesses that they seized. But despite the ban, the flow of goods between Ukraine and the separatist-controlled territory continues. Ukrainian online media Liga investigated illegal trade schemes and found that on both sides of the conflict – Ukrainian and Russian – there are business people with political patronage that earn millions from the illegal trade in coal. Although it is impossible to prove direct causation, some of the companies mentioned in Liga's investigation were later placed on the sanctions list formed by Ukraine's National Security and Defence Council.

Photo: El Búho

El Búho
PERU

37 | Corruption Perceptions Index[7]

PARTLY FREE
The World Press Freedom Index[8]

In **Peru**, plagiarism often happens with impunity, especially when it comes to government officials. Independent magazine El Búho secured access to documents pointing to plagiarism by the country's Comptroller General committed when he obtained his Professional Title of Certified Public Accountant at the National University of San Agustín. A document, which he called "Research Work", contained paragraphs that were a direct copy of training he received in 1998, one year after he joined the Comptroller's Office as a financial technical analyst. After El Búho's publication, the University Council formed a special commission in charge of determining whether the work the Comptroller presented was plagiarised, and found a series of irregularities in the process of obtaining the academic degree. After several other accusations of misconduct, he was removed from his position as Comptroller General.

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[8] 0-25 "Free" (referred to as "good" and "fairly good" by RWB), 25.01-35 "Partly free" (referred to as "problematic" by RWB) and 35.01-100 "Not free" (referred to as "bad" and "very bad" by RWB)
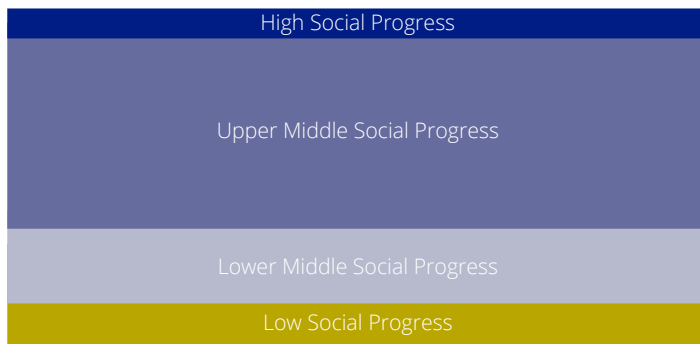
Reliable information on social issues

In our work, we have seen multiple examples of how information provided by MDIF clients helped to shape public opinion on relevant social issues that may affect citizens' lives. Through fact-based reporting and insightful opinions, they raise awareness, increase understanding and facilitate informed public debate for all sections of society. On many occasions, our clients set national and local agendas, increasing public salience of important but often neglected topics. By shining a light on social issues that are often under-reported or reported with prejudice, our clients act as catalysts in initiating social change and helping people find peaceful solutions to social problems.

In 2017, **64%** of the media companies we support reported publishing stories covering social issues, like the environment, gender, ethnicity and LGBT, that made an impact in their communities. **92%** of this reporting was carried out in countries that ranked low or middle in the Social Progress Index, which measures the extent to which countries provide for the social and environmental needs of their citizens. The most commonly mentioned impact area was civic changes, such as protests, petitions, community engagement and increased donations to a cause, declared by **61%** of the clients that carried out impactful social issues reporting.

Percentage of MDIF clients publishing social issues stories with impact in 2017
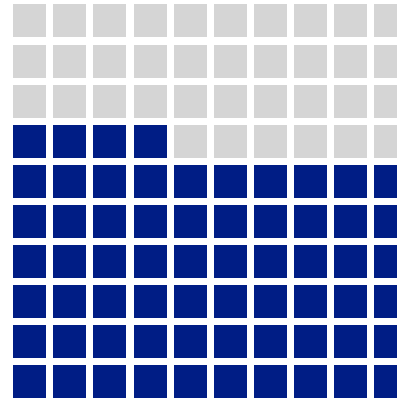
64%
of MDIF clients in 2017 published social issues stories that created impact

Distribution of clients reporting on social issues by The Social Progress Index[9]

High Social Progress

Upper Middle Social Progress

Lower Middle Social Progress

Low Social Progress

Type of social outcomes that followed after declared reporting on social issues

Institutional 44%
Civic 61%
Personal 33%
Other 16%

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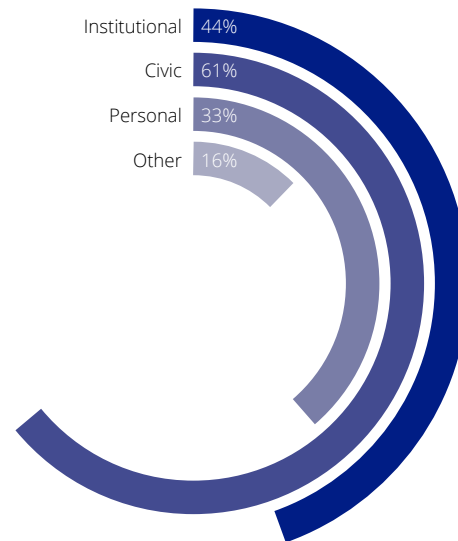
[9]   100-75.5 "High social progress", 75.5-66.5 "Upper middle social progress", 66.5-56.5 "Lower middle social progress", 56.5-0 "Low social progress". Due to unavailability of data, Kosovo and Somalia were not included in the Social Progress Index.

Examples of client reporting on social issues

Photo: Himalmedia

Nepali Times
NEPAL

56.07 | Social Progress Index[9]

PARTLY FREE
The World Press Freedom Index[10]

In **Nepal**, the air quality is the worst in the world, with the country ranked at the bottom among the world's worst performers in terms of air pollution. While mismanaged waste and unplanned urbanisation contribute to Khatmandu's air pollution, vehicle exhaust, particularly bus emissions, is the major polluter. Special coverage of the issue by the weekly English-language magazine Nepali Times explored the link between better public transport and improved public health. It investigated how the efforts to modernise and streamline Kathmandu's urban transportation system and phase out smaller and older public vehicles faced opposition by transportation syndicates, which enjoy political backing and would often resort to violence to protect their monopoly. Although a causal link cannot be unequivocally established, one month after publication, police began enforcing a law enacted two years previously that outlawed public transportation vehicles more than 20 years old.

Photo: Agencja Gazeta

Gazeta Wyborcza
POLAND

81.21 | Social Progress Index[9]

PARTLY FREE
The World Press Freedom Index[10]

In **Poland**, a man was sentenced to 25 years in prison for repeated rapes and cruelty towards his wife and two daughters. The daily newspaper Gazeta Wyborcza gained unprecedented access to the abused wife, who shared her story on condition of anonymity. In addition to describing her ordeal, the article exposed serious mistakes by the prosecutor's office, which dismissed the case twice. With rape victims often disbelieved and their evidence dismissed, the article highlighted how the Polish justice system is ill-equipped to handle sexual abuse and protect women. After publication, the District Attorney reviewed the case for potential involvement of other individuals in the abuse and filed a criminal investigation into alleged misconduct by the prosecutors tasked with trying the case. Moved by the article, many of Wyborcza's readers sent donations to the foundation that supports the victim and her daughters, with the collected money spent on further therapy.

Photo: Mail & Guardian

Mail & Guardian
SOUTH AFRICA

66.00 | Social Progress Index[9]

FREE
The World Press Freedom Index[10]

In **South Africa**, the Zulu tribe has many rituals that have been passed from generation to generation. One of them is the reed dance, or Umkhosi woMhlanga, that takes place every year in Nongoma, KwaZulu-Natal. Performing at the ceremony are thousands of women bare-breasted and wearing their traditional attire. The weekly newspaper Mail & Guardian wrote an article on how YouTube put age-restrictions on videos showing the bare-breasted reed dance. While the video authors said the footage simply reflected the cultural values of their community and accused YouTube of undermining their traditions, the Google-owned company said that the content violated the platform's community standards. But subsequent to publication by the M&G, the company changed their decision, stating that "it is not its policy to restrict nudity in such instances where it is culturally or traditionally appropriate".

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[10] 0-25 "Free" (referred to as "good" and "fairly good" by RWB), 25.01-35 "Partly free" (referred to as "problematic" by RWB) and 35.01-100 "Not free" (referred to as "bad" and "very bad" by RWB)

Democratic participation during elections

Independent media play an indispensable role in democratic development by ensuring free and fair elections. They provide information about parties, candidates, their programs and the election process itself, thereby enabling the electorate to cast an informed ballot. They also act as a mobilizing agent: better-informed citizens are more likely to vote, which in turn encourages politicians to respond to their concerns. Moreover, free media are crucial for the participatory process itself. They serve as a pluralistic civic forum, where the public interacts with politicians and each other, thus fostering exposure to a range of political opinions.

Our experience corroborates what has been found by other authors: independent media have a profound impact on society during elections. Our clients often act as watchdogs and fact-checkers, scrutinizing claims by those running for office as well as exposing wrongdoing, fraud and deceptive statements. Through the rigorous reporting of results and monitoring of vote-counting, the media outlets we support help ensure transparency, public oversight and confidence in the electoral process.

In 2017, we recorded **13** major elections in the countries in which our clients are present, including parliamentary elections in Nepal, a presidential election in Serbia and local elections in India, all closely covered by MDIF-supported media. **54%** of these elections, and thus the election reporting that was carried out, were in countries where citizens face restricted ability to participate in elections, weak civil liberties and political rights, and a low level of freedom of expression, association and media, as measured by the World Bank Voice and Accountability Indicator (a -2.5 to 2.5 scale, with higher scores indicating greater voice and accountability).

Distribution of clients reporting on elections by World Bank Voice and Accountability Index

-2.5   0   2.5

Weak voice and accountability   **Strong voice and accountability**

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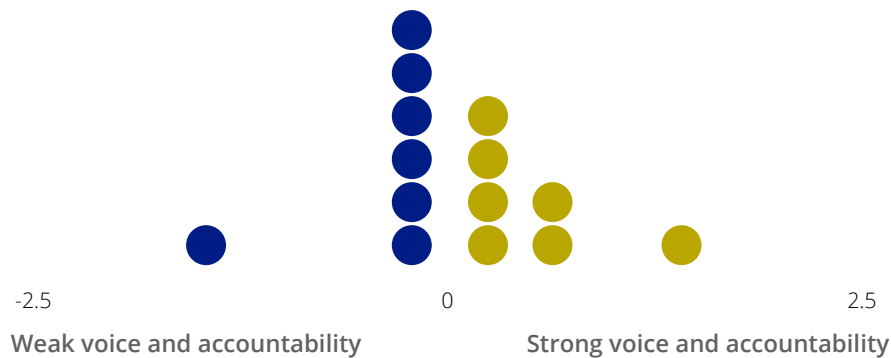
[11] From -2.5 "weak" to 2.5 "strong"

Examples of client election reporting

Himal Khabarpatrika
NEPAL

-0.23
World Bank Voice and Accountability Indicator[11]

PARTLY FREE
The World Press Freedom Index[10]

In **Nepal**, millions voted in a historic general election held for the first time since a civil war ended and the monarchy was abolished. To ensure transparency, Nepali-language magazine Himal Khabarpatrika investigated election spending. It found that in the early 1990s, when Nepal held its first parliamentary elections under the 1990 Constitution, the polls cost just Rs110 million (USD1 million). In November-December 2017, the Election Commission spent that much in just repairing old vehicles. The total cost of the polls was Rs10 billion—90 times higher than in 1990s. One reason why the parliamentary-provincial polls were so expensive was kickbacks by Election Commissioners, who bought luxurious vehicles and unnecessary equipment and materials at inflated prices. They even submitted fake bills, and moved an official who refused to go along with the scams. The Commission for the Investigation of Abuse of Authority has begun investigating allegations of corruption.

Insajder
SERBIA

0.12
World Bank Voice and Accountability Indicator[11]

PARTLY FREE
The World Press Freedom Index[10]

In **Serbia**, Prime Minister Aleksandar Vucic scored a solid victory in the presidential election, but the outcome sparked demonstrations across the country, with protesters calling for free and fair elections and opposing irregularities, including muzzling the media during the campaign, voter intimidation and bribes. Prior to the vote, media outlet Insajder carried out an investigation that revealed inaccuracies in the Central Voters Register. Data obtained by Insajder revealed instances of 120-year-old people registered as voters, a year after the oldest person in Serbia, a 107-year-old, had died. Despite clear evidence of irregularities, in a written statement to Insajder, the government maintained that electoral registers were regularly updated. Still, observers from the Organization for Security and Co-operation in Europe expressed concerns regarding the accuracy of the voter list, in particular regarding the inclusion of deceased persons.

Scroll
INDIA

0.39
World Bank Voice and Accountability Indicator[11]

NOT FREE
The World Press Freedom Index[10]

In **India**, electronic voting machines (EVMs) are a controversial topic, with allegations of fraud often used to shift blame for election loss. Digital news outlet Scroll exposed fake media reports that claimed that EVMs to be used in local elections in Madhya Pradesh appeared to have been tampered with during a demonstration by election officials. Scroll's reporter traveled to the district to investigate the allegations and speak to journalists who were the first to report the story and officials who were present at the demonstration. The investigation suggested that the controversy had apparently originated from misreporting by one newspaper. The findings were backed up by a committee set up by the Election Commission, which found that there was no truth in the allegations. To deal with complaints about elections being vulnerable to rigged voting machines, the Commission also called a hackathon allowing sceptics to test the reliability of the machines.

[12] 0-25 "Free" (referred to as "good" and "fairly good" by RWB), 25.01-35 "Partly free" (referred to as "problematic" by RWB) and 35.01-100 "Not free" (referred to as "bad" and "very bad" by RWB)

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