CREATIVE EUROPE
A NEW FRAMEWORK PROGRAMME FOR THE CULTURAL AND CREATIVE SECTORS (2014-2020)

EUROCINEMA's position.

I. Budget

The total Culture budget (540 million euros + Media 990 million euros + 270 million euros cross-sectoral, including 210 million euros for a Guarantee Fund) seems to amount to 1.801 billion euros for the period from 1 January 2014 to 31 December 2020. The share of the Creative Europe budget seems to amount to 0.18% of the general budget of the European Union.

A first priority is to **increase this budget.** There should be a **significant increase in the Media budget** both to address the challenges of the digital age and ensure stable funding of measures for development, distribution and cinemas (not to mention vocational training, sales agents and Media Mundus, which are also big budget items).

It is essential that the European Parliament – which supports ambitious action for the European cultural and audiovisual sectors – should secure at least a **15% increase** to finance new measures (sales agents - for online sales / slate funding for the development of short films, support for the creation of transmedia content, actions not currently fundable from the current budget due to scarce budgetary resources), i.e., approximately 150 million euros for the audiovisual strand (Media).

Amendment:

"Proposes that the MEDIA strand of the CREATIVE EUROPE programme be increased by 15% to reflect the need to finance new actions to address developments in creation and distribution in the digital era".

II. Provisions on budgetary resources.

The Regulation establishing the CREATIVE EUROPE programme includes no indication as to the overall budget or annual allocations, nor any details as to the breakdown between budget items (distribution, sales agents, cinema network, development, promotion, etc.). As the budgetary authority, the European Parliament should have an opportunity to scrutinize the regulation and financial perspectives. The lack of any mention of resource allocation makes it hard to get a clear idea of the ambition (or shortcomings) of this programme.

To be fair, the impact assessment is packed with figures, but it is a fairly indigestible document and moreover, the figures it does cite seem not to be in line with the amounts indicated more recently. There is a clear **systemic relationship** between the CREATIVE EUROPE programme budget and the fixing of the Multiannual Financial Framework 2014-2020, whose overall financial allocation interacts with the different programme budgets. The analysis is made more difficult by the seeming **amalgamation** between the Culture programme, the Media programme, the Media Mundus programme and the cross-sectoral strand covering the Guarantee Fund. **The current presentation is** clearly **unsatisfactory.** The omission of budget parameters from the Regulation is a real problem.

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One solution would be to set the budget parameters for each standalone programme and for the cross-sectoral strand in the Annex to the Regulation.

Amendment:

"Calls on the Commission for the amounts allocated for each measure (Culture and Media) to be specified in a financial statement annexed to the Regulation establishing the CREATIVE EUROPE programme. For Media, the statement should indicate the different actions carried out under MEDIA per year and per item of expenditure"

III. Operational independence of the two programmes

Both strands (Culture and Media) have been merged into a CREATIVE EUROPE common framework. The reasoning behind such a decision remains somewhat unclear. Rationalizing administrative costs - in itself a legitimate objective - does not necessarily require what are two essentially distinct measures to be merged. Traditionally – and this holds good within Member States - the audiovisual sector has specific characteristics and is independent from the other cultural industries.

We see it as absolutely vital to guarantee **the operational independence** of the Media programme so as to ensure the long-term distinctive identity of the programme and its budgetary independence from the Culture strand.

IV. Scrutiny over whether merger is appropriate.

The merger of the Media and Culture programmes into a single CREATIVE EUROPE framework must be subject to appropriate scrutiny by the European Parliament. A useful purpose would be served by having regular tests and surveys done to assess the impact of the decision to combine these two programmes, both in terms of administrative efficiency and in terms of awareness and visibility by professionals and the public.

Should it be found at the end of 2020 that merging the two programmes has delivered no convincing results in terms of efficiency and visibility, then consideration should be given to restoring the autonomy of each type of action. Provision to this effect should be made in the Regulation.

Amendment:

"Specifies that on completion of this programme (2020) and on the basis of regular tests and surveys done among professionals to assess the impact of combining the Media and Culture programmes, the European Parliament reserves the right to review the consolidation of the Culture and Media programmes into a single CREATIVE EUROPE framework and restore the full autonomy of each".

V. Preservation of the MEDIA logo

The MEDIA programme has established visibility. It is one of the few European initiatives that is identifiable as such and is positively perceived by professionals and the public. The MEDIA programme must preserve its

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specific identifiers (logos, communications, specific information meetings, etc.). The long-term continuation of the MEDIA "brand" should be included in the draft regulation[1].

Amendment:

"Calls for the MEDIA programme to keep its logo and the resources needed for the successful promotion of the programme to professionals and the public (presence at festivals, distribution of information materials bearing the MEDIA logo)".

VI. Support for MEDIA's traditional actions.

The MEDIA programme (20 years old) is already "part of the landscape". The main actions developed by the programme are well known and add in some cases substantial value to Europe's film industry. They include:

- support for film distribution (both selective and automatic support);
- support for the development of cinematographic works, including through slate funding which is highly valued by those producers who have been fortunate enough to benefit from it;
- support for the EUROPA CINEMAS network of film theatres which, in return for that support, have to screen a majority of European works[2];
- Sales agents/exporters whose activities are part and parcel of the audiovisual and film rights value chain (from producer to distributor) have had support in the past which has not been easy to implement and requires overhauling under the current programme.

But it is essential to preserve the budgetary resources allocated to these actions. Clearly, a budget increase of 15% - in addition to new actions or actions not funded to date for lack of resources – could benefit these actions which, while standard, are essential to the sound economic and cultural development of European cinema.

Amendment:

"Emphasizes that the traditional actions supported by the MEDIA Programme (distribution, exhibition, development, sales agent, etc.) relate to fundamental elements of the film production chain and that it is vital to secure the support under MEDIA at current levels".

VII. Programme evaluation and renewal

The Regulation tasks the Commission with evaluating the programme. A detailed annual report is required to be written to evaluate the programme's progress. For that, indicators must be established against which to assess programme performance and effectiveness. The regulation lists these indicators by reference to the programme objectives. Indicators for the general objectives include the sector's share of GDP, and the percentage of people reporting that they access European cultural works. To assess the programme's performance in terms of transnational circulation, the Commission will look in particular at the Media strand, determining the number of admissions for European films in Europe and worldwide (the 10 most important non-European markets) and the percentage of European audiovisual works in cinemas, TV and digital platforms.

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[1] The Commission's public pronouncement already reflects the commingling of the two programmes but does nothing to play up their existence. For example: Frequently asked questions (MEMO/11/819: "With a proposed budget of €1.8 billion for the period 2014-2020, it would support tens of thousands of artists, cultural professionals and cultural organisations in the performing arts, fine arts, publishing, **film**, TV, music, interdisciplinary arts, heritage, and the video games industry". The MEDIA programme is here completely ignored, the only reference being to film! Such a pronouncement - quite underwhelming as an activity related to the development of the arts in Europe - is unfortunate at best.

[2] Additional actions are aimed at young audiences.

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No later than the end of 2017, in addition to the regular monitoring, the Commission is to write an external evaluation report "in order to assess the effectiveness in achieving the objectives and the efficiency of the Programme and its European added value". The renewal, modification or suspension of the Programme will be considered in light of the report's findings.
It is also proposed that the European Parliament should hold a mid-term hearing and produce its own evaluation report.

Amendment:

"Wishes the European Parliament to be able to carry out its own evaluation of the MEDIA programme's implementation. Requests to that end that the European Parliament be enabled to hold a mid-term hearing and produce a mid-term evaluation report to satisfy itself as to the smooth running and sound performance of the MEDIA programme"

VIII. Guarantee Fund

The most innovative instrument included in the programme's "cross-sectoral" strand is a guarantee facility to enable cultural sector SMEs to get access to credit. Considering that cultural and audiovisual sector enterprises are finding it very hard to get credit, both because of the crisis and because of their specific business models, the Commission plans to make a loan guarantee fund available to them, set up under the auspices of the European Investment Fund (EIF). With a budget of 210 million euros, the Fund would cover a total estimated amount of loans of a maximum of one billion euros. By thus covering 26% of total loans, banks would be encouraged to lend. For comparison, the Media Production Guarantee Fund (MPGF) managed by IFCIC covers up to 55% of loans taken by film production companies.

The purpose of the Fund is to:
"strengthen the financial capacity of the cultural and creative sectors.
The priorities for that are:

- provide expertise/capacity building to the financial institutions;
- provide guarantees to banks dealing with cultural and creative SMEs thereby enabling them easier access to bank credits;
- increase the number of financial institutions which are willing to work with cultural and creative SMEs;
- maximise the European geographical diversification of financial institutions willing to work with cultural and creative SMEs."[3]

The Guarantee Fund is an innovative proposal, not only for the EU but also for many Member States where the only access to financing is through public support (which results in a disconnect with the film industry and a corresponding impairment of the ability to exercise intellectual property rights).

It is essential to minimize the division in current models between films which, while having access to public support, are **market-** and intellectual property right**-oriented**, and films that have little or no access to the market.
The total number of SMEs in the audiovisual and culture sectors facing a lack of access to bank loans can be estimated at between 400 000 and 700 000 (in the latter case, this represents half of all SMEs operating in the cultural and creative sectors, or 1.4 million European SMEs[4]).

The impact assessment identifies the categories of SMEs affected by this bank loan "crisis":

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[3] Commission Staff Working Paper - Impact Assessment. SEC (2011) 1399 final, 23.11.2011 (p.140)
[4] Commission Staff Working Paper - Impact Assessment. SEC (2011) 1399 final, 23.11.2011 (p.129)

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- Audiovisual producers and production companies
- Cinema exhibitors
- Providers of video on demand services
- Publishers of video games
- Publishers of books, newspapers, journals and periodicals
- Entities involved in trading activities in books, newspapers, journals or periodicals
- Booksellers
- Publishers of sound recordings
- Distributors of sound recordings
- Entities involved in trading activities in sound recordings
- Entities involved in creation, production, distribution, promotion or trading activities in other cultural and creative sectors such as the performing arts, visual arts, multimedia, heritage, design or the press
- Distributors and sales agents (film, TV, video games, books and music)
- Financial institutions such as banks, guarantee financial institutions and other entities such as investment funds (venture capital) and business angels.

From this perspective, the Guarantee Fund is to be considered as a first endeavour[5] to create an EU tool giving the cultural and audiovisual industries access to the banking market[6] thereby benefiting from a scarce and complicated but essential resource (for film, bank loans specifically allocated to cinematographic works)[7].

Not only would the amount of funding available through the Guarantee Fund create a link between production, creation and the market, but the Guarantee Fund would also be an additional resource in putting film projects together.

The principle underlying **this proposal must be supported** and the Guarantee Fund must be adopted. For the European Commission to have persuaded the European Investment Fund (EIF) to take part in this measure is remarkable. However, the Guarantee Fund's operating arrangements need to be looked at. It is not a risk-free initiative and it can only succeed if it is made to work properly.

At this point, two observations can be made:
- The Guarantee Fund should be run by the EIF[8];
- The Guarantee Fund would be financed in annual instalments, which could hobble its potential. It would be preferable for contributions to the Fund to be made as two 100 million euro instalments[9].

Amendment:

1. Supports the creation of an EU Guarantee Fund as being a measure apt to ease access to credit for SMEs in the audiovisual and cultural sector.

[5] The Media Production Guarantee Fund noted above notwithstanding.
[6] supplementing whatever national mechanisms may exist, like the IFCIC.
[7] Per capita investment in film production is relatively low in Europe, U.S. - 40 USD / Japan - 20 USD / EU - 13 USD (see Commission Staff Working Paper - Impact Assessment. SEC (2011) 1399 final, 23.11.2011 (p.70, note 91)
[8] Which would require a special-purpose structure (staff with specialist knowledge of the audiovisual industry, which is not an insuperable problem). This is arguably particularly important in that prudential rules should be fixed to avoid the risk of fraud. The above-mentioned impact assessment offers a very cogent analysis of the reasons for the lack of bank loans in the film industry and the creation of the specific skills that this requires (see Impact Assessment, p. 129, in particular point 3).
[9] See Appendix 1 describing contributions to the Guarantee Fund in annual instalments.

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2. Believes that VSMEs innovating in applied research and development in the audiovisual and cultural sector should be given particularly favourable access;
3. Calls for the Guarantee Fund to be fully linked to the EIF and therefore considers that the EIF should run the Guarantee Fund;
4. Calls for the Guarantee Fund to be financed by an initial contribution of 100 million euros to give it critical mass and potential (rather than allocations in the form of annual instalments which could choke off the process);
5. Calls on the Commission to report on the outcomes of implementation of the Guarantee Fund two years after the implementation of the Guarantee Fund.

IX. MEDIA MUNDUS – reorientation towards co-productions.

Co-productions are both a means of generating financial resources and of facilitating access to the film market because it is in the co-producing parties' interest to promote films produced in the co-production territories (and their regions). International co-productions should therefore be facilitated. The Commission therefore proposes to allocate funds for co-production between European countries and MEDIA MUNDUS beneficiary countries (worldwide excluding the Mediterranean countries covered by EUROMED, and African, Caribbean and Pacific countries covered by the ACP films programme). European organizations qualifying for such support would be the support funds specifically dedicated to foreign co-productions; there are 7 of these which would therefore have to share 15 million Euros for the period 2014-2020. This is not a new budget allocation but a reallocation of funds to a measure in favour of co-production seen as more significant than previous actions.
Nonetheless, the non-European beneficiary partners of MEDIA MUNDUS include countries such as China, India, Korea[10], all of them countries with substantial production resources. Should they not perhaps be excluded from the beneficiary list and access to this facility be limited to emerging film industries in Asia and Latin America in particular?

Amendment:

"Declares itself in favour of providing support to European organizations specialized in foreign co-productions. Emphasizes that the support is primarily destined for the film industries in the most financially fragile third countries (who qualify for the MEDIA MUNDUS programme) and not major producing countries".

[10] Note that Korea benefits from a free trade agreement with the European Union coupled to a cultural strand that already provides facilities for co-productions.

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ANNEXES

Annex 1 – **Contributions to the Guarantee Fund**

Source: Commission Staff Working Paper – Impact Assessment. SEC(2011) 1399 final, 23.11.2011 (p.153)

Year	Annual contribution to Fund	Cumulated contribution	Cost EIF 6% = Fee =	Net Contribution to fund	Cumulated Contribution to fund	Cumulated Amount of credits covered	Balance of credits after default (guarantees called)	Nbr of transactions
2014	10.000.000	10.000.000	600.000	9.400.000	9.400.000	18.800.000	16.920.000	169
2015	20.000.000	30.000.000	1.200.000	18.800.000	28.200.000	56.400.000	50.760.000	508
2016	30.000.000	60.000.000	1.800.000	28.200.000	56.400.000	112.800.000	101.520.000	1.015
2017	30.000.000	90.000.000	1.800.000	28.200.000	84.600.000	169.200.000	152.280.000	1.523
2018	40.000.000	130.000.000	2.400.000	37.600.000	122.200.000	244.400.000	219.960.000	2.200
2019	30.000.000	160.000.000	1.800.000	28.200.000	150.400.000	300.800.000	270.720.000	2.707
2020	20.000.000	180.000.000	1.200.000	18.800.000	169.200.000	**338.400.000**	304.560.000	3.046
Total	**180.000.000**		**10.800.000**	**169.200.000**				**11.167**

Annexe 2 - **Market context**

Source: Commission Staff Working Paper – Impact Assessment. SEC(2011) 1399 final, 23.11.2011 (p.66)

Activities carried out through the above described programmes need to be seen in a broader context of the Europe's Cultural and Creative Sectors. The CCS employ **3.8%** of the total European workforce, or approximately **8.5 million workers**, and contribute **4.5%,** or approximately **€ 560 billion**, to total European GDP74[11]. The size of the European audiovisual market is estimated at € 107,4 billion and offers 1,2 million highly qualified jobs. Price
Waterhouse Coopers expects the filmed entertainment market to grow 3.4% on average per year in Western Europe and 6.9% in Eastern Europe between 2009 and 201375[12].

The EU cinema industry produced 1,203 feature films in 2010 compared to 754 in the USA, 1288 in India (2009) and 526 in China. In 2009, Europe was the third largest cinema market in the world with 966 million admissions; compared to 2917 million in India, 1341 million in North America and 264 million in China[13].

Feature film production capacity is concentrated in France, Germany, the UK, Italy and Spain (the so-called "Group A" countries) representing 62% of films produced in the EU in 2009[14], primarily because consumption in these markets is large enough to support national film production. EU 15 (without the "Group A" countries) countries accounted for 23% of films produced and EU 12 only for 15%. In EU 12 markets, the audiovisual production sector is more focused on television as this is less costly to produce and can be sustained in a smaller market.

The video games sector is a dynamic component of the audiovisual sector. According to PricewaterhouseCoopers (2009), the global video games market was estimated at some €45 –50 billion in 2009, and is expected to grow four times faster than the media and entertainment market as a whole (70% versus 17%). Europe is one of the biggest markets for video games[15] and hosts a large population of developers' studios, often the creators of major market successes[16].

[11] Building a Digital Economy: The importance of Saving Jobs in the EU's creative industries" – TERA Consultants.
[12] Source: PwC Global Entertainment Outlook 2009.
[13] Source: European Audiovisual Observatory - Focus 2010.
[14] Source: European Audiovisual Observatory - Yearbook Online Premium Service 2010.
[15] In 2009, France, Germany, Italy, Spain and United Kingdom accounted for nearly 30% of the global videogames market.
[16] In 2008, among the world top 100 developers studios, 27 were European, 32 were American, 26 were Japanese, 11 were Canadian, 2 were South Korean, 1 was Australian and 1 was Chinese (source: www.develop100.com).

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