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POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES**

**CULTURE AND EDUCATION**

**THE MEDIA STRAND OF THE CREATIVE  
EUROPE PROGRAMME 2014-2020**

**EXECUTIVE SUMMARY**

**Abstract**

This note is a critical assessment of the Creative Europe Programme-MEDIA Strand and the provisions of the Cross-Sectoral Strand relating to the audiovisual sector. It describes provisions set out in the proposed regulation on the Creative Europe Programme, compares them to measures provided by the previous MEDIA programmes and analyses planned actions with regard to the main challenges for the European audiovisual sector. It proposes policy recommendations to improve the proposed text and ensure effective support.

This document was requested by the European Parliament's Committee on Culture and Education

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## **LIST OF ABBREVIATIONS**

- CCS** Cultural and Creative Sectors
- EAO** European Audivisual Observatory
- EC** European Commission
- EU** European Union
- SMEs** Small and Medium Enterprises
- VOD** Video On Demand



## EXECUTIVE SUMMARY

This briefing note provides the European Parliament's Culture and Education Committee with a critical assessment of the Creative Europe Programme-MEDIA Strand and the provisions of the Cross-Sectoral Strand relating to the audiovisual sector.

The European audiovisual sector, covering the film, television, video games and multimedia sectors, produces approximately €107.4 billion value-added a year, employs 1.2 million people (MEDIA Desk Slovenia) and it is estimated that the filmed entertainment market<sup>1</sup> will grow by 3.4% per year in Western Europe and 6.9% in Eastern Europe (PwC, 2009, p.317) to 2013. The sector is chiefly composed of SMEs and micro-companies, with the presence of several large, mostly US-owned vertically integrated companies (KEA, 2005, p. 227). A strong audiovisual sector can positively contribute to the European project by strengthening identities, enabling expressions of cultural diversity, as well as enhancing economic development, social integration and innovation.

The Creative Europe Programme proposal of the European Commission (EC) has been designed to help the audiovisual sector (and the CCS in general) to overcome four major challenges:

- The fragmentation of the market: in Europe, production and distribution of audiovisual works is closely linked to cultural and linguistic borders. This contributes to high cultural diversity, but limits the transnational circulation of works;
- The difficulties for the cultural and creative sectors (CCS) in accessing finance: audiovisual companies experience difficulties in accessing loans, as they are unable to offer security (unpredictable demand, intangible nature of assets, difficulty of evaluating creativity, originality, talent...) and financial institutions often lack expertise in evaluating audiovisual projects;
- The impact of globalisation and the digital shift: digital technologies and globalisation put pressure on traditional distribution mechanisms and business models, demanding important investments to keep pace with technological developments and stay competitive;
- The shortage of comparable data: accessing private investment and evidence-based policy making is difficult in the audiovisual sector, because of a lack of comprehensive data on the European audiovisual market: its players and audiences as well as circulation of European audiovisual works.

Creative Europe's objectives are to foster the safeguarding and promotion of European cultural and linguistic diversity and to strengthen the competitiveness of the cultural and creative sectors with a view to promoting smart, sustainable and inclusive growth. It is composed of three strands: the Culture Strand, the MEDIA Strand (replacing the current MEDIA and MEDIA Mundus programmes) and a Cross-Sectoral Strand covering the transversal aspects of the first two.

The EC has proposed a 37% budget increase in relation to the previous programmes (Culture, MEDIA, MEDIA Mundus) to reach a total budget of €1.8 billion for 7 years, resulting in €990 million for the MEDIA Strand (28.6% increase).

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<sup>1</sup> Including theatrical distribution, video rentals and retail offline and online.

## The MEDIA Strand

The MEDIA Strand establishes the following priorities to reinforce the capacities of the sector and to promote the transnational circulation of European audiovisual works:

- training and networking of audiovisual professionals, with a particular focus on adaptation to the digital shift;
- capacity building of audiovisual operators to produce more audiovisual works circulating in European and transnational markets;
- facilitation of European and international coproductions;
- development of business to business exchanges through access to markets and business tools for audiovisual operators, and support for the exposure of their projects in European and international markets;
- theatrical distribution, including transnational marketing, branding, distribution and exhibition of audiovisual projects;
- transnational marketing and distribution on online platforms;
- audience building and stimulating interest for audiovisual works, including promotion, events, film, literacy and festivals;
- flexibility of new distribution modes to foster the creation of new business models.

## The Cross-Sectoral Strand

The Cross-Sectoral Strand introduces a financial facility for the cultural and creative sectors and measures for transnational policy cooperation.

The financial facility is a debt instrument with a planned budget of € 200 million, targeted at small and medium-sized enterprises in the CCS. It is conceived to partly cover the risk of default for financial institutions and is expected to raise €1 billion of investment in the CCS (EC 2012, p.13). It also includes capacity building activities to provide financial intermediaries with additional expertise to enable them to evaluate the risks associated with operators in the CCS. It will also provide capacity building programmes for operators in the CCS, helping them to develop the appropriate fundraising and business skills.

Support measures for transnational policy cooperation are targeted at the following activities:

- transnational exchange of experiences on new business models and networking;
- collection and analysis of market data and support to the European Audiovisual Observatory to foster data collection and analysis in the cultural and creative sectors;
- testing activities of new and cross-sectoral business approaches to funding, distributing and monetising creation;
- conferences, seminars and policy dialogue, including in the field of culture and media literacy;
- support to newly created Creative Europe Desks' network (merging the existing MEDIA Desks with the Culture Contact Points).

## Comparison with previous programmes

The key developments from the previous MEDIA 2007 and MEDIA Mundus programmes can be summarised as follows:

**Table: Creative Europe and key developments from previous programmes**

| Key developments from previous programmes            | Creative Europe (Media and Cross-Sectoral strands)  |
|--|---|
| A joint framework programme                          | <ul style="list-style-type: none"> <li>- merges previous Culture and MEDIA Programmes into a common framework</li> <li>- less sectoral approach, programme for the "Cultural and Creative Sectors"</li> <li>- creation of Creative Europe Desks</li> <li>- general objectives in line with previous MEDIA programmes</li> <li>- audiovisual sector explicitly includes video games</li> </ul> |
| Budget Increase for MEDIA                            | € 990 million (28.6% increase)  |
| <b>Cross-Sectoral Strand:</b>                        |   |
| New financial instrument                             | € 200 million Guarantee Fund<br>Capacity building programme   |
| New support measures                                 | <ul style="list-style-type: none"> <li>- support to EAO (contribution fee)</li> <li>- EAO to collect data for CCS</li> <li>- specific support to conferences, seminars and policy dialogue</li> </ul>   |
| <b>MEDIA Strand:</b>                                 |   |
| Priorities inherited from previous programmes        | <ul style="list-style-type: none"> <li>- acquisition and improvement of skills</li> <li>- support for development sector</li> <li>- distribution and focus on VOD platforms</li> <li>- promotion (events and markets)</li> <li>- international distribution and promotion</li> </ul>  |
| New priorities                                       | <ul style="list-style-type: none"> <li>- audience building</li> <li>- promotion of new business models through:               <ul style="list-style-type: none"> <li>- flexible distribution modes</li> <li>- support for innovative actions</li> </ul> </li> </ul>   |
| Previous priorities not included in current proposal | - dissemination of audiovisual heritage   |

Source: KEA European Affairs

## Industry views on the new programme for the audiovisual sector

Most industry stakeholders are generally positive about the new MEDIA Strand, but highlight some points that could be added or changed, such as the inclusion of increased support for experimentation with business models and distribution of new platforms, support for digitisation of screens, for audiovisual heritage, and the inclusion of other formats, such as cross media or short films. Concerns expressed regarding the new financial facility cover uncertainties about eligible financial intermediaries (banks only, or also specialised intermediaries in the audiovisual sector) and applicable fees and interest rates. There are also voices calling for more targeted audience development in relation to children and older people.

## An ambitious programme responding to the industry's needs

The Creative Europe MEDIA Strand can be seen as an adequate response to the sector's needs, as it identifies most of the relevant challenges for the sector, foresees an increase of 28.6% in the budget for media funding and continues the support measures from previous programmes which are acknowledged to work well.

Furthermore, through the introduction of a new financial instrument and capacity building activities, the MEDIA Strand clearly responds to the sector's need for better access to finance. However, SMEs from smaller Member States, with especially difficult access to finance, need some form of safeguard to ensure they have equal access to the guarantee fund. It is also important that the scheme is well publicised across the EU.

The MEDIA Strand is very positive in that it focuses even more closely on digital technologies. However, it does not explicitly mention support to new story-telling formats and projects to facilitate licensing initiatives for online rights. In this respect, it still appears to be quite focused on film and the traditional distribution of films and is not clear enough with regard to its overall scope.

In addition, while the programme prioritises audience development, it neither recognises the need to grow specific audiences, such as children or older people, nor does it mention the need to enhance media literacy. It also does not envisage providing support to audiovisual heritage.

## Policy recommendations

Several recommendations can be made to the European Parliament to improve the text of the regulation to ensure that the audiovisual sector receives the most effective support.

### **Policy objective: Ensure better coordination of support schemes to the cultural and creative sectors**

Given that there are many other European programmes from which the sector could greatly benefit, it should be specified how complementarity could be achieved. This could be done through:

- consultation of management entities and beneficiaries of Creative Europe on related initiatives, in order to encourage audiovisual companies to benefit from other European programmes;
- creation of targeted communication campaigns towards the audiovisual sector for suitable programmes;

**Policy objective: Ensure that Creative Europe makes the best use of new technologies to create, disseminate and make accessible European audiovisual works**

Support in the programme for the audiovisual sector should focus more explicitly on:

- the use of digital technologies for the development of new content formats;
- the use of digital technologies for the distribution and dissemination of all types of audiovisual content on new digital platforms (smart phones, tablets, games consoles, PCs...);
- the provision of support for innovative mechanisms facilitating rights acquisition and rights management for online distribution, such as collective approaches or rights aggregators and databases.

**Policy objective: Ensure better access to finance for audiovisual SMEs across the EU**

To enable the audiovisual sector to gain the most benefit from the proposed new financial facility, several proposals can be made:

- allow access to the facility by specific audiovisual media investment institutions;
- guarantee access across all countries of the European Union, and especially to SMEs in smaller countries, through matchmaking and networking mechanisms between investors and companies from smaller countries;
- ensure that several financial intermediaries benefit per country, including sector specific specialists.

**Policy objective: Increase demand through audience building and better branding**

More targeted priorities and actions to respond to the sector's needs for increased demand should be developed through:

- audience development initiatives focusing on children and young people;
- guaranteeing support, other than through "conferences, seminars and policy dialogue", to media literacy;
- focusing on older audiences in particular, also in relation to media literacy;
- guaranteeing support for subtitling of European films;
- ensuring the branding of European audiovisual products e.g retaining the MEDIA Logo.

**Policy objective: safeguard and promote European audiovisual heritage**

The Creative Europe Programme should provide support for:

- audiovisual archives for the digitisation of audiovisual heritage;
- dissemination and circulation of European audiovisual heritage through all types of digital platforms.