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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND THE COUNCIL

**Concerning the implementation of a programme of support
for the European audiovisual sector
(MEDIA 2007)**

{SEC(2004) 955}

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. JUSTIFICATION FOR COMMUNITY ACTION

The audiovisual sector is a vector for the expression of European citizenship and culture and plays a primary role in building a European cultural identity, in particular regarding young people. Increased circulation of European audiovisual works has proved to be an important means of strengthening intercultural dialogue, mutual understanding and knowledge among European cultures to form a basis for European citizenship. Community support to the audiovisual sector is part of a strategy to give Europeans a choice. Unless Europeans are able to watch fiction, drama, documentaries and other works that reflect the reality of their own lives and histories, and those of their neighbours, they will cease to recognise and understand them fully. Circulation of European audiovisual works can only be achieved by reinforcing the sector and enabling the creative potential of European cultures to be fully realised. The European audiovisual sector has not only great political and cultural value but also considerable social and economic potential. In the Lisbon European Council's conclusions, it was stated that the "content industries create added value by exploiting and networking European cultural diversity". Community action to support the competitiveness of the audiovisual industry will contribute to achieving the objectives set by the Lisbon strategy.

Moreover, in the draft Treaty establishing a Constitution for Europe one of the objectives under Article 3 is that "the Union shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced". It is the task of Community action to give European cultures a say in the harmonious construction of a common European identity and the political concept of European citizenship. Article 151.2 of the EC Treaty states that action by the Community shall be aimed at supporting and supplementing the action of the Member States in the area of artistic and literary creation, including in the audiovisual sector. Alongside the single market for television broadcasting established by the "Television without Frontiers" Directive, the EU has taken measures to promote the European audiovisual industry¹ which is a unique vehicle for the exchange of ideas.

Finally, support for the audiovisual sector will contribute to achieving the objectives of other European policies, as audiovisual works are an essential vehicle for transmission of knowledge in the field of education, science, environment, research and governance. Finally, audiovisual production could constitute a basis for cultural cooperation and dialogue with third countries, in particular in the Mediterranean area.

2. THE EUROPEAN AUDIOVISUAL SECTOR AND THE ROLE OF COMMUNITY ACTION

The European audiovisual sector is fragmented in terms of both its production structure and the cultural framework in which it operates. Whilst it is clear that this fragmentation has resulted in a culturally diverse and highly independent production industry, providing a voice for the different cultural traditions that make up our European heritage, it has, however,

¹ Council Directive of 3 October 1989 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the pursuit of television broadcasting activities (89/552/EEC) as amended by Directive 97/36/EC of the European Parliament and of the Council of 30 June 1997

prevented European industry from achieving a larger market share with respect to non-European imports both within the Union and worldwide. The European audiovisual industry struggles to match the high competitiveness of its American counterpart.

New Community action for the audiovisual industry should contribute to translating European cultural values into a competitive worldwide industry, by overcoming the obstacles that prevent operators from benefiting from the advantages of the Internal Market for non-national audiovisual productions. The typically small size of audiovisual enterprises, whose existence is linked to individual audiovisual products, and the labour intensity of the audiovisual production process mean that the sector is not able to profit fully from the positive effects of economies of scale seen in other industries. With its specific and unique value chain and production and distribution cycles, the audiovisual sector carries very high financial risks. The current economic context heightens its dependency on public policy. Private investors in the actual economic context are even less inclined to bear the risks associated with the production process of the SMEs active in the audiovisual sector. In addition, the high risks associated with production and distribution stem from the fact that the success, and therefore the economic viability, of individual projects is based on a number of random and unpredictable factors, notably public taste, cultural aspects, the experience of those associated with the projects, and the “story” in question.

The role of public policy for the sector is to increase positive externalities to maximise the development potential of the industry. In this respect the exploitation of the potential of the Internal Market is a positive externality for the sector and can only be strengthened at European level. Due to the structure of the sector, full exploitation does not mean that public policy should try solely to create large market players, but rather to create an environment adapted in particular to SMEs that will facilitate circulation of non-national audiovisual works throughout the European Union. A more competitive audiovisual industry will have positive effects on growth and employment for the whole Union and will consolidate the European cultural values at the basis of European citizenship.

Community support will contribute to creating a favourable socio-economic environment for the European audiovisual sector. It aims at stimulating private financing for the sector to enable companies active in the audiovisual sector to improve their competitiveness and financial solidity. The new programme will focus on supporting the creative process at all levels of the production chain with the objective of enabling the sector to fully exploit the economic and cultural potential of the European Internal Market. Community action will therefore be integrated into a single programme intervening in the pre-production and in the post production phases in line with the principle of subsidiarity. National funding for the audiovisual sector is, in fact, centred almost entirely on support for production and little if any effort is made to develop a European dimension in production and circulation of European audiovisual works. It is clear that the task of promoting Europe-wide distribution of audiovisual works is best carried out and co-ordinated at Union level. The European dimension in cultural production can similarly be enhanced effectively only at a European level.

3. THE MEDIA PROGRAMMES

Community support measures in favour of the European audiovisual industry take the form of the MEDIA Plus and the MEDIA-Training Programmes. The current programmes run from 1 January 2001 until the 31 December 2006 and result from proposals made by the European

Commission in December 1999 on the basis of Articles 157 and 150(4) respectively of the Treaty. Community action in the sector has been monitored and evaluated throughout its implementation to ensure that it remains appropriate and effective. The evaluation process consists of ex-ante, mid-term and ex-post evaluations. In the evaluation and monitoring function the Commission has benefited from the data provided by the European Audiovisual Observatory, which has provided an important tool for analysis and follow up of the sector.

The mid-term evaluation of the current MEDIA Programmes, together with the Preparatory action “i2i Audiovisual: Growth and Audiovisual” has recently been carried out for the Commission services by an external independent consultant. The MEDIA Plus Programme has supported the audiovisual industry by means of grants to SMEs² active in the audiovisual sector and has encouraged the creation of a Single European Market by promoting the circulation of audiovisual works in Europe and worldwide. The valorisation of the cultural richness of audiovisual production in Europe has been the means of promoting the industry within Europe and on the International market. Full exploitation of the cultural and economic potential of the European audiovisual sector depends also on the integration of Europe’s audiovisual heritage in the Member States’ education and cultural policies.

The evaluation confirmed that Community intervention operates in line with the sector’s needs (newcomers, funding crisis, consolidation of the industrial base, international expansion), which are increasingly at the heart of the problems experienced by European professionals. In economic terms, effectiveness is measured by the fact that MEDIA Plus accompanies risk-taking by European SMEs, which are otherwise increasingly hesitant to develop European actions and strategies and to try to get a foothold on European markets. The preparatory action I2I for SMEs has been effective in contributing to the construction of financial plans for these companies. The action has represented a first attempt to intervene in response to the increasing financing needs of the sector. It has shown the necessity of pursuing support policies aiming at attracting private investments for the European audiovisual sector. These support measures are effective in strengthening the SMEs operating in the sector.

Community action has had an added value for the sector in all participating countries. It has been successful in supporting European audiovisual production and in consolidating European culture. The programme has had a positive impact within the different countries of the Union. In countries with a high production capacity, the programme has been particularly effective. In countries with low production capacities, the programme has been an essential player in the development of the industry. The programme has ensured a more balanced distribution of support by the adoption of positive discrimination measures directed at those countries with low production capacity.

The results of the MEDIA Training Programme have shown the need for intervention at Community level to increase the acquisition and improvement of competencies and skills by professionals within the European audiovisual sector. The programme set up has been effective in responding to these needs and has added a European dimension to professional audiovisual training. In Development, the impact on SMEs active in the sector has been

² Micro, small and medium size enterprises – see Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises OJ L124 (2003) pages 0036 - 0041

positive, also in terms of enabling them to formulate better business plans for their productions. It has guaranteed reinvestments in new productions.

The Distribution component of the MEDIA Programme, the largest in terms of budget allocation, has had a positive effect on the circulation of European works on the European and International markets and supported 90% of the films distributed outside their countries of origin. It has also increased co-operation among European operators with the creation of distributors' networks at European level. Support to cinema exhibition has also proved to be an effective instrument to increase the circulation of European audiovisual works. Positive results were also registered in the promotion of European industry in Europe and world-wide. The MEDIA Plus and Training programmes have become essential instruments for the European audiovisual industry and have recognized European added value for the sector.

4. PUBLIC CONSULTATION

In view of the preparation of MEDIA 2007 the Commission services widely consulted all interested parties on the sector's needs. The public consultation, which took place between 12 May and 12 August 2003, confirmed the positive impact of Community policy for support of the European audiovisual sector. Furthermore, the results of the public consultation exercise clearly show the need for continued Community action, in view of the structural deficiencies and market failure in the sector. The accession of ten new Member States will bring about significant changes within the EU audiovisual market, the problems of financing for SMEs have become more acute and the advent of digital technology has created further barriers that need to be overcome to enable the operators active in the sector to profit from the potential offered by the Internal Market. MEDIA 2007 should continue to target its actions on the pre- and post-production phases, but these actions will change in the light of technological and market evolution to reflect the changes brought about by digitisation. In addition, MEDIA 2007 should include measures to address the problems facing the professionals from the new Member States, as well as innovative and focused actions in respect of digitisation and measures for facilitating access to financing for SMEs.

5. GLOBAL OBJECTIVES

Community action will be integrated into a single programme intervening in the pre-production and in the post production phases. This intervention is in line with the principle of subsidiarity. Furthermore, the enhancement of the circulation of European audiovisual works entails a specific European added value that transcends the borders of National policies.

MEDIA 2007 will have as global objectives, of equal importance, to:

- Preserve and enhance European cultural diversity and its cinematographic and audiovisual heritage, guarantee its accessibility for European citizens and promote intercultural dialogue;
- Increase the circulation of European audiovisual works inside and outside the European Union;
- Strengthen the competitiveness of the European audiovisual sector in the framework of an open and competitive market.

The programme will take into account four horizontal priorities:

Firstly, the importance of the creative process within the European audiovisual sector and the cultural value of Europe's cinematographic and audiovisual heritage need to be integrated within the actions proposed.

Secondly, strengthening of the production structures of the SMEs, which constitute the core of the European audiovisual sector, as a means of enhancing its competitiveness. This will mean contributing to the spread of a business culture for the sector and facilitating private investments in the sector.

Thirdly, the programme will reduce, within the European audiovisual market, the imbalances between countries with a high production capacity and countries with low production capacity or a restricted linguistic area. This priority responds to the need to preserve and enhance cultural diversity and inter-cultural dialogue in Europe. This priority will contribute to the transparent and competitive functioning of the Single Market with its potential of economic growth for the whole Union.

Finally, the programme will follow and support market developments with regard to digitisation. The programme will put in place measures to accompany the changes that digitisation is producing in the audiovisual sector at all stages of the production and distribution chain as well as in terms of new competencies for the professionals of the sector.

6. SPECIFIC OBJECTIVES AND INTERVENTIONS

6.1. Pre-production

- Acquisition and improvement of skills in the audiovisual sector

The programme will support projects aiming at improving the creative and management skills of European audiovisual professionals as well as adapting their technical skills to digital technologies. It will aim to encourage a European dimension in promoting networking of professionals and training projects, including film schools, as well as individual training projects, including scholarships. Finally, it will promote a European strategy regarding co-operation of professionals, both for co-productions and the elaboration of business plans.

The actions put in place will be grants to training projects with a European added value. In addition, special scholarships for professionals from the new Member States will be established, with a view to enabling those professionals to meet the challenges of the enlarged European audiovisual market. This action will contribute to narrowing the gap between the countries with high production capacities and the countries with low production capacities and/or restricted linguistic areas.

- Development:

The programme will support the development phase of production from independent SMEs in the documentary, animation and drama genres as well as multimedia. It will encourage companies to elaborate international promotion and marketing strategies for their projects from the pre-production phase. The programme will also assist companies in elaborating sound financial plans for their production and will facilitate access to credit for independent SMEs from the European audiovisual sector.

The programme will provide grants to independent production companies for the development of single projects. It will support the development of a catalogue of works both for companies with a limited investment capacity and for companies with higher investment capacity. Support will be provided for the development of sound financial plans related to the works and the catalogue of works.

Given the specificity of the audiovisual sector, particular attention will be given to the encouragement of synergies between the need for improvement of skills and competencies and the development component of the programme. The co-ordination and greater integration of these two components will have a positive effect on the value chain for European audiovisual production.

6.2. Post-production

– Distribution

Community action will concentrate its efforts on transnational distribution support, in line with the principle of subsidiarity and as a complementary approach to Member State support mechanisms. Support for the distribution phase (cinema, TV, video, DVD and on-line) remains a priority for the consolidation of the Single Market in Europe and for improving the competitiveness of the industry. Only the implementation of a European distribution strategy will enable European audiovisual works to face world competition.

The new programme will strengthen the European distribution sector by encouraging investment in production, acquisition, marketing and promotion of non-national European works and by encouraging co-ordinated marketing strategies between the different actors of the sector (distributors, sales agents, producers, exhibitors...) within the limits of EU competition law. It will improve the circulation of European non-national films on the European and International markets by encouraging their export, distribution and cinema exhibition. Furthermore it will promote the transnational circulation of the European audiovisual works of independent production companies by encouraging co-operation among broadcasters, producers and independent distributors.

The programme will continue to build on the results achieved through the actions set up under the MEDIA Plus Programme, namely the automatic scheme and the selective scheme for distributors as well as groupings of distributors. In addition it will support distribution companies for catalogues of works with lower commercial potential and high cultural value.

In line with the priority of digitisation, actions will be implemented to support the digitisation of European audiovisual works. In particular an automatic scheme for the creation of digital prints of European non-national films will be put in place. Support will also be granted for dubbing, subtitling and multilingual copies as a means of enhancing cultural diversity. Finally, support to digital exhibition will be provided in terms of facilitating access to financing for investments in digital equipment.

– Promotion

The programme will encourage the circulation of European cinematographic works and television programmes within the framework of professional markets within Europe and world-wide. It will also encourage co-operation and co-ordination of European operators through the support of common actions undertaken on the European and international markets

by private or public national organisations for promotion as a way of enhancing a European promotion strategy. Finally the programme will ensure that the festivals' role in the formulation of cultural policy and audience education realises its full potential.

The actions envisaged include ensuring access for professionals to European and International audiovisual markets, guaranteeing the broadest access possible of the European and international public to European cultural diversity and to intercultural dialogue, encouraging common actions between national film and audiovisual programme promotion organisations and encouraging promotion of Europe's cinematographic and audiovisual heritage.

6.2.1 Pilot Projects/Digital technology

Innovation is vital to ensure the widest choice for the audience at the end of the audiovisual value chain. In this respect, the pilot projects have proved to be a successful test bed. Whilst certain of the areas previously covered have now been introduced into the programme, this "test laboratory" remains vital. The results of the pilot projects will be publicised widely in order to encourage the dissemination of best practices by means of conferences, and the organisation of events on-line or off-line.

7. SIMPLIFICATION

The new programme will structurally simplify Community intervention for the audiovisual sector. The establishment of a single integrated programme (MEDIA 2007) replacing the two existing programmes (MEDIA Plus and MEDIA Training) and the integration of 4 budget headings into a single one (the budget heading for MEDIA 2007 will integrate the two current programmes, the decision on the European Audiovisual Observatory as well as the follow up of audiovisual policy) will contribute in a decisive manner to a better allocation of resources for the beneficiaries and the Commission services.

The Commission will consider all possible means to ease constraints for the beneficiaries, in accordance with the current financial regulations. The Commission will in particular concentrate on:

- simplification of the application forms and procedures;
- transparency in awarding procedures and in exchange of information with applicants;
- the application of the proportionality principle, as far as possible, with regard to the verification of the financial capacity of the applicants and reporting requirements for the beneficiaries, when small grants or clearly identifiable budgetary items are concerned.

To improve the efficiency and effectiveness of the programme, the Commission will delegate the management of the programme to an executive agency, as established by the Council regulation on the executive agencies for the management of Community programmes³ and of the guidelines on the functioning of the executive agencies financed by the general budget of the European Communities⁴.

In the light of the above the Commission proposes that the European Parliament and Council adopt the appended Decision concerning the MEDIA 2007 Programme.

³ Council Regulation 58/2003 of 19 December 2002, OJ L11 of 16.01.2003.

⁴ C (2003) 4645 of 12/12/2003

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND THE COUNCIL

**Concerning the implementation of a programme of support
for the European audiovisual sector
(MEDIA 2007)**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 157(3) and 150(4) thereof,

Having regard to the proposal from the Commission⁵,

Having regard to the opinion of the European Economic and Social Committee⁶,

Having regard to the opinion of the Committee of the Regions⁷,

Acting in accordance with the procedure referred to in Article 251 of the Treaty⁸,

Whereas:

- (1) The European audiovisual sector has a key role to play in the emergence of European citizenship because it is one of the principal vectors for conveying cultural values to Europeans and especially young people. Community support is designed to enable the European audiovisual sector to play its part in consolidating European citizenship. It is intended to enhance competitiveness and, in particular, to increase the market share in Europe of non-national European works.
- (2) It is also necessary to promote active citizenship and to do more to combat all forms of exclusion, including racism and xenophobia.
- (3) Community support to the audiovisual sector takes account of Article 151 of the Treaty, which stipulates that:
 - the Community shall contribute to the flowering of the cultures of the Member States, while respecting their national and regional diversity and at the same time bringing the common cultural heritage to the fore;

⁵ OJ C of, p..

⁶ OJ C of, p..

⁷ OJ C of, p..

⁸ OJ C of, p..

- the Community shall take cultural aspects into account in its action under other provisions of this Treaty, in particular in order to respect and to promote the diversity of its cultures.
- (4) Community support to the audiovisual sector is also in keeping with the new strategic aim defined for the Union by the Lisbon European Council⁹, namely to boost employment, economic reform and social cohesion in a knowledge-based economy. In its conclusions, the Council stated that “the content industries create added value by exploiting and networking European cultural diversity”. This approach was confirmed in the conclusions of the Brussels European Council¹⁰.
- (5) Finally, Community support to the audiovisual sector is based on the considerable experience acquired in the MEDIA I, MEDIA II, MEDIA Plus and MEDIA–Training programmes¹¹, which have helped the European audiovisual industry to develop since 1991. This has emerged clearly in the evaluation of the above programmes¹².
- (6) This showed that Community action should concentrate mainly:
- upstream of audiovisual production, on the development of European audiovisual works and on the acquisition and improvement of audiovisual skills, the latter needing to be seen as an integral part of the audiovisual pre-production process;
 - downstream of production, on distribution, cinema exhibition and promotion of European audiovisual works.
- (7) The preparatory action “Growth and Audiovisual: i2i Audiovisual”, complementary to the MEDIA Plus and MEDIA Training programmes, marked a further stage in implementing the policy of Community support for the audiovisual sector. It was intended specifically to provide a remedy for the problems of access to funding of small and medium sized enterprises in this sector. The evaluation of “Growth and Audiovisual: i2i Audiovisual” confirmed that it met the sector’s needs and confirmed the need to pursue Community action along these lines.
- (8) For the purposes of implementing Community support, the specific nature of the audiovisual sector must be taken into account and it must be ensured that administrative and financial procedures are simplified as far as possible and adapted to the aims pursued and the sector’s practices and requirements.

⁹ 2000

¹⁰ 2003

¹¹ Programmes which were established by Council Decision 90/685/EEC (MEDIA I), Councils Decisions 95/563/EC and 95/564/EC (MEDIA II), Council Decision 2000/821/EC (MEDIA Plus) and Decision 163/2001/EC of the European Parliament and the Council (MEDIA-Training) respectively.

¹² Commission report to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: Report on implementation and results of the MEDIA II programme (1996 to 2000) COM (2003) 802 18/12/2003, Report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions: Report on the implementation and mid-term results of the MEDIA Plus and the MEDIA-Training programmes (2001-2005) and the results of the preparatory action “Growth and the audiovisual industry: i2i audiovisual” COM (2003) 725 24/11/2003.

- (9) Article 3 of the Treaty establishing the European Community stipulates that for all activities it envisages the Community shall aim to eliminate inequalities and to promote equality, for men and women.
- (10) Increased transparency and dissemination of information about the European audiovisual market can make operators in the sector, and especially small and medium-sized enterprises, more competitive. They also make it easier for Community action to be evaluated and followed up. Participation by the European Union in the European Audiovisual Observatory should help it to achieve these aims.
- (11) It should be emphasised that any strategy for cooperation between players in the audiovisual sector must comply with the European Union's competition law.
- (12) European Union accession countries and those EFTA countries which are parties to the EEA Agreement are recognised as potential participants in Community programmes in accordance with the agreements concluded with these countries.
- (13) The European Council in Thessalonica of 19 and 20 June 2003 adopted "The agenda for the Western Balkans: Moving towards European integration", providing that Community programmes should be open to countries in the process of stabilisation and association on the basis of framework agreements to be signed between the Community and these countries.
- (14) The other European countries which are parties to the Council of Europe Convention on Transfrontier Television are an integral part of the European audiovisual area and should therefore be enabled to participate in this programme on the basis of supplementary appropriations in accordance with conditions to be laid down in the agreements between the parties concerned; those countries should be able, if they wish and taking into account budgetary considerations or priorities of their audiovisual industries, to participate in the programme or benefit under a more limited cooperation formula on the basis of supplementary appropriations and specific arrangements to be agreed between the parties concerned.
- (15) Cooperation with non-European third countries developed on the basis of mutual and balanced interests may create added value for the European audiovisual industry in terms of promotion, market access, distribution, dissemination and exhibition of European works in those countries; such cooperation should be developed on the basis of supplementary appropriations and specific arrangements to be agreed upon with the parties concerned.
- (16) Suitable measures should be implemented to prevent irregularities and fraud and to recover funds which have been lost or transferred or used improperly.
- (17) This Decision establishes a budget for the entire duration of the programme which constitutes a benchmark within the meaning of points 33 and 34 of the Interinstitutional agreement between the European Parliament, the Council and the Commission of 6 May 1999 on budgetary discipline and improvement of budgetary procedure¹³.

¹³ OJ C 172 of 18.6.1999, p.1

- (18) The measures required to implement this Decision should be adopted in accordance with Council Decision 1999/468/EEC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission¹⁴,
- (19) Provision needs to be made for measures governing the transition from the programmes established by Council Decision 2000/821/EC of 20 December 2000 and Decision 163/2001/EC of 19 January 2001 of the European Parliament and the Council, and the programme established by this Decision.

HAVE DECIDED AS FOLLOWS:

CHAPTER 1: GLOBAL OBJECTIVES AND BUDGET

Article 1 *Objectives and priorities of the programme*

1. This Decision establishes a programme for support to the European audiovisual sector, hereinafter referred to as the “programme”, for a period running from 1 January 2007 to 31 December 2013.
2. The audiovisual sector is an essential vector for conveying and developing European cultural values. The programme is intended to strengthen the audiovisual sector economically to enable it to play its cultural role more effectively.

The global objectives of the programme are to:

- (a) preserve and enhance European cultural diversity and its cinematographic and audiovisual heritage, guarantee its accessibility to European citizens and promote intercultural dialogue;
 - (b) increase the circulation of European audiovisual works inside and outside the European Union;
 - (c) strengthen the competitiveness of the European audiovisual sector in the framework of an open and competitive European market.
3. In order to achieve these objectives, the programme will support:
 - (a) upstream of audiovisual production: the acquisition and improvement of skills in the audiovisual field and the development of European audiovisual works;
 - (b) downstream of audiovisual production: the distribution and promotion of European audiovisual works;
 - (c) pilot projects to ensure that the programme adjusts to market developments.
 4. The priorities in the areas for intervention set out in paragraph 3 shall be as follows:

¹⁴ OJ L 184 of 17.7.1999, p. 23

- (a) fostering creativity in the audiovisual sector and knowledge and dissemination of Europe's cinematographic and audiovisual heritage;
- (b) strengthening the production structure of the European audiovisual sector, particularly SMEs;
- (c) reducing the imbalances in the European audiovisual market between high production capacity countries and countries or regions with low production capacity and/or a restricted geographic and linguistic area;
- (d) following and supporting market developments with regard to digitisation.

Article 2
Budget

- 1. The budget for implementing this programme for the period set out in Article 1(1) is fixed at €1 055 million.
- 2. The annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspectives.

CHAPTER 2: SPECIFIC OBJECTIVES UPSTREAM OF AUDIOVISUAL PRODUCTION

Article 3
Acquisition and improvement of skills in the audiovisual field

In the field of acquisition and improvement of skills, the specific objectives of the programme are to:

- 1. strengthen the skills of European audiovisual professionals in the fields of development, production, distribution/dissemination and promotion, in order to improve the quality and potential of European audiovisual works. The programme shall support notably action in the following areas:
 - (a) scriptwriting techniques with the aim of increasing the quality of European audiovisual works and their potential circulation;
 - (b) financial and commercial management of production, distribution and promotion of audiovisual works to enable European strategies to be devised right from the development phase;
 - (c) inclusion upstream of digital technologies for production, post-production, distribution, marketing and archiving of European audiovisual programmes.

Steps should also be taken to ensure that professionals and trainers from other countries than those in which training activities supported under (a) to (c) of this Article take place participate.

- 2. improve the European dimension of audiovisual training activities by:

- (a) support for the networking and mobility of European training professionals, in particular:
 - European film schools;
 - training institutes;
 - partners in the professional sector;
 - (b) training for trainers;
 - (c) support for individual training maps;
 - (d) adoption of coordination activities and of promotion of the bodies supported in relation to the activities set out in paragraph 1 of this Article.
3. enable, through special scholarships, professionals from the new Member States to take part in the training activities set out in paragraph 1 of this Article.

The measures set out in paragraphs 1 to 3 of this Article shall be implemented in accordance with the provisions in the Annex.

Article 4 Development

1. In the development sector, the specific objectives of the programme are to:
 - (a) support the development of production projects intended for the European and international market, submitted by independent production companies;
 - (b) support the elaboration of financial plans for companies and projects for European productions, including financing of co-productions.

The measures set out in points (a) and (b) of this paragraph shall be implemented in accordance with the provisions in the Annex.

2. The Commission shall take steps to ensure that the activities supported in the field of improving professional skills and those set out in paragraph 1 of this Article complement each other.

CHAPTER 3: SPECIFIC OBJECTIVES DOWNSTREAM OF AUDIOVISUAL PRODUCTION

Article 5 Distribution and dissemination

In the field of distribution and dissemination, the programme's specific objectives are to:

- (a) strengthen European distribution by encouraging distributors to invest in the co-production, acquisition and promotion of non-national European films and to set up coordinated marketing strategies;

- (b) improve the circulation of non-national European films on the European and International markets by incentive measures for export, distribution on any medium and cinema exhibition;
- (c) promote the transnational dissemination of European audiovisual works produced by independent production companies by encouraging cooperation between broadcasters on the one hand and independent producers and distributors on the other;
- (d) encourage the digitisation of European audiovisual works;
- (e) encourage cinemas to exploit the possibilities offered by digital distribution.

The measures set out under points (a) to (e) of this Article shall be implemented in accordance with the provisions in the Annex.

Article 6 *Promotion*

In the field of promotion, the specific objectives of the programme are to:

- (a) improve the circulation of European audiovisual works by ensuring that the European audiovisual sector has access to European and International professional markets;
- (b) improve the European and international public's access to European audiovisual works;
- (c) encourage common actions between national film and audiovisual programme promotion organisations;
- (d) encourage promotion of Europe's cinematographic and audiovisual heritage.

The measures set out in points (a) to (d) of this Article shall be implemented in accordance with the provisions in the Annex.

CHAPTER 4: PILOT PROJECTS

Article 7 *Pilot projects*

1. The programme may support pilot projects to ensure that the programme adapts to market developments, particularly in connection with the introduction and utilisation of information and communication technologies.
2. For the purposes of implementing paragraph 1 of this Article, the Commission shall be advised by technical advisory groups made up of experts designated by the Member States in response to a proposal by the Commission.

CHAPTER 5: ARRANGEMENTS FOR IMPLEMENTING THE PROGRAMME AND FINANCIAL PROVISIONS

Article 8

Provisions concerning third countries

1. The programme is open to the participation of the following countries as long as the required conditions are met and supplementary appropriations are received:
 - (a) EFTA States which are members of the EEA, in accordance with the provisions of the EEA agreement;
 - (b) accession countries benefiting from a strategy for pre-accession to the European Union in accordance with the general principles and general conditions and arrangements for these countries participating in Community programmes laid down in the framework agreement and the Association Councils' decisions respectively;
 - (c) the Western Balkan countries in accordance with arrangements made with these countries following framework agreements to be established governing their participation in Community programmes.
2. The programme is also open to the participation of States which are parties to the Council of Europe Convention on Transfrontier Television other than those referred to in paragraph 1, assuming that supplementary appropriations are received in compliance with the conditions to be agreed upon between the parties concerned.
3. Opening up of the programme to European third countries covered by paragraphs 1 and 2 may be subject to prior examination of the compatibility of their national legislation with Community legislation, including Article 6.1 paragraph 5 of Directive 89/552/EEC, as amended by Directive 97/36/EC. This provision does not apply to actions under Article 3.
4. The programme is also open to cooperation with other third countries which have concluded association and cooperation agreements with the European Union incorporating clauses on the audiovisual sector and on the basis of supplementary appropriations and specific arrangements to be agreed upon. Western Balkan countries referred to in paragraph 1 that do not wish to participate fully in the programme may benefit from cooperation with the programme under the conditions provided for in this paragraph.

Article 9

Financial provisions

1. In accordance with Article 114(1) of Council Regulation 1605/2002¹⁵, the beneficiaries of the programme may be natural persons.

¹⁵ OJ L 248 of 16.9.2002, p.1

Without prejudice to the agreements and conventions to which the Community is a contracting party, enterprises which benefit from the programme must be owned and must be continued to be owned, whether directly or by majority participation, by Member States and/or Member State nationals.

2. In accordance with Article 176(2) and (4) of Commission Regulation 2342/2002¹⁶, the Commission may decide, depending on the beneficiaries and the type of action, whether they may be exempted from verification of the professional skills and qualifications required to successfully complete an action or programme of work.
3. Depending on the type of action, financial aid may take the form of grants¹⁷ or scholarships. The Commission may also award prizes for the programme's activities or projects. Depending on the nature of the activity, flat-rate financing or the use of scales of unit costs may be authorised in accordance with Article 181 of Commission Regulation No 2342/2002.
4. Financial aid awarded under the terms of the programme may not exceed 50% of the final costs of the operation supported. However, in the cases expressly provided for in the Annex, financial aid may be as high as 75%.
5. In keeping with the specific nature of the activities cofunded and Article 112(1) of Council Regulation 1605/2002, the Commission may deem costs directly linked with implementing the activity supported to be eligible, even if they were partially incurred by the beneficiary before the selection procedure.
6. In accordance with Article 113(1) of Council Regulation 1605/2002¹⁸, cofunding may be provided either entirely or partly in kind as long as the value of the contribution does not exceed the cost actually borne and duly supported by accounting documents, or the cost generally accepted in the market in question.
7. Any sums reimbursed under the programme, those from the MEDIA programmes (1991 to 2006) and sums not used by selected projects shall be allocated to the requirements of the MEDIA 2007 programme.

Article 10 *Implementation of this Decision*

1. The Commission is responsible for implementing the programme in accordance with the arrangements laid down in the Annex.
2. The measures for the implementation of this Decision concerning the matters referred to below shall be adopted in accordance with the management procedure referred to in Article 11(2):

¹⁶ OJ L 357 of 31.12.2002, p. 1

¹⁷ In the case of selective aid for distribution and in compliance with Article 109 (2) of Council Regulation (EC Euratom) No 1605/2002 and Article 168 first paragraph of Commission Regulation (EC Euratom) No 2342/2002, overall takings during the first year of cinematographic marketing of the film will be reimbursed to the tune of the media contribution (excluding support for dubbing/subtitling).

¹⁸ In conjunction with Article 172 of Commission Regulation (EC Euratom) No 2342/2002

- (a) the general guidelines for all the measures described in the Annex;
 - (b) the content of the calls for proposals, the definition of the criteria and the procedures for the selection of projects;
 - (c) questions concerning the annual internal breakdown of the programme resources, including the breakdown between measures in the fields of improving professional skills, development, distribution/dissemination and promotion;
 - (d) the arrangements for monitoring and evaluating actions.
3. The measures necessary for implementing this Decision with regard to any other matters shall be adopted in accordance with the advisory procedure referred to in Article 11(3).

Article 11
Committee

1. The Commission shall be assisted by a committee made up of representatives of the Member States and chaired by a Commission representative.
2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply. The period laid down in Article 4(3) of Decision 1999/468/EC shall be set at two months.
3. Where reference is made to this paragraph, the advisory procedure referred to in Article 3 of Decision 1999/468/EC shall apply in accordance with the provisions of Article 7(3) and Article 8 thereof.
4. The committee shall adopt its rules of procedure.

Article 12
MEDIA Desks

1. The European network of MEDIA Desks shall act as an implementing body for disseminating information on the programme at national level whilst abiding by Article 54 (2)(c) and (3) of Council Regulation 1605/ 2002 as defined at point 2.2 of the Annex.
2. The MEDIA Desks must respect the following criteria:
 - have an adequate number of staff, with professional and linguistic capacities appropriate for work in an environment of international cooperation;
 - have an appropriate infrastructure, in particular as regards informatics and communications;
 - operate in an administrative context which enables them to carry out their tasks satisfactorily and to avoid conflicts of interest.

Article 13

The programme's contribution to other Community policies and prerogatives

1. The programme shall help to strengthen the European Community's horizontal policies by:
 - (a) promoting the fundamental principle of freedom of expression;
 - (b) encouraging awareness of the importance of cultural diversity and multiculturalism in Europe and the need to combat racism and xenophobia;
 - (c) encouraging awareness of the importance of contributing to sustainable economic development;
 - (d) helping to combat all forms of discrimination based on sex, race or ethnic origin, religion or beliefs, disabilities, age or sexual orientation.
 - (e) contributing to the debate on and information about the European Union as an area of peace, prosperity and security.
2. Particular attention shall be paid to consistency and complementarity between the programme and Community policies on cultural cooperation with third countries.

Article 14

Monitoring and evaluation

1. The Commission shall monitor the programme regularly. The results of the process of monitoring and evaluation shall be taken into account in the implementation of the programme.

This monitoring process will comprise drawing up the reports mentioned in paragraph 3(a) and (c) of this Article and specific activities.
2. The Commission shall ensure that the programme is evaluated regularly, externally and independently.
3. The Commission shall present to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions:
 - (a) an interim evaluation report on the results and the qualitative and quantitative aspects of implementing the programme by 31 December 2010 at the latest;
 - (b) a Communication on the continuation of the programme by 31 December 2011 at the latest;
 - (c) an ex-post evaluation report by 31 December 2015 at the latest.

Article 15
Transitional provisions

Activities undertaken before 31 December 2006 on the basis of Council Decision 2000/821/EC of 20 December 2000 and Decision 163/2001/EC of the European Parliament and the Council of 19 January 2001 will continue to be managed until they are terminated in compliance with the provisions of these Decisions.

The committee provided for by Article 8 of Council Decision 2000/821/EC of 20 December 2000 and Article 6 of Decision 163/2001/EC of the European Parliament and the Council of 19 January 2001 shall be replaced by the committee provided for under Article 11 of this Decision.

CHAPTER 6: INFORMATION ABOUT THE EUROPEAN AUDIOVISUAL SECTOR AND PARTICIPATION IN THE EUROPEAN AUDIOVISUAL OBSERVATORY

Article 16
Information about the European audiovisual sector

The European Union shall contribute to increased transparency and dissemination of information about the European audiovisual sector.

Article 17
Participation in the European Audiovisual Observatory

For the purposes of implementing Article 16, the European Union shall be a member of the European Audiovisual Observatory throughout the programme.

The Commission shall represent the European Union in its dealings with the Observatory.

Article 18
Contribution to meeting the programme's objectives

Participation by the European Union in the European Audiovisual Observatory shall form an integral part of this programme and shall contribute to meeting its objectives:

- by encouraging transparency in the market and ensuring that operators have access to financial and legal statistics and information, thereby enhancing the European audiovisual sector's ability to compete and develop;
- enabling the programme to be monitored more effectively and making it easier to evaluate.

Article 19
Monitoring and assessment

Monitoring and evaluation of the European Union's participation in the European Audiovisual Observatory shall be carried out within the framework of the evaluation and monitoring of the programme in accordance with Article 14 of this Decision.

CHAPTER 7: ENTRY INTO FORCE

Article 20
Entry into force

This Decision shall enter into force on the day following its publication in the *Official Journal of the European Union* and shall take effect from 1 January 2007.

Done at Brussels,

For the European Parliament
President

For the Council
President

**Annex to the proposal for a Decision of the European Parliament and the Council
concerning the implementation of a programme to support the European audiovisual
sector
(MEDIA 2007)**

Chapter 1: Operational objectives and actions to be implemented

1. ACQUISITION AND IMPROVEMENT OF SKILLS IN THE AUDIOVISUAL FIELD

1.1 Strengthen European audiovisual professionals' skills in the fields of development, production, distribution/dissemination and promotion in order to improve the quality and the potential of European audiovisual works

1.1.1 Scriptwriting techniques

Operational objective:

- Enable experienced scriptwriters to improve their capacities to develop techniques based on traditional and interactive methods of writing.

Action to be implemented

- Support the development and the implementation of training modules on identifying the target public, editing and development of scripts for an international public, and the relationship between the scriptwriter, the script editor, the producer and the distributor.
- Support distance learning and encourage exchanges and partnerships associating countries and regions with low audiovisual production capacity and/or with a restricted linguistic or geographical area.

1.1.2 Economic, financial and commercial management of production, distribution and promotion of audiovisual works

Operational objective

- Develop the professionals' ability to grasp and integrate the European dimension into the fields of development, production, marketing, distribution/dissemination and promotion of audiovisual programmes.

Action to be implemented

- Support, in addition to the actions carried out by the Member States, the development and updating of training modules in management, taking into account the European dimension.
- Support distance learning and encourage exchanges and partnerships associating countries and regions with low audiovisual production capacity and/or with a restricted linguistic or geographical area.

1.1.3 Inclusion upstream of digital technologies for the production, post-production, distribution, marketing and archiving of European audiovisual programmes

Operational objective

- Develop the professionals' capacity to use digital technologies, in particular in the fields of production, post-production, distribution, marketing, archiving and multimedia.

Action to be implemented

- Support the development and implementation of training modules in digital audiovisual technologies, in addition to the actions carried out by the Member States.
- Support distance learning and encourage exchanges and partnerships associating countries and regions with low audiovisual production capacity and/or with a restricted linguistic or geographical area.

1.2 Improve the European dimension of audiovisual training activities

1.2.1 Support for the networking and mobility of European training professionals (European film schools, training institutes, partners of the professional sector)

Operational objective

- Encourage exchanges between existing training institutions and/or activities.

Action to be implemented

- Encourage the programme beneficiaries to intensify coordination of their initial and further training activities in order to develop a European network.

1.2.2 Training for trainers

Operational objective

- Ensure that trainers are competent.

Action to be implemented

- Contribute to training for trainers, in particular by distance learning.

1.2.3 Support for individual training maps

Operational objective

- Encourage mobility of cinema students in Europe.

Action to be implemented

- Mobility scholarships linked to a training project.

1.2.4 *Introduction of coordination and promotion measures by the bodies supported under 1.1.1 of this Annex*

Operational objective

- Promote coordination and promotion of the projects supported by the programme.

Action to be implemented

- Contribute to the adoption of targeted actions of coordination and promotion of the training activities supported by the programme.

1.2.5 *Enable, through special scholarships, the professionals from the new Member States to take part in the training activities set out in 1.1.1 of this Annex*

Operational objective

- Facilitate the participation by professionals from the new Member States in the projects supported by the programme.

Action to be implemented

- Contribute to setting up a grant mechanism.

2. DEVELOPMENT

2.1 Support the development of production projects intended for the European and International market submitted by independent production companies

Operational objectives:

- Support the development of European works of the following types: drama, animation, documentary and multimedia;
- Encourage companies to produce quality projects with international potential;
- Encourage companies to use digital technologies in production and distribution right from the development phase;
- Encourage companies to devise strategies for international screening, marketing and distribution right from the development phase;
- Enable small and medium-sized companies to access support for development and tailor actions to meet their needs;

- Ensure complementarity with the actions supported by MEDIA to improve audiovisual professionals' skills.

Action to be implemented

- Support the development of audiovisual projects or project catalogues.
- Support digitisation of European audiovisual works right from the development phase.

2.2 Support the elaboration of financing plans for European production companies and projects, including co-production projects

Operational objectives:

- Encourage the elaboration of financing plans by production companies for works of the following types: drama, animation, documentary and multimedia.
- Encourage the search for financial partners at European level to achieve synergy between public and private investors and the devising of distribution strategies right from the production phase.

Action to be implemented

- Support the side costs of private financing of production and co-production projects presented by SMEs (such as financial expenses, insurance and completion guarantee costs).
- Support financial companies active in drawing up investment plans for the development and co-production of audiovisual works with potential for international distribution.
- Support cooperation between the national agencies in the audiovisual sector.

3. DISTRIBUTION AND DISSEMINATION

Horizontal operational objective

- Enhance the linguistic diversity of European audiovisual works distributed.

Action to be implemented

- Support dubbing and subtitling for distribution and dissemination, through all available channels, of European audiovisual works for the benefit of producers, distributors and broadcasters.

3.1 Strengthen European distribution by encouraging distributors to invest in the co-production, acquisition and promotion of non-national European films and to set up coordinated marketing strategies

Operational objective No 1

- Encourage cinematographic distributors to invest in the co-production, acquisition and promotion of non-national European films.

Actions to be implemented

- Establish a system of automatic support for European distributors, proportional to cinema admissions for non-national European films in the Member States taking part in the programme, subject to a ceiling for each film and adjusted for each country.
- The support thus generated may be used by distributors only for investment in:
 - non-national European film co-production;
 - the acquisition of non-national European films;
 - editing (copying, dubbing and subtitling), promotion and advertising of non-national European films.

Operational objective No 2

- Encourage European distributors to cooperate with a view to adopting joint strategies on the European market.

Action to be implemented

- Establish a system of selective aid for non-national European film distribution intended for European distributor groupings and grant them direct aid where they exist on a permanent basis.

Operational objective No 3

- Encourage cooperation between distributors, producers and sales agents in order to set up international marketing strategies for European audiovisual works right from the production phase.

Action to be implemented

- Establish a system of support for the creation of a promotion kit for European cinematographic works (including a subtitled copy, an international sound track - music and effects - and promotion materials).

Operational objective No 4

- Encourage access to financing of SMEs for distribution and international sale of non-national European works.

Action to be implemented

- Support the side costs (such as financial expenses and completion guarantee costs) connected with distribution and/or international sales activities such as: acquisition of European film catalogues, searching for new markets for these films, and setting up of permanent groupings of European distributors.

3.2 Improve the circulation of non-national European films on the European and international markets by incentives measures for export, distribution on any medium and cinema exhibition

Operational objective No 1

- Encourage cinematographic distributors to invest in appropriate editing and promotion of non-national European films.

Actions to be implemented

- Establish a system of selective support to cinematographic distributors for the promotion and marketing of European films outside their production territory. The selection criteria for the films may include provisions aiming to differentiate between the projects according to their origin and the size of their budget.
- Grant special support to films of interest for the development of European cultural diversity, in particular in the form of aid for the release of a non-national European works catalogue over a given period.

Operational objective No 2

- Encourage the screening of non-national European films on the European market, in particular by supporting the coordination of a cinema network.

Action to be implemented

- Encourage cinema owners to screen a significant proportion of non-national European films in commercial cinemas for first release for a minimum defined period. The support granted to each cinema will be determined according to the number of tickets sold for non-national European films over a reference period.
- Contribute to the development of educational and awareness-raising activities for young cinema-goers.
- Support the creation and the consolidation of a European cinema owners' network developing common actions of this type.

Operational objective No 3

- Encourage international sales and export of non-national European films in Europe and world-wide.

Action to be implemented

- Establish a support system for European companies distributing cinema films internationally (sales agents) according to their performance on the market over a given period. This support will have to be invested in the acquisition and promotion of new European works on the European and international markets.

3.3 Promote the transnational broadcasting of European audiovisual works produced by independent production companies by encouraging cooperation between broadcasters on the one hand, and independent producers and distributors on the other

Operational objective No 1

- Encourage the broadcasting of non-national European audiovisual works from independent production companies.

Actions to be implemented

- Encourage independent producers to produce works (drama, documentary and animation) involving the participation of at least two broadcasters from several Member States, belonging to different linguistic areas. The selection criteria for the beneficiaries will include provisions aiming to differentiate between the projects according to the size of their budget.
- Grant special support to films of interest for the enhancement of Europe's cultural diversity and audiovisual heritage.

Operational objective No 2

- Facilitate access to financing for European independent production companies.

Action to be implemented

- Support the side costs (such as financial costs, insurance and completion guarantee costs) connected with the production of works (drama, documentary and animation) involving the participation of at least three broadcasters from several Member States, belonging to different linguistic areas.

Operational objective No 3

- Encourage the international distribution of European television programmes.

Action to be implemented

- Establish a system of support for European international distribution companies of audiovisual works (international distributors) according to their performance on the market over a given period. Support thus generated will have to be invested by the international distributors in the acquisition and promotion of new European works on the European and international markets.

3.4 Encourage the digitisation of European audiovisual works

Operational objective No 1

- Improve the distribution of non-national European works on digital media for private use (DVD), in particular by encouraging editors to cooperate on creating multilingual masters on a European scale.
- Encourage the use of digital technologies in European works (creating digital masters which can be used by all European distributors).
- Encourage editors in particular to invest in appropriate promotion and distribution of non-national European audiovisual works.
- Support the multilingualism of European works (dubbing, subtitling and multilingual production).

Action to be implemented

- Establish a system of automatic support for European cinematographic and audiovisual works editors on media intended for private use (such as DVD, DVD-ROM) according to their performance on the market over a given period. Support thus generated will have to be invested by the editors in the editing and distribution of new non-national European works on digital media.
- Support companies specialising in the digitisation of content

Operational objective No 2

- Encourage on-line distribution of non-national European works through advanced distribution services and new media (Internet, video-on-demand, pay-per-view).
- Encourage the European audiovisual programme industry to adapt to developments in digital technology, in particular with regard to advanced on-line distribution services.

Action to be implemented

- Encourage European companies (on-line access suppliers, special-interest channels, etc.) – by measures to digitise works and create promotion and

publicity material on digital media – to create European works catalogues in digital format intended for use on the new media.

3.5 Encourage cinemas to exploit the possibilities offered by digital distribution

Operational objectives

- Encourage cinemas to invest in digital equipment, by facilitating access to credit by cinema owners.

Action to be implemented

- Support the side costs (such as financial expenses and insurance) incurred by cinema owners for investment in digital equipment.

4. PROMOTION

4.1 Improve the circulation of European audiovisual works by ensuring that the European audiovisual sector has access to the professional European and international audiovisual markets;

Operational objective No 1

- Improve the conditions of access for professionals to trade events and to professional audiovisual markets inside and outside Europe.

Action to be implemented

- Provide technical and financial assistance in connection with events such as:
 - the principal European and international cinema markets;
 - the principal European and international television markets;
 - thematic markets, particularly for cartoons, documentary, multimedia and new technologies.

Operational objective No 2 and action to be implemented

- Encourage and support the constitution of European catalogues and the setting up of databases of European programme catalogues intended for professionals.

Operational objective No 3

- Encourage support for promotion from the pre-production or production phase.

Action to be implemented

- Support the organisation of forums for development, financing, co-production and distribution of European (or mainly European) works and programmes.
- Set up and launch marketing and sales promotion campaigns for European cinematographic and audiovisual programmes during the production phase.

4.2 Improve access to European audiovisual works for the European and international public

Operational objectives and action to be implemented

- Encourage and support audiovisual festivals to screen a majority or significant proportion of European works.
- Prioritise and support festivals contributing to the promotion of works from Member States or regions with low audiovisual production capacity and of works produced by young Europeans, and enhancing cultural diversity and intercultural dialogue.
- Encourage and support initiatives for image education organised by festivals for young people, in particular in close cooperation with schools and other institutions.
- Encourage and support initiatives by professionals, in particular cinema owners, public or commercial television channels, festivals and cultural institutions which aim, in close cooperation with the Member States and the European Commission, to organise promotional activities for the general public for European cinematographic and audiovisual creation.
- Encourage and support the organisation of events with wide media coverage such as prize awards.

4.3 Encourage common actions between national film and audiovisual programme promotion organisations

Operational objective:

- Encourage networking and coordination of European common actions and projects.

Action to be implemented

- Support the creation of European promotion platforms.
- Support European groupings and umbrella organisations for national and/or regional promotion on the European markets and worldwide.

- Support the networking of festivals, in particular the exchange of programming and of expertise.
- Support the grouping of projects pursuing identical, similar and/or complementary aims.
- Support the setting up of networks of databases and catalogues.

4.4 Encourage promotion of Europe’s cinematographic and audiovisual heritage

Operational objective and action to be implemented

- Encourage and support the organisation of events, in particular those targeting young people, to promote Europe’s cinematographic and audiovisual heritage.

5. PILOT PROJECTS

Operational objective

- Ensure that the programme adapts to market developments, mainly in connection with the introduction and use of information and communication technologies.

Action to be implemented

- Support pilot projects in areas considered by audiovisual sector players to be likely to be influenced by the introduction and use of new information and communication technologies.
- Disseminate widely the results of pilot projects by organising conferences or on- and off-line events to encourage the dissemination of good practices.

Chapter 2: Arrangements for implementation

1. COMMUNITY SUPPORT

1.1 The share of the Community contribution in the cost of operations supported

The financial contribution from MEDIA may not exceed 50% of the costs of operations supported, except in the following cases.

The financial contribution from MEDIA may be up to 60% of the costs of operations supported:

- (a) for training activities in countries or regions with low audiovisual production capacity and/or with a restricted linguistic or geographical area;

- (b) for projects submitted under the development, distribution/dissemination and promotion strands which have the merit of highlighting the value of European linguistic and cultural diversity;
- (c) for actions, amongst those described in point 1.3 of this Annex (distribution and dissemination), identified as conforming with the procedure set out in Article 11(2) of this Decision.

The financial contribution from MEDIA may be up to 75% of the costs of operations supported for training activities in the new Member States of the European Union. Attention will be focused on this provision during the mid-term evaluation of the programme.

1.2 Arrangements for Community support

Community support is in the form of grants or scholarships.

In the training sector, at least 10% of the available funds each year must be allocated to new activities as far as possible.

1.3 Project selection

The selected projects must comply with:

- the provisions of this Decision and its Annex;
- the provisions of Council Regulation No 1605/2002 and Commission Regulation No 2342/2002.

2. COMMUNICATION

2.1 Commission

The Commission may organise seminars, symposia or meetings to help implement the programme and may institute any suitable information, publication and dissemination measures, particularly in connection with monitoring and evaluation of the programme. Such activities may be funded by grants or calls for tender or may be organised and financed directly by the Commission.

2.2 MEDIA desks and MEDIA antennae

The Commission, acting directly in concert with the Member States, shall establish a European network of MEDIA desks and MEDIA antennae, which will operate as an implementing body at national level in accordance with Article 54(2)(c) and (3) of Regulation No 1605/2002 for the purposes of:

- (a) informing professionals in the audiovisual sector about the various types of aid available under European Union policies;
- (b) publicising and promoting the programme;

- (c) encouraging the greatest possible participation by professionals in the programme's activities;
- (d) helping professionals to present their projects in response to calls for proposals;
- (e) encouraging cross-border cooperation between professionals;
- (f) liaising with the various support bodies in the Member States in order to ensure that the programme's activities complement national support measures;
- (g) providing data on national audiovisual markets and trends therein.

3. INFORMATION ABOUT THE EUROPEAN AUDIOVISUAL MARKET AND PARTICIPATION IN THE EUROPEAN AUDIOVISUAL OBSERVATORY

The programme provides the legal basis for the expenditure necessary to monitor Community audiovisual policy measures.

It provides for the European Union to continue participating in the European Audiovisual Observatory. This will ease access to information for operators and dissemination in the sector. It will also contribute to greater transparency in the production process.

4. MANAGEMENT TASKS

The programme's financial allocation can also cover expenses pertaining to preparatory, monitoring, control, audit and evaluation activities, required directly for the management and the realisation of the objectives of the programme, in particular, studies, meetings, information and publication actions, expenses linked to informatic networks focusing on information exchange, together with all other technical and administrative assistance expense that the Commission may have recourse to for the management of the programme.

5. CHECKS AND AUDITS

For the projects selected in accordance with the procedure described in Article 9(3) of this Decision, a system of random auditing shall be set up.

Any beneficiary of a grant shall keep at the Commission's disposal for a period of five years following the final payment all supporting documents on the expenditure incurred. Beneficiaries shall ensure that, if need be, any supporting document in the possession of partners or members is made available to the Commission.

The Commission, either directly through its staff or through any other qualified, external agency of its choice, is entitled to carry out an audit on the use of the grant. These audits may be carried out throughout the term of the contract and for a period of five years from the date of the payment of the balance of the grant. The outcome of these audits may lead to a decision by the Commission to recover funds.

The Commission's staff and external persons authorised by the Commission shall have suitable access, in particular to the offices of the beneficiary and to all information needed, including that in electronic form, to carry out the audits properly.

The Court of Auditors and the European Anti-Fraud Office shall have the same rights, especially of access, as the Commission.

Moreover, in order to protect the European Communities' financial interests against fraud and other irregularities, the Commission is authorised to carry out checks and verifications *in situ* under the present programme, in compliance with Council Regulation 2185/96¹⁹. If need be, investigations shall be carried out by the European Anti-Fraud Office and shall be governed by Regulation 1073/1999 of the European Parliament and the Council²⁰.

¹⁹ OJ L 292 of 15.11.1996, p. 2.

²⁰ OJ L 136 of 31.5.1999, p. 1.

LEGISLATIVE FINANCIAL STATEMENT

Policy area: Education and Culture

Activity: Audiovisual policy and sport

TITLE OF ACTION: SUPPORT PROGRAMME FOR THE EUROPEAN AUDIOVISUAL SECTOR (MEDIA 2007)

1. BUDGET LINE(S) + HEADING(S)

15 05 01 01 Support programme for the European audiovisual sector

15 01 04 08 Support programme for the European audiovisual sector – administrative management expenses.

15.01.04.30 Executive agency – DG Education and Culture

2. OVERALL FIGURES

2.1. Total allocation for action: € 1.055 million for commitment

2.2. Period of application:

1 January 2007 – 31 December 2013

2.3. Overall multiannual estimate of expenditure:

(a) Schedule of commitment appropriations/payment appropriations (financial intervention) *(see point 6.1.1)*

€ million *(to three decimal places)*

	2007	2008	2009	2010	2011	2012	2013	Total
Commitments	94.977	101.068	121.403	137.736	158.049	170.411	186.110	969.754
Payments	60.470	97.187	110.280	140.681	179.266	186.908	194.962	969.754

(b) Technical and administrative assistance and support expenditure *see point 6.1.2)*

Commitments	10.023	10.932	11.597	12.264	12.951	13.589	13.890	85.246
Payments	10.023	10.932	11.597	12.264	12.951	13.589	13.890	85.246

Subtotal a+b								
Commitments	105	112	133	150	171	184	200	1.055
Payments	70.493	108.119	121.877	152.945	192.217	200.497	208.852	1.055

- (c) Overall financial impact of human resources and other administrative expenditure
(see points 7.2 and 7.3)

Commitments / payments	2.855	2.855	2.855	2.855	2.855	2.855	2.855	19.985
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TOTAL a+b+c								
Commitments	107.855	114.855	135.855	152.855	173.855	186.855	202.855	1074.985
Payments	73.348	110.974	124.732	155.8	195.072	203.352	211.707	1074.985

2.4. Compatibility with financial programming and financial perspective

- The Proposal is compatible with the Commission Communication “Building our common future: Financial and political outlook for the enlarged Union 2007-2013” of 10 February 2004 (COM (2004) 101).

2.5. Financial impact on revenue:

- Proposal has no financial implications (involves technical aspects regarding implementation of a measure)

3. BUDGET CHARACTERISTICS

Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
Comp/ Non-comp	Diff/ Non-diff	YES/ NO	YES/NO	YES/NO	No 3

4. LEGAL BASIS

Art. 251 EC Treaty

Art. 157 EC Treaty

Art. 150(4) EC Treaty

5. DESCRIPTION AND GROUNDS

5.1. Need for Community intervention

5.1.1. Objectives pursued

MEDIA 2007 will have as global objectives to:

- Preserve and enhance European cultural diversity and its cinematographic and audiovisual heritage, and guarantee its accessibility for European citizens as well as to promote intercultural dialogue;
- Increase the circulation of European audiovisual works inside and outside the European Union;
- Strengthen the competitiveness of the European audiovisual sector in the framework of an open and competitive market.

The programme will take into account four horizontal priorities in the programme:

Firstly, the importance of the creative process within the European audiovisual sector and the cultural value of Europe's cinematographic and audiovisual heritage need to be integrated within the actions proposed.

Secondly, the strengthening of the production structures of the SMEs, which constitute the core of the European audiovisual sector, as a means of enhancing its competitiveness. This will mean contributing to the spread of a business culture for the sector and facilitating private investments in the sector.

Thirdly, the programme will reduce, within the European audiovisual market, the imbalances between countries with a high production capacity and countries with low production capacity or a restricted linguistic area. This priority responds to the need to preserve and enhance cultural diversity and inter-cultural dialogue in Europe. This priority will contribute to the transparent and competitive functioning of the Single Market with its potential of economic growth for the whole Union.

Finally, the programme will follow and support market evolutions with regard to digitisation. The programme will put in place measures to accompany the changes that digitisation is producing in the audiovisual sector at all stages of the production and distribution chain as well as in terms of new competencies for the professionals of the sector.

The improvement of the competitiveness of the industry will be pursued in a more capillary way by reinforcing the strategic and coherent approach of the programme. Community action will be integrated into a single programme intervening in the pre-production and in the post production phases. Community intervention is in line with the principle of subsidiarity with Member States' policies, as these are mainly directed to support the production of audiovisual works. Furthermore, the enhancement of the circulation of European audiovisual works entails a specific European added value that transcends national policies.

5.1.2. Measures taken in connection with ex ante evaluation

The ex ante evaluation was intended to set out the lines for future Community intervention in the European audiovisual sector. It was an integral part of the process leading to the design of the programme. It followed the Guide on ex-ante evaluation (published by DG BUDG in December 2001) and reflected the conclusions of the analysis carried out.

It was based upon several sources of information and summarised a number of different exercises. In particular, the document relied upon information provided by the European Audiovisual Observatory (EAO) as well as the conclusions of an economic analysis of the film industry carried out for the Commission by an external consultant. In terms of future developments in the sector, the conclusions of a further study carried out for the Commission were used. It also drew on the findings of the ex post evaluation of the MEDIA II programme²¹, and the mid term evaluation of the MEDIA Plus and MEDIA-Training programmes, as well as the evaluation of the Preparatory Action “i2i Audiovisual: Growth and Audiovisual”. An independent consultant, appointed following an open call for tender launched by the Commission, carried out the last two evaluations²². Lastly, information provided by the MEDIA Programme Technical Assistance Office (TAO) was used.

The document also drew on the results of the far-reaching public consultation exercise. The public consultation on the new generation of programmes for the European audiovisual sector was launched on May 12th and ended on August 12th. It consisted of three different exercises: a public hearing held in Brussels on July 1st and 2nd; an on-line consultation on the MEDIA web-site and focus group meetings with industry professionals on specific aspects of Community policy (including the pilot projects and i2i Audiovisual) held in several Member States. The consultation was carried out on the basis of the public consultation document published on the web-site.

All interested parties, notably private and public bodies active in the audiovisual industry, were invited to participate in the consultation, by means of a written contribution or intervention at the public hearing. The consultation of all industry stakeholders was deemed necessary to understand and properly take into account the needs of the sector. The public hearing was well attended and the Commission received more than 40 contributions from the sector and from the Member States.

The information contained in the various studies, the findings of the evaluation exercise carried out on MEDIA Plus, MEDIA Training, i2i Audiovisual and MEDIA II together with the results of the far-reaching public consultation have provided the basis to elaborate the lines of the new generation of programme.

Two key messages emerge from the ex ante evaluation:

- The continuing need for Community action in the areas currently covered by the MEDIA Programmes (supported by the professionals and institutions). The actions undertaken by the MEDIA Plus and Training Programmes were considered to be effective and appropriate to the needs of the sector, in view of the structural deficiencies and market failure in the sector. Certain proposals were made with a view to improving the focus or functioning of existing actions, notably with a view to integrating digital technology throughout the Programme lines;

²¹ BIPE report for the European Commission.

²² Invitation to tender No S230-182-679 awarded to APRIL

- The new generation of programmes would need to take into account the changes brought about by enlargement and the acute difficulties of the SMEs from the sector in accessing finance. Co-production would need to be considered for support.

Specific points were made on a number of areas:

- The importance of complementarity between Community and Member State actions as part of the reinforcement of the sector and of increasing its competitiveness;
- The need to ensure that the instruments put in place are adapted to the production cycle of the SMEs that are the core operators within the audiovisual industry;
- The elaboration of mechanisms to favour co-production and notably to cover gap and bridge financing;
- The need for additional measures focusing on the financing needs of SMEs to be included in the new generation of programmes to increase the full potential of the action at each stage of the chain in the audio-visual sector (balance the negative effects for a segment of the market which suffers from the lack of interest of commercial banks);
- The need to develop in co-ordination with the Member States and other European financial institutions, specific instruments within the MEDIA programme to reduce the shortage of capital which constitute the main characteristic of the independent audiovisual sector;
- The problems faced by the sector in finding matching funds, especially in the new Member States;
- The need to provide flexibility throughout the Programme, partly to address regional, linguistic and cultural diversity (such as restricted linguistic/geographic markets or the specific situation of the new Member States' audiovisual sectors) but also to allow for future market and technological changes;
- The importance of working with broadcasters to benefit from this important European distribution and promotion opportunity – suggestions were put forward in respect of the need for specific skills and competencies and subtitling/dubbing;
- The need to restructure the promotion line of the Programme, bearing in mind the limitations of national promotion for film, and the role played by promotion outside the EU;
- The need to integrate digital throughout the programme and the question of digitising content systematically to benefit from all exploitation possibilities;

- In respect of the improvement of skills and competencies there was a need to ensure that digital was covered fully by actions under the programme;
- Visibility and coherence of initiatives (perhaps in association with TV channels for European “events”) on the promotion mechanism to foster “audience education”.

5.1.3. *Measures taken following ex post evaluation*

Experience acquired from MEDIA II influenced the design of MEDIA Plus in the following ways. The focusing of resources on the three strands of training, development and distribution was maintained. However, the instruments set up under MEDIA II were adapted to take account of the results recorded over the period 1996-2000 and to take account of the sector's changing needs. These results were confirmed in the context of the mid-term evaluation of MEDIA Plus and MEDIA Training.

The choice of a single programme reflects the needs of the sector and notably the heterogeneous nature of the European markets, in socio-economic, financial, and regulatory terms. The results of the preliminary impact assessment carried out by DG EAC confirm that Community action should target pre and post production in a more capillary manner. The assessment clearly demonstrates that there is a need for simplification and integration of the different components of the European audiovisual value chain. In view of this, the design for a new programme reflects this need and streamlines and integrates the two current MEDIA Programmes into one programme, focusing on pre and post-production. This reflects the interlinkage between the various activities in the production and distribution value chain. In particular this approach recognises that the pre-production process depends on the quality of professional skills and competencies. The new programme therefore places an important emphasis on the role played by the acquisition and improvement of the skills and competencies of professionals, which has a positive impact along the whole of the European audiovisual value chain. It also recognizes the importance of establishing exchanges of competencies among European professional for the promotion of European co-operation.

The Programme will be simpler for the Commission to manage and for the user, for a number of reasons. First, there will be a simplification of internal procedures: for example to render the issue of financial capacity of an applicant proportional to the size of the subsidy requested. The Commission will propose a clause in the draft decisions setting out that the levels of financial and administrative complexity that can be imposed on applicants and beneficiaries must be proportionate to the size of the grant, with the intention that this should lead to significant procedural simplification. The aim here is to respond to the demand in the public consultation to reduce the complexity of these programmes.

The Programme will be simpler for the beneficiary. A number of measures will be introduced to facilitate access and use by potential beneficiaries. An example is that of their reporting obligations: given that those that benefit from the MEDIA programme are mostly small and micro-enterprises, it is absolutely essential to

reduce the amount of resources allocated to the administrative follow-up of projects without allowing the quality of the information provided to deteriorate.

The Commission regards these measures as the starting point for a clearer and simpler approach to an extremely complicated sector. This approach will still need to evolve. The introduction of new technology and technical innovations has to be taken into consideration, just like the changing structural, economic and cultural landscape of the audiovisual industry in general. The new programme should retain and build on flexibility; the European audiovisual sector is adapting to constantly changing parameters. The aim is to continue to build on the simplified procedures and new integrated approach to constantly evaluate and respond to changes that impact on the Programme.

5.2. Action envisaged and budget intervention arrangements

Pre-production

The programme will intervene upstream in the production chain in the field of improvement of professional skills and competencies and the development of audiovisual works.

In the field of the *acquisition and improvement of the skills and the competencies* in the audiovisual sector, the specific objectives of the programme are to:

- strengthen the professionals' skills and competencies in the development, production, distribution/exhibition and promotion sectors, in order to improve the quality of European audiovisual works.
- The programme supports in particular actions concerning:
- Script writing techniques, with the aim of increasing the quality of European audiovisual works and their potential circulation;

Operational objective: enable experienced script writers to improve their capacities to develop techniques based on traditional and interactive methods of writing.

Actions to be implemented: support the development and the implementation of training modules covering the identification of the target public, the edition and the development of scripts for an international public, the relationship between the script writer, the editor of the script, the producer and the distributor.

support distance learning and encourage exchanges and partnerships associating countries and regions with low audiovisual production capacity and/or with linguistic or geographically restricted areas.

- financial and commercial management of production, distribution and promotion of audiovisual works, with the aim of improving the development of European strategies from the development phase;

Operational objective: develop the capacity of professionals to understand and incorporate a European dimension into the fields of development, production, marketing, distribution/distribution and promotion of audiovisual programmes.

Actions to be implemented: support, in addition to the actions carried out by the Member States, the development and the update of training modules in management taking into account the European dimension.

support distance learning and encourage exchanges and partnerships associating countries and regions with low audiovisual production capacity and/or with a linguistic or geographically restricted area.

- inclusion upstream of digital technologies for production, post-production, distribution, and marketing and archiving of European audiovisual programmes.

Operational objective: develop the capacity for professionals to use digital technologies, in particular in the fields of production, post-production, distribution, marketing and archiving of European audiovisual programmes.

Actions to be implemented: support the development and implementation of modules of training in digital audiovisual technologies, in addition to the actions carried out by the Member States.

support distance learning and encourage exchanges and partnerships associating countries and regions with low audiovisual production capacity and/or with a linguistic or geographically restricted area.

- improve the European dimension of audiovisual training activities by:
- support for the networking and mobility of European training professionals, in particular:
- European film schools;
- training institutes;
- partners of the professional sector;

Operational objective: encourage exchanges between the institutions and/or existing activities of training.

Action to be implemented: encourage the programme beneficiaries to intensify the co-ordination of their activities of initial and further training in order to develop a European network.

- training for trainers;

Operational objective: Improve the skills and the exchange of best practices of trainers.

Action to be implemented: contribute to training for trainers.

- support for individual training maps

Operational objective: encourage mobility in Europe of cinema students.

Action to be implemented: mobility scholarships linked to a training project

- the adoption of co-ordination actions and of promotion of the projects supported.

Operational objective: promote co-ordination and projects supported by the programme.

Action to be implemented: contribute to the adoption of targeted actions of co-ordination and of promotion of the training activities supported by the programme.

- enable, through special scholarships, the professionals from the new Member States to take part in such projects.

Operational objective: facilitate the participation of national professionals from the new Member States to the projects supported by the programme.

Actions to be implemented: set up a grant mechanism.

In the sector of *development*, the specific objectives of the programme are to:

- support the development of production projects intended for the European and international market, submitted by independent production companies;

Operational objectives: support the development of European audiovisual works: drama, animation, multimedia and documentary;

encourage companies to produce quality projects with an international potential;

encourage companies to take digital technologies into account in the fields of production and distribution from the development phase;

encourage companies to elaborate international use, marketing and distribution strategies from the projects development phase.

enable small and medium-sized companies to access support for development and to adapt actions to their respective needs;

ensure complementarity with the actions supported by MEDIA in the field of the improvement of the skills and competencies of audiovisual sector professionals.

Actions to be implemented: support the development of audiovisual works projects or of project catalogues.

Establish a support scheme for the digitisation of productions accessible for independent producers or production companies.

- support the elaboration of sound financial plans and setting up of European production and co-production projects.

Operational objectives: encourage the development of sound financing plans by production companies for production of works of the following types: drama, animation, multimedia and documentary;

encourage the search for financial partners at European level to achieve the optimal financial synergy between public and private investors and include distribution strategies at the outset of production.

Action to be implemented: support the side costs of private financing of production and co-production projects presented by SMEs;

support financial companies active in the elaboration of investment plans for the development and co-production of audiovisual works with a potential for transnational circulation;

enhance co-operation with the national agencies in the form of an institutionalised exchange of monitoring tools as well as implementation of transparency practices in a European network.

The programme will ensure that adequate co-ordination and synergy between the two components of pre-production support is established and pursued.

Post-production

The programme will intervene downstream in the production chain, namely in the distribution and promotion phases.

In the sector of distribution and exhibition, the specific objectives of the programme are to:

Horizontal operational objective: promote the linguistic diversity of European audiovisual works distributed.

Action to be implemented: support dubbing and subtitling for distribution and the distribution, by all channels, of European audiovisual works, accessible for producers, distributors and broadcasters.

- strengthen European distribution by encouraging distributors to invest in the co-production, acquisition and promotion of non-national European films and to set up co-ordinated marketing strategies;

Operational objective n°1: encourage cinematographic distributors to invest in co-production, acquisition and promotion of non-national European films.

Actions to be implemented: establish a system of automatic support for European distributors, proportional to cinema admissions for non-national European films in the Member States taking part in the programme, subject to a ceiling by film and modulated by the country concerned.

The support thus generated should only be used by distributors for investment in:

- Non-national European film co-production;

- the acquisition of non-national European films;
- expenses of edition (copies, dubbing and subtitling), of promotion and of non-national European film publicity.

Operational objective n°2: encourage co-operation between European distributors for the adoption of common strategies on the European market.

Action to be implemented: establish a system of selective aid for non-national European film distribution intended for European distributor groupings and grant them direct aid when they exist on a permanent basis.

Operational objective n°3: encourage co-operation between distributors, producers and sale agents in order to set up international marketing strategies from the production phase of European audiovisual works.

Action to be implemented: establish a support system for the creation of a promotion kit of European cinematographic works (including a subtitled copy, an international sound track - music and effects - and promotion materials).

Operational objective n°4: encourage access to financing of SMEs for distribution and international sale of non-national European works.

Action to be implemented: support part of the financial expense, in insurance and in completion guarantees connected with the activities of distribution and/or of international sale such as: the acquisition of European film catalogues, the prospecting of new markets for these films, the constitution of permanent groupings of European distributors.

- improve the circulation of non-national European films on the European and international markets by incentive measures for their exportation, their distribution on any support and for their programming in cinemas;

Operational objective n°1: encourage cinematographic distributors to invest in appropriate edition and promotion costs for non-national European films.

Actions to be implemented: establish a selective support system to cinematographic distributors for promotion and European cinematographic work marketing outside their production territory. The selection criteria of the films will include provisions aiming to differentiate between the projects according to their origin and their budget category.

grant support to films of interest to the development of European cultural diversity, in particular in the form of aid for the release of a non-national European works catalogue over a given period.

Operational objective n°2: encourage the use of non-national European films on the European market, in particular by supporting the co-ordination of a cinema network.

Actions to be implemented: support cinema owners in programming a significant share of non-national European films in commercial cinemas for first release for a minimum defined duration. The support granted to each cinema will in particular be

determined according to the number of admissions for these cinemas for non-national European films over a reference period.

contribute to the development of actions for education and of young public awareness-raising in cinemas.

support the creation and the consolidation of a European cinema owners' network developing common actions for this type of programming.

Operational objective n°3: encourage international sales and the exportation of non-national European films in Europe and world-wide

Action to be implemented: establish a support system for European international distribution companies of cinematographic films (sale agents), established according to their performance on the market over a given period. Support thus generated will have to be invested by the international distributors in the expenses of acquisition and of promotion of new European works on the European and international markets.

- promote the transnational distribution of European audiovisual works produced by independent production companies by encouraging co-operation between broadcasters on the one hand, and independent producers and distributors on the other;

Operational objective n°1: encourage the distribution of non-national European audiovisual works coming from independent production companies.

Actions to be implemented: support independent producers to produce works (drama, documentary and animation) involving the participation of at least two broadcasters from several Member States, belonging to different linguistic areas. The selection criteria of the beneficiaries will include provisions aiming to differentiate between the projects according to their budget category.

grant support to audiovisual programmes of interest to the development of European cultural diversity and audiovisual heritage.

Operational objective n°2: facilitate access to financing for European independent production companies.

Action to be implemented: support part of the financial expense, of insurance and of completion guarantees connected with the production of work (drama, documentary and animation) involving the participation of at least two broadcasters from several Member States, belonging to different linguistic areas.

Operational objective n°3: encourage the international distribution of European television programmes.

Action to be implemented: establish a support system for European international distribution companies of audiovisual works (international distributors), determined according to their performance on the market over a given period. Support thus generated will have to be invested by the international distributors in the expenses of acquisition and promotion of new European works on the European and international markets.

- encourage the digitisation of European audiovisual works;

Operational objectives n°1: improve the distribution of non-national European works on digital support for private use (DVD), in particular by encouraging co-operation between editors for the creation of multilingual masters on a European scale;

encourage the use of digital technologies in European works (realisation of numerical masters suitable for being exploited by all the European distributors);

encourage particularly the editors to invest in appropriate promotion and distribution for non-national European audiovisual works;

support the multilingualism of European works (dubbing, subtitling and multilingual production).

Action to be implemented: establish an automatic support system to European cinematographic and audiovisual works editors on supports intended for private use (such as DVD, Dvd-Rom), given according to their performance on the market over a given period. Support thus generated will have to be invested by the editors in the expenses of edition and distribution of new non-national European works on digital support.

Support companies specialised in the digitisation of content

Operational objectives n°2: encourage on-line distribution of non-national European works through advanced distribution services and media (Internet, video-on-demand, pay-per-view);

encourage the adaptation of the European audiovisual programme industry to the developments of digital technology, in particular with regard to the advanced services of on-line distribution.

Action to be implemented: support European companies (on-line access suppliers, subject chains etc), by measures for the digitisation of works and for the creation of promotion and publicity material on digital support, to create European works catalogues in numerical format intended for use on the new media.

- encourage cinemas to exploit the possibilities offered by digital exhibition.

Operational objectives: encourage cinemas to invest in digital equipment, by facilitating access to credit by cinema owners.

Action to be implemented: support part of the financial expenses and of insurance costs incurred by the cinema owners for investment in digital equipment.

In the field of *promotion*, the specific objectives of the programme are to:

- improve the circulation of European audiovisual works by ensuring access for professionals to European and international audiovisual markets;

Operational objective n° 1: improve the conditions for professionals' access to trade events and to professional audiovisual markets, inside and outside Europe.

Action to be implemented: give technical and financial assistance within the framework of events such as:

- the principal European and international cinema markets;
- the principal European and international television markets;
- the thematic markets, in particular for cartoons, documentary, multimedia and new technologies.

Operational objective n° 2: encourage the constitution of European catalogues and the setting up of databases concerning European programme catalogues intended for professionals.

Action to be implemented: support the constitution of European catalogues and the setting up of databases concerning European programme catalogues intended for professionals

Operational objective n°3: encourage support for promotion from the pre-production or production phase.

Action to be implemented: support the organisation of forums for development, financing, co-production and distribution of European (or mainly European) works and programmes;

set up and launch marketing and sales promotion campaigns of European cinematographic and audiovisual programmes at the production phase

- to improve access to European audiovisual works for the European and international public;

Operational objectives: encourage audiovisual festivals to program a majority or significant share of European work;

prioritise festivals contributing to the promotion of works from Member States or regions with low audiovisual production capacity and of works of young Europeans, and enhancing cultural diversity and intercultural dialogue;

encourage initiatives for image education organised by festivals for a young public, in particular in close co-operation with schools and other institutions;

encourage professionals' initiatives, in particular of cinemas, public or commercial television networks, festivals and cultural institutions, aiming, in close co-operation with the Member States and the European Commission, to organise promotional activities intended for the general public for European cinematographic and audiovisual creation;

Actions to be implemented: support audiovisual festivals programming a majority or significant share of European works;

support festivals contributing to the promotion of works from the Member States or regions with low audiovisual production capacity and of works of young Europeans, and enhancing cultural diversity and intercultural dialogue;

support initiatives for image education organised by festivals for a young public, in particular in close co-operation with schools and other institutions;

support the setting up by professionals, in particular of cinemas, public or commercial television networks, festivals and cultural institutions, aiming, in close co-operation with the Member States and the European Commission, to organise promotional activities intended for the general public for European cinematographic and audiovisual creation;

support the organisation of events with broad media coverage such as prize awards.

- encourage common actions between national film and audiovisual programme promotion organisations;

Operational objectives: encourage networking and co-ordination of European common actions and projects.

Action to be implemented: support the creation of European promotion platforms;

support European groupings and umbrella organisations of national and/or regional promotion on the European markets and world-wide;

support the networking of festivals, in particular the exchange of programming and of expertise;

support the grouping of projects following identical, similar and/or complementary objectives;

support the setting up of networks of data bases and catalogues.

- encourage promotion of the European cinematographic and audiovisual heritage.

Operational objective: Facilitate the organisation of events, in particular for a young public, intended to promote the European cinematographic and audiovisual heritage.

Action to be implemented: support the organisation of events valorising the European cinematographic and audiovisual heritage.

Pilot projects

These have proved to be a success in responding to market evolutions resulting from the introduction of information and communication technologies. Whilst certain of the areas previously covered have now been introduced into the programme, this “test laboratory” remains vital to respond to changes. The new programme will focus on those areas considered by the sector as likely to be influenced by the use of new information and communication technologies. The results of the pilot projects will be

publicised widely in order to encourage the dissemination of best practices by means of conferences, and the organisation of events on-line and off-line.

5.3. Methods of implementation

The implementation mechanism will follow the general regulation for Community actions. It includes grants, scholarships and co-financing schemes, based on detailed financial requests. The Community fully finances services such as the organisation of expert panels, market studies, evaluation of projects and technical assistance. The financing will be awarded following calls for tender and calls for proposals.

The MEDIA Programme is implemented by the Commission, through its own services and an Executive Agency. At national level and in co-operation with national authorities MEDIA desks ensure the interface with the beneficiaries of the Programme.

The new programme will provide the legal basis for the expenditure required for monitoring the implementation of Community instruments of audiovisual policy. In particular, the new programme will pursue the existing participation of the Commission to the European Audiovisual Observatory. This co-operation will facilitate access to and dissemination of information among the operators of the sector and enhance transparency of practices in the production process.

6. FINANCIAL IMPACT

6.1. Total financial impact on Part B - (over the entire programming period)

6.1.1. Financial intervention

Commitments (in € million to three decimal places)

Breakdown	2007	2008	2009	2010	2011	2012	2013	Total
Action 1 Pre-production	31	33	40	45	51	56	62	318
Action 2 Post-production	54	58	70	81	93.5	100.5	109	566
Action 3 Pilot projects	6	6	7	7	8	8	9	51
Action 4 Horizontal issues	3.977	4.068	4.403	4.736	5.549	5.911	6.110	34.754
TOTAL	94.977	101.068	121.403	137.736	158.049	170.411	186.110	969.754

6.1.2. Technical and administrative assistance, support expenditure and IT expenditure (commitment appropriations)

	2007	2008	2009	2010	2011	2012	2013	Total
1) Technical and administrative assistance								
a) Contribution to the Executive agency	8.889	9.776	10.419	11.062	11.724	12.338	12.613	76.821

b) Other technical and administrative assistance:								
- intra muros:	0.094	0.095	0.097	0.099	0.101	0.103	0.105	0.694
- extra muros:	0.029	0.030	0.030	0.031	0.032	0.032	0.033	0.217
<i>of which for construction and maintenance of computerised management systems</i>								
Subtotal 1	9.012	9.901	10.546	11.192	11.857	12.473	12.751	77.732
2) Support expenditure								
a) Studies	0.562	0.573	0.584	0.596	0.608	0.620	0.633	4.176
b) Meetings of experts	0.189	0.193	0.197	0.200	0.205	0.209	0.213	1.406
c) Information and publications	0.260	0.265	0.270	0.276	0.281	0.287	0.293	1.932
Subtotal 2	1.011	1.031	1.051	1.072	1.094	1.116	1.139	7.514
TOTAL	10.023	10.932	11.597	12.264	12.951	13.589	13.890	85.246

These costs include the programme's contribution to the functioning costs of the Education and culture Executive agency, and notably the personnel costs to the agency for this programme. These costs correspond to an estimation of 81 people (statutory personnel at the agency and contractual agents) in 2007 and 106 people in 2013; the increase of personnel over the period results from the increase in the volume of activity entrusted to the agency, stemming from the increase in the budget allocated for the different activities for which it will be responsible for the management.

6.2. Calculation of costs by measure envisaged in Part B (over the entire programming period)

Commitments (in € million to three decimal places)

Breakdown	Type of outputs (projects)	Number of outputs (total for years 1...n)	Average unit cost	Total cost (total for years 1...n)
	1	2	3	4=(2X3)
<u>Action 1 Pre-production</u>				318.000
- Measure 1: Skills improvement		300	0.267	80.000
- Measure 2: Development		2615	0.091	238.000
<u>Action 2 Post-production</u>		-	-	566.000
- Measure 1: Distribution		-	-	461.000
Distribution (selective/automatic)		3000	0.090	270.000
TV Distribution		1000	0.096	96.000
Exhibition		1700	0.056	95.000
- Measure 2: Promotion		1500	0.070	105.000
<u>Action 3 Pilot projects</u>		50	1.020	51.000
<u>Action 4 Horizontal issues</u>				34.754
- Measure 1 : MEDIA Desks		28	1.000	28.000
- Measure 2 : EAO		1	0.350	2.500
- Measure 3 : Events		14	0.304	4.254
TOTAL COST				969.754

7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

7.1. Impact on human resources

The officials currently managing the existing programme will also be in charge of the management of the MEDIA 2007 Programme.

It is envisaged to further expand the human resources currently deployed on the management of the MEDIA Plus and MEDIA Training programmes. The rationale of that expansion is the new scope of the Programme, notably in respect of digital and financing measures. The estimation of expenses is based on an average for 2007-2013. In particular, the evolution of human resources takes into account the increase of operational credit for the programme, and increase from 19 to 21 officials from 2007 to 2013.

Types of post		Staff to be assigned to management of the action using existing and/or additional resources		Total	Description of tasks deriving from the action
		Number of permanent posts 2007 (2013)	Number of temporary posts		
Officials or temporary staff	A	8(10)		8(10)	Implementation of the programme.
	B	3(3)		3(3)	
	C	8(8)		8(8)	
Other human resources			2	2	2 DNEs
Total		19(21)	2	21(23)	

7.2. Overall financial impact of human resources

Type of human resources	Amount (€)	Method of calculation *
Officials: 19 (21)	2052.000 (2268.000)	108.000 x 19 (21)
Other human resources 2	90.000	45.000 x 2
Total	2142000 (2358000)	

The amounts are total expenditure for twelve months.

7.3. Other administrative expenditure deriving from the action

Budget line (number and heading)	Amount €	Method of calculation
Overall allocation (Title A7)		
A0701 – Missions	35.000	54 missions at 650€ per mission
A07031 – Compulsory committees ¹	258.000	25 Member State representatives for 860€ for 6 meetings per year.
A07040 – Conferences	200.000	
A0705 – Studies and consultations	50.000	-
Other expenditure (specify)	-	-
A07030 – Meetings	62.000	3 meetings per year of focus groups (1010€ for travel and per diem per person)
Information systems (A-5001/A-4300)		
Other expenditure - Part A (specify)		
Total	605.000	

The amounts are total expenditure for twelve months.

¹ Specify the type of committee and the group to which it belongs.

I.	Annual total (7.2 + 7.3)	2855000€
II.	Duration of action	7 years
III.	Total cost of action (I x II)	19985000€

The requirements for human and administrative resources expenditure will be met within the budget allocated to the Direction General responsible within the context of the annual allocation procedure. The allocation of posts will depend on the one hand on the internal organisation of the next Commission and on the other hand on a possible reallocation of posts among services as a result of the new financial perspectives.

8. FOLLOW-UP AND EVALUATION

8.1. Follow-up arrangements

The Commission monitors the most pertinent indicators throughout the implementation of the programme.

The indicators for the "improvement of professional skills" area of the programme are as follows:

Objectives	Indicators
Improve competencies in creative, management and technological skills	N° projects supported N° of participants in the projects supported N° of participants in training projects having projects developed in the development programme N° of co-productions initiated after training projects
Enhance a European dimension in the training projects	N° on non national participants N° of projects involved in the European network Continuation of the co-operation and professional contacts within the training projects supported
Encourage the participation of professionals from new countries	N° of participants from the newly entered countries N° of co-productions initiated after training projects Continuation of the co-operation and professional contacts initiated within the training projects supported

The indicators for the "development" area of the programme are as follows:

Objectives	Indicators
Support the development of works of animation, drama, documentary and	N° of projects supported Distribution per type of project supported

<p>multimedia with an international potential</p>	<p>N° of projects completed and produced</p> <p>Percentage of aid going in costs above the line, creative part</p> <p>Percentage of aid going in costs below the line, management part</p> <p>Geographical distribution of support</p> <p>N° of projects supported in international distribution</p> <p>Revenues of the projects produced that received development funding</p>
<p>Encourage the elaboration of sound financial plans for production including strategies of exploitation and marketing as well as strategies for financing</p>	<p>N° of companies supported</p> <p>N° of projects completed with co-production</p> <p>N° of projects completed with private finance</p> <p>Percentage of Community financing relative to overall financing</p> <p>Structure of financing of the projects in terms of sequence of investors joining the plan</p> <p>Recurrence of support for single projects</p> <p>Average turnover of the companies</p> <p>Revenues of the projects produced</p> <p>Percentage of development expenses relative to the final budget of the production</p> <p>Average number of employees of the companies receiving support</p>

The indicators for the "distribution" area of the programme are as follows:

Specific objectives	Indicators
Strengthen the European distribution sector	<p>N° of companies supported in their distribution activities</p> <p>Size of the companies supported</p> <p>N° of films distributed in Europe with Community financial support;</p> <p>Increase in reinvestments (in P&A and MG and co-productions)</p> <p>Percentage of the reinvestments going to P&A and MG and co-production</p> <p>Groupings of distributors created in Europe</p>
Improve the circulation of non-national European (NNE) films on European and international markets	<p>N° of films subtitled and dubbed</p> <p>N° of films circulated</p> <p>N° of admissions by non-national European films outside their national territory</p> <p>Audience share of NNE Film</p> <p>Share of the market in commercial cinemas</p> <p>Market share of the NNE film</p> <p>Market share of NNE films in cinema network supported</p> <p>N° of projects supported</p> <p>N° of promotional packages supported</p>
Promote the transnational distribution of audiovisual works produced by independent production companies	<p>N° of independent producers companies supported</p> <p>N° of works produced with private financing and its percentage</p> <p>N° of groupings created in order to get Community support</p> <p>N° of groupings continued after receiving Community support</p> <p>N° of works supported</p> <p>N° of countries sold to per work</p> <p>Revenues from the projects supported</p> <p>Number of works shown on TV at prime time</p>

Support the digitisation of European audiovisual works	N° of digital prints, disks DVD supported N° of subtitling and dubbing of works supported N° of films circulated by digital means N° of films edition from areas of restricted linguistic areas Size of the companies supported
Encourage cinemas to exploit the possibilities offered by digital exhibition	N° of cinemas investing in digital equipment

The indicators for the "promotion" area of the programme are as follows:

Objectives	Indicators
Promote the European audiovisual industry within the Union and abroad by facilitating participation at markets by professionals and encouraging common promotional actions at European level	N° of companies financed for their promotion by the Community N° of promotion organisation set up N° of companies that made use of the promotion projects set up by Community support N° of audiovisual markets attended by professionals Percentage of promotion budget in productions N° of films sold in Europe N° of films sold outside Europe Margins of revenues of the films sold relative to their costs Use of data bases set up within promotion actions
Ensure the widest promotion of the European cinematographic and audiovisual heritage in particular for a young public	N° of festivals supported N° of audience reached by these festivals N° of NNE Films shown in these festivals Promotion programmes on TV N° of promotion actions targeting young people

The Commission services will monitor the implementation of the programme at three levels. Firstly, the data collected through the European Audiovisual Observatory will enable the Commission services to follow the economic evolution of the European audiovisual sector and will provide an essential instrument to assess the relevance of the objectives of the programme with to the evolving needs of the sector. Secondly, the MEDIA Desks network will enable the Commission services to monitor the evolution of national markets and policies with a view of ensuring synergies between European action and national supports. Finally, the follow-up of individual contracts will ensure feedback from the beneficiaries on the effective implementation of the programme. In the context of this follow-up the Commission will consult, when necessary, the operators from the sector to ensure that the specific objectives and the implementation of the programme remain adapted to the evolution of the sector.

8.2. Arrangements and schedule for the planned evaluation

Details and frequency of planned evaluation:

The Commission will draw up two Programme evaluation reports based on an external independent evaluation, which will be communicated to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions.

Mid-term report: the first report will be drawn up three years after the start of the programme. The object of this report is to provide an initial assessment of the impact and effectiveness of the programme on the basis of the results obtained. Any changes or adjustments that are deemed necessary will be proposed by the Commission for the second half of the programme.

Final Report: the second report will be drawn up no later than 31st December 2015.

Furthermore, in the light of the experience acquired under the MEDIA II Programme, the Commission plans to continue its practice of auditing beneficiaries (around 30 per year) in order to check that Community funds are being used properly. The results of audits will form the subject of a written report.

Evaluation of the results obtained:

Information providing a measure of the performance, results and impact of the Programme will be taken from the following sources:

- statistical data compiled on the basis of the information from application dossiers and the monitoring of beneficiaries' contracts;
- audit reports on a sample of programme beneficiaries (30 per year);
- consultations with MEDIA Desks and Antennae and on national markets;
- consultations with experts and institutional bodies (national and international professional associations);
- consultations with audiovisual professionals and with specialist training bodies.

9. ANTI-FRAUD MEASURES

All the contracts, conventions and legal undertakings concluded between the Commission and the beneficiaries under the programme foresee the possibility of an audit at the premises of the beneficiary by the Commission's services or by the Court of Auditors, as well as the possibility of requiring the beneficiaries to provide all relevant documents and data concerning expenses relating to such contracts, conventions or legal undertakings up to 5 years after the contractual period. Beneficiaries are subject to the requirement to provide reports and financial accounts, which are analysed as to the eligibility of the costs and the content, in line with the rules on Community financing and taking account of contractual obligations, economic principles and good financial management.