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**Creative Europe - A new framework programme for the cultural and creative sectors
(2014-2020)**

1. Introduction

"Creative Europe", the new framework programme for the cultural and creative sectors (CCS) for the 2014-2020 Multi-Annual Financial Framework (MFF)¹, will bring together the current Culture, MEDIA and MEDIA Mundus programmes under a common framework and create an entirely new Facility to improve access to finance.

By specifically targeting the needs of the cultural and creative sectors aiming to operate beyond national borders, and with a strong link to the promotion of cultural and linguistic diversity, the programme will complement other European Union (EU) programmes such as structural fund support for investment in the cultural and creative sectors, heritage restoration, cultural infrastructure and services, digitisation funds for cultural heritage and the enlargement and external relations instruments. Member States support numerous cultural initiatives many of which fall under state aid rules.

For the 2014-2020 MFF, the Commission proposes a significant increase in the budget devoted to the cultural and creative sectors, a total of € 1.801 billion (current prices), a 37% increase on current spending levels. This increase is fully in line with the rationale and priorities of the Europe 2020 strategy and its flagship initiatives since investing in the cultural and creative sectors directly contributes to the Strategy's aim to promote smart, sustainable and inclusive growth. In 2008 the cultural and creative sectors contributed an estimated 4.5 % to EU GDP, and employed some 3.8% of Europe's workforce². Beyond this direct contribution to jobs and growth, these sectors trigger spill-overs in other areas such as tourism, content for ICT³ and provide benefits for education, social inclusion and social innovation. They are therefore particularly important as Europe seeks to emerge from the current economic crisis. However, despite higher than average growth rates in many countries in recent years, these sectors are facing particular challenges and difficulties. If they are to realise their potential for further growth, a coherent strategic approach to address such constraints and put the right enablers in place is required: this is the core aim of the Creative Europe proposal.

The new Programme will be a simple, easily recognisable and accessible gateway for European cultural and creative professionals, regardless of their artistic discipline, and it will offer scope for international activities within and outside of the EU.

In preparing the proposal, the Commission has consulted widely with interested parties. It has also drawn on the interim evaluations of the current programmes, and independent studies. In addition, it takes into account the feedback to the Commission's Green paper "Unlocking the potential of cultural and creative industries"⁴, as well as the recommendations made by experts in the context of the culture open method of coordination and structured dialogue with the sector over the period 2008-2010.

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, "A Budget for Europe 2020", COM(2011) 500 final, 29.6.2011

² "Building a Digital Economy: The importance of saving jobs in the EU's creative industries", TERA Consultants, March 2010

³ Commission Recommendation on the digitisation and online accessibility of cultural material and digital preservation, C(2011) 7579 final, 27.10.2011

⁴ Green Paper "Unlocking the potential of cultural and creative industries", COM(2010) 183; Commission Staff Working Document, "Analysis of the consultation launched by the Green Paper on "Unlocking the potential of cultural and creative industries", SEC(2011) 399 final, 24.03.2011

2. Learning from current programmes, meeting future needs

To ensure the best use of the new and increased budget, the new programme builds on the many achievements of the current programmes while addressing the main drawbacks identified by evaluations or through direct experience of managing the programme. It also proposes to create an entirely new Facility to improve access by the cultural and creative sectors to finance in order to respond to a need which was strongly identified in both independent research and consultations.

2.1. Achievements of the current programmes

The evaluation of current European Union programmes for the cultural and creative sectors shows that they have helped to strengthen the sector and to promote circulation of professionals and works of art, making a strong contribution to cultural and linguistic diversity.

In the case of the **Culture Programme**, with a small yearly average budget of € 57 million - the equivalent to the annual budgets of many single national opera houses/companies⁵ - EU spending is highly cost effective. It helps thousands of artists and cultural professionals – an estimated 20,000 each year - to develop international careers by improving their skills and knowhow through informal peer learning, and through creating new professional pathways.

It has provided thousands of cultural organisations – well over 1,000 organisations each year - with the possibility to work together across borders, to learn from good practice through partnerships with operators from other countries. It has enabled operators to co-produce, to network and discover new professional opportunities, and to make their work and outlook more international. This has had a positive, structuring effect on the sector and its capacity to address wider markets. It has helped the development of sectors and art forms, the creation of new works and performances, promoted access and participation, research and education in the field, as well as information, advice and practical support.

Thousands of works have been able to circulate, including some 500 translated literary works each year. Support from the programme is perceived as a quality label for cultural projects. Through the activities of the projects, many millions of citizens have been reached both directly and indirectly and enjoyed cultural works from other countries. The Programme has also contributed to developing a better evidence base for policy through studies which have fed into the work of the OMC. As projects are co-funded, mostly at a maximum rate of 50%, the Programme has leveraged a considerable amount of additional public and private investment.

Finally, the European Capitals of Culture, which receive an EU title and funding from the Programme (€1.5 million per Capital), have in some cases had an eight-fold leverage effect on generated revenue, triggered between €15 and 100 million worth of investment in their operational programmes and served as a catalyst for additional capital investment. They have typically reached millions of people, involved hundreds as volunteers and left a long-term

⁵ To put this into perspective, this € 57 million is also far below the level of the national public funding of arts and culture in the UK, FR, DE (respectively £ 590 million, € 7.5 billion, € 8.5 billion)

legacy for the cities in terms of improved skills, cultural capacity and vibrancy, infrastructure and image.

Regarding the **MEDIA Programmes**, with a relatively small annual budget of around € 100 million in a market worth 1000 times more, MEDIA has produced significant results thanks to focused actions optimising the cost-benefit ratio and leverage of the programme. Actions have focused on activities with a positive impact on EU competitiveness and on needs that are not addressed at national level, such as transnational distribution. Thanks at least partly to MEDIA support, the proportion of European films amongst all first time released films in European theatres grew from 36% in 1989 to 54% in 2009. The network Europa Cinema, comprising over 2,000 screens in mostly independent cinemas across 32 countries, representing 20% of all first-run screens in Europe, provides a broad and diverse offer of films, thereby promoting cultural diversity in 475 cities. Their quality programming has attracted 59 million admissions (against 30 million in 2000) representing 5.6% of total admissions in Europe (2.8% in 2000). The proportion of box office generated by non-national European films programmed in the network reaches 36%, against an average of 7-8% in Europe. European films account for 57% of admissions to Europa Cinema screenings, against a European average of 27.7%.

MEDIA strengthens the competitiveness of the sector through support for capacity-building such as training and development which helps to professionalise the sector and improve the quality of works. Some 1,800 professionals (producers, distributors, script-writers) are trained annually, enabling them to acquire relevant qualifications and skills and benefit from cross-border networking opportunities. Development support enables 400 quality European projects to be brought to market each year. The support to a portfolio of projects (slate funding) as opposed to purely single project support – provides financial solidity and a longer term perspective to production companies (often small under-capitalised SMEs), with important structuring effects on the industry.

Support to independent producers to produce specific genres of audiovisual works such as documentaries and animations for international television distribution has proven to be critical given the specific needs identified in these genres. Networking activities such as co-production forums, international market and training initiatives have resulted in a significant increase in transnational co-productions (from 26% of European films in 1989 to 34% in 2009). These films have a 2.3 times higher circulation potential than national films⁶. Networks such as EAVE, ACE, Cartoon, created with MEDIA support, now constitute the backbone of the European cinema industry.

The MEDIA Production Guarantee Fund, which was launched in 2010, facilitates access to private sources of finance uniquely for film producers via a guarantee mechanism that encourages banks to grant them credits by sharing the risk incurred. With a total budget of € 8 million for a four year duration, it is expected to generate over € 100 million in bank credits, thanks to the leverage effect of the guarantee mechanism. The Fund was opened to applications in May 2011 and has been accepted favourably by the film industry and banks, resulting in more than a dozen guarantees with a loan value of around €15 million in ten different member states.

However despite the achievements of the Culture and MEDIA Programmes, more needs to be done to unleash the full potential of these sectors, which are facing similar problems of

⁶ Source: European Audiovisual Observatory, 2008

market fragmentation, challenges from globalisation and the digital shift, shortage of comparable data, and lack of private finance.

2.2. Lessons learned for the future

The architecture of the new Programme has been designed taking into account the experience of its predecessors.

Culture Programme 2007-2013

Drawing lessons from current experience, the objectives proposed for the future Framework Programme will be adapted to the real needs of project promoters, including cultural and creative SMEs. They will also promote the job and growth potential of these sectors, while continuing to have a strong link to the promotion of cultural and linguistic diversity. Regarding the different actions under the programme, numerous improvements and simplifications will be introduced. The large number of calls and categories, which increase complexity and reduce transparency, will be reduced from 9 to 4. Actions lacking critical mass, a long-term perspective, or which are over-subscribed due to their design will be discontinued. However the new measures will in principle be open to operators currently addressed by the discontinued strands, subject to meeting the necessary conditions and criteria. Another simplification will be the discontinuation of operating grants, which have proven insufficiently result-oriented and complicated for applicants and beneficiaries. All future actions will use project grants, which are simpler and foster a longer-term approach. Concerning the international dimension, the current annual call with a changing country focus will be abandoned in favour of a greater opening of the programme to acceding, candidate and potential candidate countries, countries of the European neighbourhood area and of the European Economic Area (EEA), and the Programme will continue to be open for long-term bilateral or multilateral cooperation actions targeted at selected countries or regions on the basis of additional appropriations.

MEDIA 2007 Programme (2007-2013) and MEDIA Mundus Programme (2011-2013)

The extent of the current changes to the audiovisual landscape (in particular digitisation and globalisation) necessitates a close analysis of the current support mechanisms, to ensure their adaptation to the prevailing conditions (and indeed to enable them to evolve over time). A number of simplification opportunities have been identified both on a strategic and operational level. These will include: a focus on structuring actions with a maximum systemic impact; creation of a financial facility to progressively replace direct grants where possible; increasing the leverage of EU funds; streamlining of the international dimension previously covered in the separate MEDIA Mundus Programme within the single legal basis; a cross-cutting value chain approach which supports a number of film projects with high commercial and circulation potential ("champions") throughout the value chain, from training to distribution; transversal projects covering several segments and players of the value chain; and support to sales agents with broad market reach and a global market approach.

As regards the regional scope of MEDIA, access should be simplified and offer the possibility to participate to "the greater European audiovisual area", i.e. all acceding, candidate and potential candidate countries, countries of the European neighbourhood area and of the EEA. Certain projects will be open to third country participants. Those countries in return would pay a participation fee which reflects the importance of their respective audiovisual sectors,

following the example of Switzerland and Croatia who recently became members of MEDIA 2007.

A new Financial Facility

One serious problem facing the creative and cultural sectors which needs to be addressed, but cannot be tackled through grants, is the difficulty encountered by small cultural and creative enterprises and organisations in accessing finance.

While this is a problem for SMEs in general, the situation is significantly more difficult for the cultural and creative sectors for five reasons. Firstly, the intangible nature of many of their assets, such as copyright, are usually not reflected in accounts (unlike patents). Secondly, unlike other industrial products, CCS products are generally not mass-produced. Every book, opera, theatre play, film and video game is unique prototype and the companies tend to be project-based, whereas investment often needs to be longer term to become profitable. Thirdly, "investment" readiness in the sector is extremely low, since cultural and creative entrepreneurs often lack the business skills to market their projects to financial institutions. Fourthly, there is a related problem of "investor" readiness as financial institutions for their part lack knowledge of these sectors, often fail to understand the risk profiles and are not ready to invest in building up the expertise required. Finally, there is often a shortage of reliable data which limits the possibilities of SMEs in the sector to get credit funding, as financial institutions often rely on statistical evidence in their analysis of loan applications.

Small under-capitalised enterprises find it therefore very difficult to finance their activities and to grow and maintain their competitiveness. It is estimated that there is a funding gap of some €2.8 billion to €4.8 billion in terms of bank loans for these SMEs. The problem is more acute in some Member States than in others: well-developed expertise on the part of financial institutions is only to be found in a limited number of countries.

The programme will therefore set up for the first time a financial Facility for the cultural and creative sectors. It will be complementary to other EU facilities under the Structural Funds or the Competitiveness and Innovation Programme, which has a transversal approach and very limited impact on extending activities in sectors in which intermediaries (financial institutions) have little activity, such as the cultural and creative sectors. This Facility will provide strong European added value and enable valuable networking and peer learning. It will seek to achieve a systemic impact by increasing the number of financial institutions with expertise in the cultural and creative sectors, broadening their geographical spread and helping to leverage significant private investment. It will also seek to change behaviour among some parts of the sector by encouraging a shift from a mentality of grants to loans, strengthening their competitiveness while reducing reliance on public funding.

3. Key actions and priorities of the Programme

A single framework programme will be the most coherent and cost-effective solution for supporting the cultural and creative sectors and to help promote their important contribution at EU level. It offers the best basis to focus attention on the challenges currently facing these sectors and to target EU support on those measures that provide EU added value by helping them optimise their potential for economic growth, job creation and social inclusion. There will be significant benefits in terms of easier knowledge sharing and cross-fertilisation of ideas on common problems. In management terms, a single framework programme will bring

benefits in terms of streamlining, simplification and cost-efficiency, thanks to the merging of information points and committees, and fewer work programmes.

3.1. Architecture of the Creative Europe Programme

The design of the programme recognises the complexity and heterogeneity of the cultural and creative sectors, which include publically funded organisations, non-profit organisations as well as commercial enterprises. In addition, the various sub-sectors have very diverse value chains. For example, in most cultural sub-sectors the value chains are more interconnected than in the audiovisual industry (the main exception being the publishing and book retail chain and popular music production, distribution and retain chain), since the development, production, distribution and sale of a work and the related customer/audience relations are normally the responsibility of the producer of the work. This means that generic calls and actions for the entire programme would not be adapted to the needs of the different actors and would lack clarity and in some cases even generate confusion.

This is why the option of a framework programme has been chosen, comprised of three Strands:

- An Cross-sectoral Strand addressed to all cultural and creative sectors;
- A Culture Strand addressed to the cultural and creative sectors;
- A MEDIA Strand addressed to the audiovisual sector.

The indicative budgetary allocation will be 15 % for the Cross-sectoral Strand, 30 % for the Culture Strand and 55% for the MEDIA Strand.

The Culture and MEDIA Strands will be the successors to the existing Culture and MEDIA/MEDIA Mundus programmes. The new Cross-sectoral Strand will have two parts. The first will establish a Facility to improve the access of cultural and creative SMEs and organisations to finance by providing credit risk protection to financial intermediaries building portfolios of loans; it will also support capacity/expertise building to correctly analyse the relevant risks. The second part of this Strand will include measures for the support of: transnational policy cooperation and exchanges of experience between policy-makers and operators; new approaches to audience-building and business models; cultural and media literacy; and data collection including membership of the European Audiovisual Observatory. Funding will also be provided for the network of Creative Europe Desks (former Cultural Contact Points and MEDIA Desks). The measures under this second section are mostly covered by the current Culture and MEDIA programmes, but, given the cross-cutting elements, there are benefits – both in terms of knowledge transfer and administrative efficiency – to be gained from a joint, transversal approach.

3.2. Expected impact of the programme

The impact sought for the programme will be to strengthen the adaptation of the cultural and creative sectors to globalisation and the digital shift. Overall, the more targeted focus on transnational circulation of works should lead to higher level of circulation of works, more trade within the internal market, more international trade and increased revenues for the sector. In the **Culture Strand**, this will include a clearer focus on capacity-building and transnational circulation, including international touring, new European platforms with a

large-scale structuring effect, and more strategic packages of support for literary translation for publishing houses including promotional support.

The **MEDIA Strand** will increase resources for distribution, including increased and more focused funding for sales agents to allow for the emergence of stronger sales agents with higher buying and selling power on the international market. Strengthening support to Europe-based international co-production funds will boost co-production between European and non-European producers, increasing the number and improving the quality of the works, and thereby contributing to further opening international markets. Independent video games developers will benefit from new growth markets through facilitated access to funding. The result would be increased competitiveness of SMES, increased revenues, bigger market share, and widening the audience.

As well as increasing the global competitiveness of the European cultural and creative sectors and their scale, the Culture and MEDIA Strands will improve the offer of content available for consumers, with positive impacts on cultural diversity and European cultural identity. New direct and focused support to audience-building measures is expected to generate new audiences and thereby increase consumer demand, although the scale of this effect is uncertain and will require a long-term approach. By reaching previously excluded social groups, this could also have benefits for social cohesion. The benefits of increased demand would flow through the value chain to stimulate increased circulation of works, new revenue streams and to improve the competitiveness of the sectors.

By improving access to finance for the cultural and creative sectors through improved investment and investor readiness, **the new financial Facility** will increase the capacity of these sectors to attract private finance, strengthen their financial capacity and the commercial potential of works, thereby strengthening their competitiveness and opening up new opportunities for growth and employment. It will also lessen SMEs' dependence on public subsidies in some cases, while opening up new revenue streams in others.

The support for **transnational policy cooperation** will help to increase the availability of comparable data which will facilitate more effective evidence-based policy-making. This can strengthen national policy environments for the cultural and creative sectors and contribute to systemic change. The possibility to test and share experience and knowledge on new business models will contribute to helping the sectors adapt to the digital shift, bringing new employment and growth opportunities.

3.3. EU added value

EU intervention will aim to deliver systemic impact and to support policy development. In this respect the European added value will consist of:

- the transnational character of activities and their impact which will complement national, international and other EU programmes;
- the economies of scale and critical mass which EU support can foster, creating a leverage effect on additional funds;
- transnational cooperation can stimulate more comprehensive, rapid and effective responses to global challenges and have long-term systemic effects on the sector;

- ensuring a more level playing field in the European cultural and creative sectors by taking account of low production capacity countries and/or countries or regions with a restricted geographical and linguistic area.

4. Key aspects of programme implementation

4.1. Management mode

The vast majority of grants under the Culture and MEDIA Strands will continue to be managed through the Executive Agency for Education, Audiovisual and Culture (EACEA) through calls for proposals. As confirmed by various evaluations this has proved to be a cost-effective management mode for cross-border projects. A network of information points (the current Cultural Contact Points and MEDIA Desks) will continue to provide information and advice on applying under the programme. They will not redistribute funds.

Some aspects of the programme will be managed directly by the Commission, notably the special actions, including prizes, cooperation with international institutions including international audiovisual co-production funds, and the funding for the European Capitals of Culture and the European Heritage Label.

Management of the cultural and creative sector financial Facility will be mandated to a third party financial institution, most likely the European Investment Fund (EIF) due to the nature of the expertise required for the running of such an facility.

4.2. Budget distribution

The programme committee will assist in the preparation of the annual work programme. In line with the current practice, after consultation of the Committee, more detailed calls for proposals will be issued specifying the exact criteria, deliverables, target publics, planned budgets.

4.3. Simplification

A considerable number of simplifications were already introduced for the management of the current Culture and MEDIA programmes. However further improvements will be introduced in Creative Europe.

As stated earlier, the number of calls for proposals managed by the EACEA under the Culture Strand will be reduced from 9 to 4. Greater use will be made in general of flat rates, more grant decisions and framework partnership agreements, electronic application and reporting for all actions, and an electronic portal to reduce paperwork for applicants and beneficiaries.

Another significant simplification measure will be the merging of the two information networks to reap economies of scale, greater transparency for the public by having only one EU entry point, and a higher quality service.

The establishment of a single Programme Committee would also contribute to a more cost-effective and lean management of the programme, not only via savings in implementation costs but also through more effectiveness resulting from stronger synergies among relevant policies and sectors.

The financial Facility will lead to improved use of EU funds through the financial leverage it will generate and its re-use of revolving funds, which will offer the Commission greater efficiency than traditional grants to beneficiaries.

In preparing the proposal for the new programme, the Commission has consulted widely. It will continue to engage with these stakeholders, and above all with Member States and the European Parliament to take forward this new vision and strategy for the cultural and creative sectors in Europe.