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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENTS

Accompanying the document

REGULATION OF THE EUROPEAN PARLIAMENT AND THE COUNCIL
establishing a Creative Europe Framework Programme

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1. INTRODUCTION

This document accompanies three separate impact assessments which examine the options for future EU funding support for the cultural and creative sectors (CCS). It outlines the main conclusions of the three impact assessments and describes the preferred option, as well as the delivery and monitoring mechanisms. Full details are provided in the individual impact assessments. These impact assessments conclude that the option of seeking synergies between the audiovisual sector (the current MEDIA and MEDIA Mundus programmes) and the cultural and creative sectors (the current Culture Programme) within a Creative Europe framework programme would have advantages compared to all other options considered. As proposed in the Commission's Multiannual Financial Framework a budget of €1.6 billion (constant prices) will be attributed to the programme for the seven year duration.

The impact assessment reports are the result of a two year preparation process beginning with the interim evaluations of the current programmes. Taking into account the need to improve and simplify delivery, the possibility of reaching greater synergies between these different areas through merging programmes was also explored as part of this process. The impact assessments draw considerably on the findings of the interim evaluations of the Culture and MEDIA programmes, and the on-line consultations and public meetings on future funding for the cultural and creative sectors. In addition, they take into account feedback to the Commission's Green Paper 'Unlocking the potential of the cultural and creative industries'¹, various independent studies conducted for the Commission in recent years, as well as the recommendations made by experts in the context of the culture Open Method of Coordination (OMC) and structured dialogue with the sector over the period 2008-2010. The impact assessments have also made use of external expertise to assist with establishing the problem definition, the formulation of the objectives, and the analysis and comparison of options. The draft Commission Staff working Papers on the Impact Assessments were discussed in the respective inter-service groups for Culture and MEDIA.

Current EU support for these sectors takes place through separate programmes, namely Culture, MEDIA (which includes since the end of 2010 the MEDIA Production Guarantee Fund), and MEDIA Mundus. Separate impact assessments have been prepared to assess the appropriate follow up for EU funding for the cultural and creative sectors beyond 2013. Due to similarities in their objectives and action lines, the current MEDIA and MEDIA Mundus are addressed in a single impact assessment. The MEDIA Production Guarantee Fund is dealt with separately, since the complexity of the subject and its broader scope merited an individual impact assessment.

2. JUSTIFICATION OF EU INTERVENTION

The justification of EU intervention in these fields can be found in the legal base and in the EU added value to be gained.

Legal base

¹ Green Paper 'Unlocking the potential of the cultural and creative industries', COM92010) 183; Commission Staff Working Document, 'Analysis of the consultation launched by the Green Paper on 'Unlocking the potential of the cultural and creative industries', SEC(2011) 399 final, 24.03.2011

EU action in the field of the cultural and creative sectors will be based on Article 167 (Culture) and 173 (Industry) of the Treaty on the Functioning of the European Union. The EU's right to act is also recalled in Article 3(3) of the Treaty on European Union, which recognises that the internal market and economic growth must be accompanied by respect for the EU's cultural and linguistic diversity and Article 22 of the EU Charter for Fundamental Rights which states that the Union shall respect cultural and linguistic diversity. The Union's mandate is recognised in international law, in the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions, which is part of the *acquis communautaire*.

EU added value

EU intervention should aim to deliver systemic impact and to support policy development. In this respect the European added value of the new EU instrument to support the cultural and creative sectors is the following:

- The transnational character of its activities and the impact of the outputs it will help develop in contrast to national funding schemes which tend to focus on national activities;
- The way it will complement national, international and other EU programmes;
- The economies of scale and critical mass which EU support can foster, for example through transnational cooperation projects and a shared financial facility for the cultural and creative sectors in contrast to fragmented national schemes with incomplete coverage;
- The leverage effect on additional funds;
- The way it can incentivise and stimulate long-term systemic effects on the sector in order to adapt to global challenges more rapidly.

3. PERFORMANCE OF THE CURRENT PROGRAMMES

The evaluation of current EU programmes for the cultural and creative sectors² show 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/companies³ - EU spending is highly cost effective. The evaluation concludes that 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

² http://ec.europa.eu/dgs/education_culture/evalreports/index_en.htm

³ 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, € 1.1 billion).

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.

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 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, the evaluation confirms that 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%.

According to the evaluation results 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 films⁴. Networks such as EAVE, ACE, Cartoon, created with MEDIA support, now constitute the backbone of the European cinema industry.

No evaluation has been carried out on the MEDIA Production Guarantee Fund⁵ yet, as it was launched only in 2010. 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 about ten different member states.

4. PROBLEM DESCRIPTION

The impact assessments refer to the European Competitiveness Report 2010⁶ and they recognise the growing importance of the cultural and creative sectors (CCS) in contributing to economic growth, job creation and strengthening social cohesion and inclusion. It is estimated that the cultural and creative sectors account for approximately 4.5% of the Union's GDP in 2008 and employ some 3.8% of its workforce.⁷ Beyond their direct contribution to GDP, these sectors trigger spill-overs in other economic and social areas such as tourism, fuelling content for ICT, benefits for education, social inclusion and social innovation. However, despite witnessing higher than average growth rates in many countries in recent years, these sectors are facing various common problems, and there is a potential for further growth in the future if a coherent strategic approach is followed and the right enablers are put in place at EU, national and regional levels.

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.

The impact assessments for Culture and MEDIA identify **four common problems** facing the cultural and creative sectors which will need to be addressed at EU level in order to reach the desired impacts. The first is the **fragmented market** context stemming from Europe's cultural and linguistic diversity, which results in these sectors being essentially fragmented along national and linguistic lines and lacking critical mass. At present this leads to sub-optimal transnational circulation of works and mobility of artists and professionals, as well as geographical imbalances. It also limits consumer choice and access to European cultural works. The second is the need for the sectors to adapt to the **impact of globalisation and the digital shift**. Globalisation has a tendency to increase the concentration of supply among a limited number of major players, posing a threat to cultural and linguistic diversity. The digital shift is having a massive impact on how cultural goods are made, managed, disseminated, accessed, consumed and monetised, presenting both opportunities and challenges, and the sector would benefit from transnational approaches and solutions. The

⁴ Source: European Audiovisual Observatory, 2008.

⁵ The MEDIA Production Guarantee Fund 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.

⁶ European Competitiveness Report 2010, Commission staff working document, COM (2010), 614

⁷ Building a Digital Economy: The importance of saving jobs in the EU's creative industries, TERA Consultants, March 2010.

third is the **shortage of comparable data** on the cultural sector at European and national levels. This has consequences for European policy coordination, which can be a useful driver for national policy developments and systemic change at low cost for the EU budget and in full respect of the principle of subsidiarity. The fourth is the **difficulties faced by cultural and creative SME in accessing finance**. This is due to the intangible nature of many of their assets, such as copyright, which are usually not reflected in accounts (unlike patents). It is also due to the fact that unlike other industrial projects, cultural works are generally not mass-produced, with every book, opera, theatre play, film and videogame being a unique prototype and companies tending to be project-based.

5. OBJECTIVES OF THE FUTURE PROGRAMME

In response to the identified problems in section 3, the impact assessments identify the needs which should be targeted at EU level, and which can be served by identical general and specific objectives. In terms of **general objectives**, there is a need to foster the safeguarding and promotion of European cultural and linguistic diversity, and strengthen the competitiveness of the cultural and creative sectors, with a view to promoting smart, sustainable and inclusive growth, in line with the Europe 2020 strategy. In terms of **specific objectives**, there is a need to strengthen the capacity of the cultural and creative sectors to operate transnationally; to promote the transnational circulation of cultural and creative works and operators and reach new audiences in Europe and beyond; to strengthen the financial capacity of the cultural and creative sectors; and to strengthen transnational policy cooperation in order to foster policy development, innovation, audience building and new business models. The **priorities** of the MEDIA and Culture Strands and the Cultural and Creative Sector Financial Facility are outlined in their respective impact assessments.

6. OPTIONS

Concerning the Culture, MEDIA, and MEDIA Mundus programmes, all options suggested by stakeholders, external experts, institutions, etc. were collected and screened. The option proposing the "Merging of the Culture, MEDIA and MEDIA Mundus Programmes" into a single transversal programme to cover the cultural and creative sectors as a whole with common calls for proposals was discarded due to the fact that although the different cultural sectors have many similarities, including in terms of the problems they are facing, the value chains and needs of beneficiaries are nevertheless too heterogeneous for harmonised calls and instruments.

The Culture and MEDIA/MEDIA Mundus impact assessments analyse various options for reaching the objectives, including the discontinuation of the programmes, the maintenance of the current programmes (the "baseline"), significantly revised programmes, and a merger creating a framework programme, with differentiation between the culture and audiovisual sectors, that could accommodate the needs of the various sub-sectors more appropriately than a full merger.

The definition of options for a financial facility for SMEs in the cultural and creative sectors included investigating the feasibility of different types of mechanisms, as the most appropriate type of funding for SMEs depends on a number of factors such as the type of SME, the availability of debt or equity finance, the cost of capital or the willingness to share the business with other investors. This exercise also involved various stakeholders, experts, professionals and financial institutions.

On the basis of extensive consultations and the analysis the options of creating a standalone financial facility, creating an equity financial facility and creating a facility for microfinance and microenterprises were discarded. It was seen as more appropriate and effective to focus on a debt instrument which would be placed within a larger cross-policy instrument and an investment readiness programme for private investors and cultural and creative sector professionals that would either be managed by the EIF and/or the Commission itself.

The impact assessment of this financial facility considers three options, namely 'No change' (the baseline), 'No action' (the 'no financial facility' option), and a third option of 'Setting up a Cultural and Creative Sector Guarantee Facility'. Additionally, option three is further divided into two sub-options; a) a capped guarantee instrument or b) an uncapped guarantee instrument. The IA analyses and compares the sub-options and its conclusion is that sub-option a) would be more feasible and efficient. The IA furthermore concludes that provided that certain criteria are fulfilled, sub-option a) should be incorporated within the framework of a larger financial facility (most likely managed by either DG RTD or DG ENTR).

7. ANALYSIS OF IMPACTS

The individual impact assessments provide a detailed overview of the considered options and their comparison. Regarding the economic, social and environmental impacts, the MEDIA and Culture Strands' impact assessments conclude that the discontinuation or baseline options would not be desirable, as these would not contribute to sufficient focus on addressing current problems facing the sectors, nor on the reaching of objectives set out in the EU 2020 strategy. The CCSFI impact assessment considers that the greatest impact can be achieved through the option of 'Setting up a Cultural and Creative Sector Guarantee Facility'.

In terms of **economic impacts** the assessments conclude that the Creative Europe programme will aim to strengthen the sectors' adaptation to globalisation and the digital shift, including by helping with the development of audience-building, new business models and revenue streams, and that it will stimulate transnational circulation of cultural works (including audiovisual works), and improve the sectors' capacity to operate internationally, contributing to economic growth and employment and the sectors' overall competitive potential. The economic impacts would not differ considerably between the revised programme and merger option.

With regard to the **social impacts** the assessments conclude that the programme will deliver employment benefits, by strengthening the sectors' capacity and supporting SMEs and their adaptation to the digital shift. A stronger focus on audience building measures in the options for a revised programme and the merger option may be expected to increase consumer demand. This will not only influence the sectors' revenue potential, it would also offer educational benefits and reach out to the socially excluded. The impacts would be greater under the merger option (option 4) than under the revised programme option (option 3).

Concerning the **environmental impacts**, it is noted that the programme may have some impacts related to mobility, transport and production processes. However, it is noted that these effects would not be greater than at present and relatively small. These effects could be counterbalanced by the emphasis the programme would place on adapting to the digital shift, which can enable greater audiences to be reached without physical travel. Here again the most positive impact could be achieved under the merged programme.

Concerning **fundamental rights**, the explicit focus in the general objective to foster the safeguarding and promotion of cultural and linguistic diversity means that the programme will make a direct contribution.

8. COMPARISON OF OPTIONS

8.1 Comparison of options

The comparison of the options presented in the impact assessments is based on a multi-criteria analysis, which includes the following criteria: effectiveness in terms of achieving the objectives, efficiency, cost-effectiveness (result per Euro spent), and coherence. Under coherence, both the coherence between the option and the objectives to be reached (internal) and the coherence with and relevance to overall EU policy and strategies (external) have been assessed.

With regard to cost-effectiveness, it is assumed that a framework programme would be more cost-effective because the programme strands and cultural and creative sector financial facility would be clearer and more focused in terms of targeted results, leading to greater systemic and structuring impact, including through rationalisation of instruments, which would reduce the administrative costs per euro spent.

8.2 The identified preferred option

The further analysis of efficiency and effectiveness clearly showed that a merged framework programme could produce important benefits. The impact assessments therefore conclude that a **single framework programme** would have several advantages over all the other options. The first is that it can bring **greater policy synergies** as the different cultural sectors are generally considered collectively in the context of broader policy discussions on the cultural and creative sectors, including their contribution to the Europe 2020 strategy. The second is that a single programme would make it easier to achieve **knowledge transfer and cross-fertilisation** between sectors. The third advantage is that it can contribute to **simplifying the management** of these programmes. It would, for example, permit the establishment of single information/access points, thereby improving visibility, facilitating the access of citizens to information on EU funding, and helping to ensure the best possible service to operators. The fourth is that these **simplifications** would also enable some reduction in the **administrative burden** for both the Commission and Member States. Simplifications will be made to the delivery mechanisms through greater use of flat rates, grant decisions and framework partnership agreements, electronic applications and reporting, and an electronic portal to reduce paperwork for applicants and beneficiaries. Similarly, the transversal strand would enable some **savings through economies of scale** in cross-cutting areas. The fifth is that within this single programme a transversal **Cultural and Creative Sector Financial Facility** could be included in order to increase access to (private) funding.

9. DESCRIPTION OF THE PREFERRED OPTION

The impact assessments for Culture and MEDIA propose the continuation of EU funding for the cultural and creative sectors, however, they conclude that EU support for the cultural sectors would be more effective if it were re-designed, by bringing together the various programmes into a single framework programme, entitled "Creative Europe".

This preferred option would be the most coherent and cost-effective and respond to the growing recognition at EU level of the importance of the cultural and creative sectors. Of the considered options, this option would offer the best basis for a common EU strategy to focus attention on the challenges currently facing these sectors and target EU support on those measures that provide EU added value by helping the sectors to optimise their potential for economic growth, job creation and social inclusion.

The "Creative Europe" framework programme would be clearly linked to the Europe 2020 strategy and seek to optimise the contribution of the cultural and creative sectors to its goals. The proposal is in line with the Communication of the Commission on the Multiannual Financial Framework adopted on 29 June 2011 ("A Budget for Europe 2020"), which indicated that synergies would be brought into the culture related programmes of the European Union and that EU funding should be concentrated on areas where it delivers high EU added value. It proposes to attribute a sum of €1.6 billion to the programme for the seven year duration.

The programme would comprise three strands, one of which would include a new financial facility. Two of the strands would be the successors to the existing Culture and MEDIA/MEDIA Mundus programmes, with the latter targeting the audiovisual sector and the Culture strand aimed at all the other cultural sectors. In addition, there would be a cross-sectoral strand, which would support cross-cutting elements such as policy development, piloting, cultural and media literacy, and the information points. This is addressed within the impact assessments for Culture and MEDIA. The new financial facility would facilitate the access of cultural and creative SME to finance by providing credit risk protection to financial intermediaries building portfolios of loans, along with providing them with the necessary capacity/expertise building to correctly analyse the relevant risks.

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 annual calls for proposals published in a stable Programme Guide. 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 Culture Contact Points and MEDIA Desks) will continue to provide information and advice on applying under the programme. They will not redistribute funds. As mentioned above, some savings will be made by proposing merged information points for the entire programme. They will continue to be co-funded at a maximum rate of 50% with Member States co-funding the rest. The various simplifications introduced under the current programmes will be continued and some further ones sought.

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 instrument, while the management from the Commission's side would most likely be in the hands of the Directorate General for Education and Culture, but with close cooperation with other Commission departments, including the Directorate General for Economic and Financial Affairs.

10. MONITORING AND EVALUATION

Monitoring and evaluation will be a **core element** of a future programme which will emphasise EU added value and performance. The Commission will therefore regularly monitor and evaluate the performance and results against the objectives.

Regarding monitoring, an annual activity report will be published, including both statistics and qualitative assessment.

In addition to the continuous monitoring, the Commission will arrange for regular independent external evaluations regarding the strands and financial facility in order to assess the effectiveness and efficiency of the programme. The evaluations will also contribute to the assessment of the programme's EU added value and contribution towards the general and specific objectives.

The Commission's intention is to use a single interim evaluation, which would also serve as a final evaluation for the previous programme. In order to enable the results of the interim evaluation to be taken into account for decisions on renewing, modifying or discontinuing the successor programme in the future, it should be conducted before the end of 2017.

All external evaluations should be conducted by independent, impartial bodies. The methodological approach taken to evaluation would need to be determined at the time and in light of prevailing European Commission guidance.

The indicative performance indicators relating to the general and specific objectives are to be found in the individual impact assessment reports for the components of the Creative Europe programme.