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EUROPEAN COMMISSION

Brussels, 20.12.2010  
COM(2010) 777 final

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE  
COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE  
COMMITTEE OF THE REGIONS**

**Interim evaluation report on the MEDIA 2007 programme**

# **REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS**

## **Interim evaluation report on the MEDIA 2007 programme**

### **1. INTRODUCTION**

The aim of this report is to provide an interim evaluation of the MEDIA 2007 programme. In accordance with Article 14(2) of Decision No 1718/2006/EC of the European Parliament and of the Council of 15 November 2006 concerning the implementation of a programme of support for the European audiovisual sector (MEDIA 2007)<sup>1</sup>, it presents the interim evaluation of the results and the qualitative and quantitative aspects of implementing the programme.

Furthermore, Article 19 requires that monitoring and evaluation of the European Union's participation in the European Audiovisual Observatory be carried out within the framework of monitoring and evaluation of the MEDIA programme in accordance with Article 14.

This report sets out the main results obtained over the past three years of implementation and the recommendations for possible adjustments. It covers the period from 1 January 2007 to 31 December 2009 and is based on the conclusions of the interim evaluation by the Euréval – Media Consulting Group (MCG)<sup>2</sup> consortium.

### **2. THE MEDIA PROGRAMME**

Since the adoption by the European Parliament and the Council of the MEDIA I programme in 1991, a coherent, long-term financial intervention policy has been pursued to allow the European audiovisual industry to benefit from an EU-wide market. This policy continued with the MEDIA II programme, followed by MEDIA Plus and MEDIA Training (2001-2006).

In compliance with the principles of subsidiarity and complementarity, Community action is taken both upstream and downstream of production, leaving responsibility for supporting production to the national authorities. The programme therefore fosters training for professionals, development, distribution and the promotion of works.

The MEDIA 2007 programme, with a budget of 755 million euros for a duration of seven years (2007-13) has three global objectives:

- preserving and enhancing European cultural diversity and its cinematographic and audiovisual heritage, guaranteeing its accessibility to European citizens and promoting intercultural dialogue;

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<sup>1</sup> OJ L 327, 24.11.2006.

<sup>2</sup> The full text of the interim evaluation report is available at:  
[http://ec.europa.eu/dgs/education\\_culture/evalreports/index\\_en.htm#cultureHeader](http://ec.europa.eu/dgs/education_culture/evalreports/index_en.htm#cultureHeader).

- increasing the circulation of European audiovisual works inside and outside the European Union;
- strengthening the competitiveness of the European audiovisual sector in the framework of an open and competitive market.

The following priorities have been established in the various fields of support:

- fostering creativity in the audiovisual sector and the value of Europe's cinematographic and audiovisual heritage;
- strengthening the production structure of the European audiovisual sector, particularly SMEs;
- 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;
- monitoring and supporting developments in the market with regard to digitisation.

### **What is new about MEDIA 2007**

MEDIA 2007 has brought about a general simplification of its administrative procedures, and introduced a clause of proportionality into the financial and administrative rules. The aim is to reduce the administrative burden and make it proportionate to the subsidy and to the type of beneficiaries. Long-term partnerships have also been established in training, promotion and the venue network.

The majority of action lines (except for support for Distribution in VHS and DVD format) have been maintained. In order to adapt to changes in the needs of industry, MEDIA 2007 intervenes in new fields such as initial training, the development of interactive works, video-on-demand (VOD) and digital cinematographic distribution (DCD), Web communities and open media.

The MEDIA programmes are subject to an ongoing evaluation process. Following an *ex ante* evaluation in 1998 and two interim evaluations, the MEDIA Plus and MEDIA Training programmes underwent final evaluation covering the period 2000-2006. These evaluations confirmed the relevance and effectiveness of the programme, and recommended that it be continued. An impact study including the *ex ante* evaluation elements had also been carried out in 2004 with a view to preparing for the MEDIA 2007 programme.

## **3. INTERIM EVALUATION OF MEDIA 2007**

### **3.1. Presentation**

The EUREVAL – MCG consortium was selected to carry out the evaluation under the framework contract with the Commission<sup>3</sup>. The exercise started after only two years of programme implementation, which means that few projects had been completed and that most were only in the initial stage of implementation.

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<sup>3</sup> Framework contract INFSO/SMART 2007/0035 Lot 1.

The evaluation therefore focused essentially on matters of efficiency, effectiveness and relevance. For instance, it looked at the capacity of the programme to produce results based on the resources used, and the links between these results and the programme's objectives. It also looked at the relevance of the initial objectives in relation to sector needs and proposed future adjustments.

The results of the evaluation will provide a basis for the Communication on the continuation of the programme, to be presented before the end of 2010 in accordance with Article 14(2)(b) of the MEDIA 2007 Decision, and for the impact study to be carried out with a view to renewing the programme after 2013.

### **3.2. Objectives of the evaluation**

The general objective was to provide an external, independent judgment of the results and the qualitative and quantitative aspects of the programme over the period 2007-2009. To this end, the specific objectives were defined as follows:

- to measure the relevance of the objectives in relation to the needs of the European audiovisual industry and the European added value of the programme;
- to measure the efficiency of its implementation and the effectiveness of its results in view of the general objectives;
- to propose adjustments and make recommendations for the continuing implementation of the programme;
- to analyse changes in the needs of the sector and to evaluate in particular the new actions introduced in 2007.

### **3.3. Methodology**

Evaluation started in September 2009 and ended in May 2010. The collection of statistical and documentary data was supplemented by interviews with the officials responsible for the programme in the Commission and in the Education, Audiovisual and Culture Executive Agency (EACEA). The evaluator also conducted a broad survey of organisations which had applied for MEDIA support, and of the MEDIA Desks in all the Member States. It was therefore possible to poll the opinions of more than 550 people. The evaluator then carried out an in-depth analysis of these data in order to answer the evaluation questions, following a triangulation process which involved cross-referencing all the data collected. Each observation presented in the report therefore comes from a number of sources, unless otherwise specified.

## **4. TECHNOLOGICAL, ECONOMIC AND LEGAL CONTEXT**

Today, public policies in the film industry and the audiovisual sector must deal with major challenges linked to technological change and its consequences on consumption patterns, economic models and the value chain.

#### **4.1. Technological change**

These transformations stem in part from the spread of high-speed internet in Europe. Television, once a linear medium, is now becoming a non-linear platform which allows viewers to choose programme content and the time at which to watch it (catch-up TV, IPTV, Web TV). Internet likewise acts as a distribution platform through video-on-demand (VOD). Mobile phones are also involved in these changes and serve as distribution platforms for audiovisual content.

In terms of distribution methods, new projection possibilities now exist for cinema, which is traditionally linked to a geographical location (the auditorium), as 35 mm copies are progressively replaced by digital copies. Programming is likely to become more flexible and digital technology can also play a revitalising role thanks to the introduction of the 3-D film-show. High-definition DVDs recently entered the European market, although it is not yet certain that they will be able to absorb the emerging technology and transform it into a lasting asset so as to maintain their presence on the supply chain.

#### **4.2. Changes in consumption patterns**

Viewers' habits have changed in line with technological innovations. Audiovisual content can easily be personalised, saved and transported. Today, we are living in a multiplatform environment created by the interconnection of various media. Furthermore, the portability of content makes the physical environment more of an opportunity than a constraint. Nowadays, works can circulate more easily from one medium to another and from one territory to another.

#### **4.3. Economic models**

From an economic viewpoint, change is gradual, with varying effects on the markets, depending on the sector and the country. The change in economic models can be seen in the relationship between television and cinema. For 30 years, national Hertzian television played a vital role in financing European cinema. Today, due to the dramatic drop in advertising revenue from television channels, the value of cinema on these channels is stagnating as films continue to migrate to digital and pay-TV film channels.

#### **4.4. Managing rights**

The European audiovisual industry is also confronted with the issue of managing rights, which became a priority due to the entry on the market of new players in the fields of production and distribution. In terms of rights management, "cannibalisation" effects appear along the value chain. In the long term, some observers foresee the simplification of the value chain, to the point of comprising no more than two large segments: private consumption and public consumption in cinemas.

### **5. THE PROGRAMME IN FACTS AND FIGURES**

Over 5 000 projects were supported by MEDIA 2007 over the first three years of implementation. European co-financing for these projects amounts to around EUR 296 million, i.e. 39% of the programme budget over the entire period.

More than 3 000 organisations applied for support from the MEDIA 2007 programme over the first three years (compared with less than 2 000 over the entire MEDIA Plus programme period) and more than 1 400 organisations were selected. The number of applications for support from organisations in the new Member States increased slightly under the MEDIA 2007 programme. The organisations selected by MEDIA 2007 are producers (56%), distributors (31%) and promoters (11%). They are usually very small companies (66% have a turnover of less than EUR 1.5 million, 80% have a turnover of less than EUR 4 million). Beneficiaries of MEDIA 2007 are located all over Europe (98 out of 105 regions).

The five largest countries (Germany, Spain, France, Italy, United Kingdom) receive almost two thirds of the amounts committed by MEDIA, in proportion to the relative importance of these markets in Europe. The ten other EU-15 countries together with Switzerland, Iceland and Norway receive on average 25% of the amounts committed, but this share is diminishing. The share of the "new" Member States is stable, at around 8%.

## **6. CONCLUSIONS OF THE EVALUATION**

### **6.1. Conclusions regarding the relevance of the programme in relation to the needs of the sector**

MEDIA 2007 is well equipped to meet the sector's needs because, among other things, it is internally coherent, is firmly grounded in the European audiovisual scene and is designed to support change in the sector.

In the vast majority of cases, MEDIA is considered to be complementary to existing national provisions, as it supports work which receives little or no national subsidisation. It also offers significant added value due to the strong European dimension which it gives to the projects it supports, and also allows them to be more ambitious.

Lastly, the programme seems to inspire national policies. A certain number of developments have been noted in various countries. For instance, new legislative provisions are in the drafting stage or have just entered into force in Hungary, Italy, Lithuania, Norway and Slovenia. Institutions such as national cinematographic funds or institutes have been created to help structure the national audiovisual sector (in Croatia, Slovakia and Malta) or have received a budget increase (in Austria, Cyprus and the Czech Republic).

### **6.2. Conclusions regarding the internal coherence of the programme**

The overall internal coherence of the programme is confirmed, even though further effort should go into developing public demand for European works. The increased number of applicants for the various types of support under the programme shows that it has adapted well to sectoral needs. However, this goes hand in hand with a more selective approach, which in turn results in the exclusion of first-time participants and micro-businesses, higher management costs, and discouragement among potential participants.

The objective of preserving/promoting the cultural diversity of European works hinges to a large extent on measures to reduce disparities between European countries with low and high audiovisual production capacity. To do this, the programme provides for positive discrimination measures for countries with a low production capacity and/or a restricted linguistic catchment area. The final evaluation of the MEDIA Plus programme had revealed that the positive discrimination criteria encouraging professionals in countries with higher

production capacity to associate themselves with partners from "smaller" countries had really boosted the integration of these players in networks and of their works in European distribution channels. This observation appears to be confirmed, and the positive discrimination provisions contribute considerably to achieving the Diversity objective, particularly the "Access to the market", "Development" and "Festivals" lines of action.

Notable efforts to adapt were made under MEDIA 2007 in order to meet new needs, particularly in relation to digital technology. The two previous evaluations had also concluded that the programme objectives were globally relevant but that the use of new technologies and transition to digital had obviously not been taken sufficiently into account. Following the inclusion of new lines of action in the MEDIA 2007 programme, this limitation became less marked. The success of the calls for projects reflects a good response to the real needs of the sector.

Nevertheless, certain fields and approaches still need to be explored in order to better meet the sector's evolving needs. However, the interventions have been limited to restricted fields, and it would be useful to gain an overall view of the value chain and of the issue of rights and the new economic models that professionals are coming up with.

### **6.3. Conclusions regarding the results produced by the programme over the first three years of implementation (effectiveness)**

On the whole, the conclusions of the final evaluation of MEDIA Plus and MEDIA Training are confirmed for the traditional lines of action.

*"The principle MEDIA measures contribute effectively to increasing competencies (Training), developing the European dimension of works from the pre-production phase (Development), the improved competitiveness of the sector (mainly Distribution, through risk reduction and strengthening the financial capacities of the beneficiaries) and the transnational distribution of works (Distribution and Promotion)."*

Participation in the MEDIA application process allows for a significant improvement in the design of the projects presented (consolidation of financing plans, stronger partnerships and stronger international dimension). Other considerable benefits are the creation of professional networks and a widely recognised MEDIA "quality label".

Overall, MEDIA 2007 support for distribution, promotion ("Access to the market" and "Festivals") and for development is effective and makes a substantial contribution to improving distribution conditions (automatic distribution), the visibility of European works, the creation of professional opportunities (Promotion), the strengthening of professional networks (selective distribution and Promotion), and the emergence of better structured, internationally more competitive projects (development).

However, the evaluator identified avenues for improving certain lines of action:

- support for interactive works could become more effective, in particular through achieving greater clarity as to their target audiences;
- support from MEDIA 2007 for TV distribution is important because it responds to a pronounced sectoral need. It makes a significant contribution to securing producers' rights in some countries. However, its effectiveness is impaired by a number of factors: discrepancy between the type of works supported and the programming needs of European

channels; contradiction between the required large number of broadcasters and the existence of a minimum guarantee provided by a distributor; discrepancy between developments in market prices and the investments required by MEDIA; imbalances in the geographical distribution of support.

Furthermore, the effect of certain actions remains marginal for reasons external to the programme and linked to the market in which they are taken:

- i2i<sup>4</sup> support helps to effectively reduce financial costs, but it is not wide-ranging enough to generate visible effects in terms of access to financing;
- support for video-on-demand (VOD) does not yet sufficiently foster the circulation of European works as the market remains very weak;
- as regards the objectives of preserving and promoting cultural diversity and the positive discrimination mechanisms mentioned in point 6.2, the restricted scope of the programme does not allow for a significant impact in terms of reducing the disparities between countries with low and high audiovisual production capacities. While the allocations to organisations from the "new" Member States are increasing, the budget share remains the same (around 8%). The average budget per organisation in these countries is therefore progressively decreasing.

#### **6.4. Conclusions regarding the capacity of the programme to ultimately generate the expected impact**

By supporting training for professionals, project structuring and stakeholder networking, MEDIA support helps to improve the competitiveness of the European audiovisual sector. Following on from MEDIA Plus, MEDIA 2007 contributes to the improved circulation of European works and the preservation of cultural diversity. The market indicators in terms of transnational circulation of European works are encouraging and the evaluation shows that it is thanks to the support from MEDIA that many of these films can travel.

#### **6.5. Conclusions regarding the efficiency of programme implementation**

In general, efficient use is made of the programme budget and resources. The efficiency of the programme management methods has been significantly improved (simplifications, timetable amendments, long-term partnerships), but the administrative burden could still be further reduced.

### **7. CONTRIBUTION OF THE EUROPEAN AUDIOVISUAL OBSERVATORY (EAO)**

#### **7.1. Objectives of the in-depth evaluation**

Since 1999, participation by the European Union, represented by the European Commission, has been formalised in Decisions by the European Parliament and by the Council<sup>5</sup>. When the MEDIA 2007 programme was being developed, and in view of the streamlining objective set out in the Commission's administrative simplification policy, participation by the European

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<sup>4</sup> The objective of "i2i Audiovisual" is to improve access to bank and credit facilities.

<sup>5</sup> Decision 1999/784/EC of 22 November 1999, OJ L307, 2.12.1999. Decision 2239/2004/EC of 17 November 2004, OJ L 390, 31.12.2004.

Union in the EAO was included in the legal basis of the new programme, in accordance with the provisions of the decision establishing it. This participation is covered by the budget of the MEDIA programme (EUR 257 577 in 2010, representing 11.5% of the contributions from the 37 members of the Observatory).

The Commission is a member of the Executive Committee, with the same status as the Member States. This Committee adopts the EAO budget for implementing its plans and activity programmes.

As part of the interim evaluation of the MEDIA 2007 programme, the evaluator analysed the contribution by the EAO to the objectives and needs of the programme and to the dissemination of legal and economic information on the sector among professionals and institutions.

## **7.2. The EAO and the objectives of the MEDIA 2007 programme**

The Observatory has two missions: firstly, to ensure greater transparency for the audiovisual sector in Europe and secondly, to meet the information needs of audiovisual professionals. This can be achieved by developing and making available to the profession and to the public information in the form of databases (LUMIERE, KORDA, MAVISE, IRIS MERLIN and PERSKY), legal articles, information on European conventions and other international treaties and a statistical directory containing the main details on the sector, available for purchase.

It turns out that the work of the Observatory does not contribute directly to achieving the objectives of the MEDIA programme. In fact, the Observatory has no obligations vis-à-vis the MEDIA programme and, furthermore, as the available data is sometimes disparate and partial, it is difficult to compare the data and glean the necessary elements to ensure follow-up which will correspond to the specific needs and objectives of the programme. Indeed, the directory in particular evolves slightly from one year to the next and does not always provide the same tables with the same data, concepts and indicators from one year to the next. What is more, the territory covered by the EAO differs from that of MEDIA. This relative lack of uniformity, together with the non-availability of any real specific indicators for the MEDIA programme, can pose obstacles to the use of the data.

However, the EAO is still the only body to provide statistical EU-wide data in the broader sense, i.e. information which is not collected and submitted by national bodies. The possibility of concluding a direct contract with the Observatory for specific subjects, other than the annual and triennial action plans, could therefore be envisaged in order to encourage the Observatory to contribute more to meeting the MEDIA objectives.

## **8. MAIN RECOMMENDATIONS**

The evaluators made five strategic recommendations. While some cannot be implemented as part of MEDIA 2007 and will be taken into account when preparing the new generation of programmes after 2013, others suggest adjustments for the continuation of the present programme.

### **8.1. Continue efforts in communication and data-sharing**

Clearer communication which reflects the reality of the programme more accurately would make it easier for professionals to identify their objectives and field of intervention ("MEDIA

Programme" rather than "MEDIA 2007", revision of the name of I2i lines, "Interactive works"). A suggestion was also made to make better use of the potential of the MEDIA desks and offices network, for example by means of a collaborative platform.

## **8.2. Optimise programme management**

A number of possibilities for simplifying and improving programme management arrangements are proposed:

- revise the comitology procedure (threshold for the allocation of Community funding below which the comitology procedure does not apply);
- envisage more demanding eligibility and/or selection criteria in order to restrict the growing number of applicants for the Development line and improve the quality of approved projects;
- expand the pool of experts in order to improve selection procedures.

## **8.3. Continue efforts to reduce the administrative burden**

- Accelerate the on-line application procedure which feeds directly into the MEDIA database.

## **8.4. Broaden the modes of intervention mobilised by the programme**

Innovate in relation to modes of intervention or measures accompanying the programme, through the use of resources for: listening (thematic networks, pilot projects); creating consensus (e.g. on a common approach to rights).

Foster interoperability, networking and cooperation between territories and create a common competences benchmark (for initial training).

Revise the methods of implementing positive discrimination: review the typology of countries; study the most appropriate targets in more detail;

Envisage stronger intervention in response to demand by television consumers, operators and broadcasters and through media education.

Reinforce capacities for market knowledge and analysing the effects of the programme.

Optimise the contributions by the European Audiovisual Observatory in order in particular to obtain statistical data and suitable analyses to better understand the market and facilitate the analysis of the programme's impact.

Conduct in-depth studies on the audiovisual sector to make it easier to anticipate developments.

Conduct specific evaluations focussing on certain sectors and/or lines of action in order to gain a more precise view of the programme's results.

## **8.5. Continue efforts to adapt to the market**

Television broadcasting

- Envisage support for TV distributors and broadcasters committed to promoting non-national European works.
- Support dubbing in order to gain a footing in the main third-country markets (South-East Asia, Latin America).
- Promote projects involving the new media.
- Access to financing: encourage banks to grant more production loans, e.g. using a guarantee instrument.
- Digital cinema: envisage support for the digitisation of film theatres and the production of digital masters.

## **9. CONCLUSIONS: POSITION OF THE COMMISSION**

Although the interim evaluation of the MEDIA 2007 programme was conducted at an early stage in implementation, it confirms the positive results of the programme actions in favour of the European audiovisual sector. It reaffirms the relevance of its objectives and the effectiveness of its actions, particularly as regards making the sector more competitive. Furthermore, it confirms the added value it brings to national interventions.

The market data also indicate that the European audiovisual sector continues to suffer from its traditional weaknesses, namely market fragmentation and the poor circulation of European works outside their country of origin.

Action should therefore continue to be taken in line with changes in market needs. The Commission will make adjustments to the MEDIA 2007 programme for the remaining period in order to improve its efficiency and effectiveness and ensure it is better adapted to market needs, within the limits of the existing legal basis, and in line with the evaluator's recommendations. Other adjustments are being developed and will be in place for the second half of the programme's implementation period. These will be examined in the next Communication on the continuation of the programme.

Furthermore, the Commission will integrate the more long-term strategic recommendations made by the evaluator into the preparation of the next programme, to be launched in 2013. Lines of action will be examined as part of the impact study to be carried out in preparation for this programme.