

Interview with Lucia Recalde Head of Unit For Creative Europe



Ms Lucia Recalde is the new Head of Unit that deals with the MEDIA branch of the Creative Europe Programme within the European Commission's Directorate General on Education and Culture.

She took over her new position on 1st September 2014, and during her first days as Head of Unit we were able to speak to her about her views on the Creative Europe programme and the European Commission's plans for the future.



What do you see as the advantages of running MEDIA and CULTURE together under Creative Europe? What are the (new) opportunities for the players in the audiovisual industry? What outcomes do you expect of this merge?

The merge of the past MEDIA 2007 and Culture programmes resulted from the very fact that cultural and creative sectors are facing common challenges and that the development of closer ties between them would ensure a more fluid flow of information and help increase knowledge sharing, for example in relation to policy development, new business and management models, new approaches to funding, distributing and monetizing creation. Concretely speaking, the Guarantee Facility – opened to all cultural and creative sectors – is one good example of this common approach we intend to push for over the life time of the programme.

Such a merge could also accommodate networking, collaborations and strategic partnerships between operators, industries and policy-makers more easily and cost-effectively than would be the case with two separate programmes.

But let's not forget that the Creative Europe programme has distinct sub-programmes for Culture and MEDIA as if it is true that the audiovisual sector and the other cultural and creative sectors share common challenges, it is also true that some others are specific.

Can you explain the budget-strategy for Creative Europe? In terms of split between the sub-programmes, in terms of priorities inside the MEDIA sub-programme? And time-wise throughout the programme-period?

The EUR 1.46 million financial envelope was allocated by the European Parliament and the Council in the Regulation establishing the Creative Europe programme: at least 56 % for the MEDIA Sub-programme, 31 % for the Culture Sub-programme and a maximum of 13 % for the Cross-sectoral Strand.

Inside the MEDIA Sub-programme our intention is to strike a good balance between continuity for those schemes that have proven to be efficient and new initiatives.

What are your first impressions/feedback/reactions of the first round of Calls? How satisfied are you with the applications and selection?

Most of the calls published at the end of 2013 and during 2014 have now been evaluated and projects selection has been finalised.

We are satisfied with the outcome of those selections, both in terms of quality of the projects and their capacity to achieve the general objectives set in the Creative Europe programme Regulation. We are also happy to see that the new schemes such as audience development or video games have raised a lot of interest and produced good results for their first year of implementation.

Looking into the future...

What aims would you like to see being achieved for the European film-industry at the end of the programme-period in 2020? In other words, what is your vision of the European audiovisual industry in the future?

I would like that European films continue to reflect the diversity for which Europe is well known and prayed worldwide as I think this diversity is a brand and a strength, not an impediment to reach a global audience. Therefore, my goal is that by 2020, European films will have found a larger audience in third countries, which will require particular attention to the behaviors of the public and to the changes in its consumption patterns. At the same time, European film creation will need to remain constantly forward looking, open to the new realities in the world, which is constantly moving, open to new talents and innovation and open to new technologies and new formats. Animated images play an increasing role in our society and the sector should grasp all the opportunities of audiovisual expression notably on Internet that are and will continue to be offered.

Creative Europe will be devoted to these objectives. However, since Member States public support is 30 times more important than Creative Europe, I also count on an excellent cooperation with film funds at national, regional and local level, on an excellent cooperation with stakeholders and professionals and, last but not least, as this sector is strongly regulated, on the same level of cooperation with policy makers and regulators at national and regional level. This is the purpose of the European Film Forum.

The Guarantee Facility

How is the implementation process of the guarantee facility progressing? At what status are we now, and what are the next steps?

Creative Europe program earmarks f 121m€ (8,39% of the Creative Europe programme) for the Guarantee Facility. The projected leverage is x5.7, resulting in approx. 700m EUR in affordable lending for the cultural and creative sectors.

As defined by the Creative Europe legal base, the European Investment Fund will manage the CCS GF on behalf of the European Commission.

The call for the expression of interest for **Capacity Building Scheme** will be launched in 2015 by the EIF. The main task for 2015 will be at spreading the knowledge about the Cultural and Creative Sectors among financial institutions. In 2015 also a more advanced module will be prepared, addressed to participating financial intermediaries (i.e. financial institutions who will sign a Guarantee Agreement), containing training programmes linked to

the specificities of credit risk assessment of CCS, collateralisation of Intellectual Property Rights etc.

The **CCS Guarantee Facility** will be established in **2016**. The calls for expression of interest to participate in the guarantee facility will be most likely published towards end 2015. This call (subject to budget availability) will remain open during the whole duration of the programme i.e. 2016-2020.

How will the financial intermediaries be selected? What are the important characteristics for potential intermediaries?

The parameters for the financial instrument are defined by the Creative Europe legal base (criteria for selection of financial intermediaries, key monitoring and evaluation fields).

Financial intermediaries will submit applications to a call published by the European Investment Fund that will remain open during the whole duration of the programme. The applications will be assessed on a “first come, first served” basis, subject to minimum requirements (experience in loan management, ability to lend to CCS SMEs, ability to build a portfolio of loans targeting the cultural and creative sector SMEs).

Based on the outcome of the evaluation of the application package from a bank, the EIF will sign Guarantee Agreements with financial intermediaries willing to engage with the CCS, which in turn will grant loans to CCS companies. A Guarantee Agreement will include special conditions in favour of CCS SMEs, for example: no personal collateral external to the SME assets; the interest rate rebates will have to be passed on to the borrowing SME; diversified portfolios covering a number of CCS sectors. From the moment of signing an agreement, a bank may start building a dedicated portfolio of loans for CCS. These loan portfolios would receive a partial guarantee from the European Commission to be applied on each underlying loan (i.e. up to 70% Guarantee Rate) and up to a Cap Rate of 25% on each portfolio.

How can geographical diversity be provided? How will accessibility to the Guarantee for each member-country be ensured?

Financial instruments are market-driven instruments. Information and education about the availability and use of this new support tool are key success factors for the implementation of the scheme across Europe. The European Commission and its partners will carry out wide information and promotion campaigns to ensure maximum visibility within the CCS, SME and financial sectors. The capacity building scheme will contribute to the sharing of knowledge and expertise in financing CCS. In addition an incentive approach will be adopted to encourage the take up of the instrument in a maximum number of countries. For example the mandate of the Commission to the fund manager will include objectives in terms of geographical diversity. Part of the variable performance-based remuneration of the fund manager will depend on the level of geographical coverage achieved.

What outcomes do you expect from the Guarantee Facility?

Traditionally, the support for the cultural and creative sectors is based on grants. Financial instrument cannot replace grant funding but will complement it by lending principally repayable support to projects through guarantees to intermediaries that provide lending to a large number of final beneficiaries who have difficulties to access financing. Some categories of operators of the CCS benefitting from such a scheme, could gradually switch to a more entrepreneurial model and be less dependent on public money. The scheme will enlarge the possibilities offered to CCS when looking for financing.

The second outcome of the CCS GF will be linked with the financial institutions themselves. The Capacity Building Scheme will respond to market failures in terms of lack of expertise in dealing with the CCS within a financial sector. The aim of the CBS is enable banks to develop their skills in, for example, carrying out credit assessment of CCS SMEs, valuing their Intellectual Property Rights and promoting a cross border exchange of knowledge and expertise.

Concluding, we hope that the outcomes will be in line with the operational objectives set for CCS GF:

- To provide guarantees to banks dealing with cultural and creative SMEs thereby enabling them easier access to bank credits
- To provide expertise/capacity building on cultural and creative sectors specificities to the financial institutions;
- To increase the number of financial institution which are willing to work with cultural and creative SMEs;
- To maximise the European geographical diversification of financial institutions willing to work with cultural and creative SMEs

New call for "cross-sectoral projects"

Can you explain what this new call is about, and what kinds of projects are you are looking for?

Under the cross-sectoral strand, we will focus on the testing of new and cross-sectoral business and management models including innovative approaches to funding, distributing and monetising creation.

"Too many films in Europe..."

"The audience has to be encouraged to see European films again..." These and similar voices are heard throughout the industry. What activities are planned in order to help European cinema reach more audiences? What would you wish from the industry to work on this problem together? What roles are cinemas playing today?

A Study financed by the Commission on European audiences showed clearly that there is a great interest for European films, but that the films are not sufficiently known to the audiences. In the creative Europe programme – MEDIA we have a specific action called Audience development. This will provide support to Film literacy initiatives and events focusing on European film. We have had one call already, and have selected some very interesting projects. Our hope is that these projects will increase the knowledge about European films and thus lead to a bigger audience, but in traditional cinemas and on digital media.

Production

Can you provide some insight on the developments in the 'Level Playing Field' working group? How can the low/high audiovisual production capacities throughout Europe be balanced?

Let me first remind you briefly how this "level playing field" working group was born. The Creative Europe Committee – in charge of monitoring the implementation of the programme – has decided to establish this group to reassess the measures we introduced in the calls for proposals to better take into account the specificities of low production capacity countries and/or countries with a restricted geographical and/or linguistic area.

The work is actually on-going and some worthwhile paths have already been identified. But it is only now that the first 2014 results are available that the impacts of the new measures can be reassessed properly and that we will be able to make precise recommendations to further refine the calls for proposals, most probably by Spring 2015.

The focus in the new programme is clearly to support projects that promise high commercial potential for the European market. What future do you see for films that highlight artistic values and are important contributors to Europe's cultural diversity?

I would not say that the focus of the new programme is to support high commercial potential project. Actually the general objective of Creative Europe programme – including the MEDIA sub-programme – is twofold: preserve cultural diversity and strengthen the competitiveness of the cultural and creative sectors. Not only these objectives are not mutually exclusive but should complement one another.

TV

Which opportunities do you see for the smaller countries in order to compete on the European market?

I see great opportunities for the smaller countries to have their films and series presented for a broader European TV audience. One example is the TV Drama series that has increased enormously in both quality and audience success over the last years. Here we see some of the smaller countries in the lead, like the Nordic series the Bridge and the Killing. Through our TV programming scheme we support high quality animation, documentaries and drama projects with a distribution potential. A new support for high quality and high budget European drama series was launched in 2014. Quality content is in demand in all genres, and the MEDIA TV support takes a specific notice to the challenges faced by smaller countries in the market.

Distribution

- **What future do you see for the film distribution industry and their role in bringing content to European citizens?**
- **How can the MEDIA sub-programme of the Creative Europe programme support the industry's future development?**

- **Can we expect any new opportunities for our distributors in the distribution schemes?**
- **The Communication on European Film in the Digital Era touched upon the important topic of release windows. Do you have a particular perspective on the future of release windows in Europe?**
- **The Communication on European Film in the Digital Era also announced the future launch of the European Film Forum which will bring together stakeholders to “debate public policies for the film sector.” Will film distributors be invited to take part in those discussions and if so, what contribution would you like to see them make?**

Cross-border distribution has always been and is still the heart of the MEDIA Programme. The European film industry produces a high number of very diverse films every year. Some of them are quite successful of the national markets but only a few make it to the audience in other European countries. To boost the distribution of non-national films MEDIA spends about half of his budget for different distribution activities including the support for the Europa cinema network. The cinema window still creates awareness and brings value to a film and MEDIA will certainly continue to support efficient cinema release strategies for European films. However, rapid developments in the sector, changing viewer behaviors and the fact that many of the European films produced are never or only for a short period released in cinema call for more flexibility in the distribution sector. Operators should have enough space for experimentation and test new approaches and business models. To that end the European Parliament has initiated a preparatory action on the circulation of European film which has been managed by the Commission since 2012. With this action we were able to support some experimental simultaneous and quasi-simultaneous multi-territorial campaigns release. The 3rd year of this action has now been integrated in the Creative Europe- MEDIA sub- programme for 2014. In addition to new release strategies this revised call for online distribution offers funding for VoD-platforms and for the aggregation of catalogues. First results of the preparatory action have shown that parallel releases in cinemas and on VOD have not lead to a cannibalization of the cinema audience but increased the overall number of viewers. Of course we need more experience with those approaches and collect more data on their impact on the audience, the profitability and also the financing of films before we draw conclusion. Together with the Member States in the Creative Europe Committee we will carefully assess how we can provide the best MEDIA funding to help distributors, sales agents, aggregators, the various exhibitors and platform providers to get the most out of online distribution.

However, as you know, the MEDIA budget can only be successful if Member States which provide the great majority of the film funding invest in complementary funding schemes. To encourage national and regional funds to better adapt their funding schemes and increase their efficiency and complementarity the Commission has launched the Communication on European Film in the digital era. With this Communication we would like to initiate a new dialogue with the entire audiovisual sector, Member States, funding bodies and the industry which of course comprises the distribution and exhibition industry. Several Member States are currently revising their funding systems, they are all confronted with the same major challenges: How to make the European film industry ready for the future and how to strike a good balance between cultural diversity and competitiveness. We believe that a discussion in a European Film Forum will bring an added value and can help to accelerate the process adaptation.