





MEDIA PROGRAMME (2007-2013)

Call for Proposals EACEA/06/2011

Video on Demand and
Digital Cinema Distribution
Guidelines

Council Decision N° 1718/2006/EC of the European Parliament and the Council

TABLE OF CONTENTS

1.	INTRODUCTION	3
1.1.	LEGAL BASIS	
1.2.	Definitions	3
2.	OBJECTIVES	5
2.1.	OBJECTIVES OF THE PROGRAMME	
2.2. 2.3.	OBJECTIVES OF THE VIDEO ON DEMAND AND DIGITAL CINEMA DISTRIBUTION SUPPORT SCHEME	
	TIMETABLE	
	1.1. <u>Duration of the Action</u>	
	AVAILABLE BUDGET	
	ELIGIBILITY CRITERIA	
5.1. <i>5</i> .1	ELIGIBLE ORGANISATIONS	
5.2.	ELIGIBLE COUNTRIES	8
5.3.	ELIGIBLE ACTIVITIES	
	3.1. <u>Video on Demand</u> (Business to Consumers-B2C)	
5.4.	MINIMUM EUROPEAN DIMENSION AND ELIGIBLE CONTENT	
	4.1. <u>Minimum European Dimension</u>	
5.4 5.5.	4.2. <u>Eligible Content</u>	
	5.1. <u>Language</u>	
5.5	5.2. <u>Structure</u>	11
6.	EXCLUSION CRITERIA	11
7.	SELECTION CRITERIA	12
7.1.	OPERATIONAL CAPACITY	12
7.2.	FINANCIAL CAPACITY	
7.3.	AUDIT	
8.	AWARD CRITERIA	13
9.	FINANCIAL CONDITIONS	15
9.1.	CONTRACTUAL PROVISIONS AND PAYMENT PROCEDURE	15
9.2.	CERTIFICATE ON THE FINANCIAL STATEMENTS AND UNDERLYING ACCOUNTS	
9.3. 9.4.	GUARANTEE DOUBLE FUNDING	
9. 4 . 9.5.	ELIGIBLE COSTS	
	5.1. <u>Direct Eligible Costs</u>	
	5.2. <u>Reporting Costs</u> 5.3. <u>Indirect Eligible Costs</u> (Overheads)	
9.6.	INELIGIBLE COSTS	
9.7.	Sources of Income	
10.	SUB-CONTRACTING AND AWARD OF PROCUREMENT CONTRACTS	21
11.	PUBLICITY	21
12.	DATA PROTECTION	22
13.	PROCEDURE FOR THE SUBMISSION OF PROPOSALS	22
13.1.	Publication	
13.1.	APPLICATION FORMS	
13.3.	SUBMISSION OF THE GRANT APPLICATION	
13.4. 13.5.	APPLICABLE RULES	
13.5.	CONTACTS	24

1. INTRODUCTION

1.1. Legal basis

This Call for Proposals is based on Decision 1718/2006/EC of the European Parliament and the Council of 15 November 2006 concerning the implementation of a programme of support for the European audiovisual sector (MEDIA Programme 2007-2013)¹.

The total budget for the MEDIA Programme 2007-2013 is EUR 754.95 million.

The European Commission is responsible for the implementation of the MEDIA Programme and for the decision to grant individual European Union funds. The Education, Audiovisual and Culture Executive Agency manages the MEDIA Programme on behalf and under the control of the European Commission. The MEDIA Programme unit of the Education, Audiovisual and Culture Executive Agency (hereafter "the Agency") is responsible for the implementation of this Call for Proposals.

This Call for Proposals is aimed at European organisations whose activities contribute to the realisation of the objectives of the MEDIA Programme as described in the Council Decision 1718/2006/EC. These guidelines explain how to submit a proposal in view of obtaining a Union financial contribution.

1.2. Definitions

For the purposes of this Call for Proposals the following definitions shall apply:

- **Action:** the part of the project activities receiving European financial support and covering the preparation, implementation and evaluation stages.
- Action duration: the duration of the action shall be a minimum of 3 years.
- Agreement: the grant contract which will be offered to successful applicants. The expression can be
 used to refer to a Single Grant Agreement or to a Specific Agreement
- Beneficiary: successful applicant who has signed a contract with the Agency.
- **Budget Heading(s):** the heading(s) of expenditure provided in the Estimated Budget. The headings of expenditure are "Personnel Costs", "Direct Operating Costs", "Subcontracting Operating Costs" and "Reporting Costs".
- **Budget Sub-Heading(s)**: the heading(s) provided under each Budget Heading which define(s) each expense category.
- Co-beneficiary(ies): other partners mentioned in the application, which provide a contribution to the action and directly incur expenses which will be charged to the action. In case of selection of the action, the co-ordinator and each co-beneficiary will sign a mandate entrusting the co-ordinator to act in their name and account. Thus the eligible expenses incurred by the co-beneficiaries may be taken into account for the calculation of the financial contribution. Please note that service providers or sub-contractors who charge fees for their services to the beneficiary do not need to be considered as co-beneficiaries for the purposes of the contract.
- Contributions in kind: the money equivalent of certain services or materials which could be contributed to the action by the partners (see section 9.6. on Ineligible Costs).

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¹ Official Journal L327/12 of 24 November 2006

- **Co-ordinator:** organisation entrusted by its partners to take full legal responsibility for the proper implementation of the action vis a vis the Agency.
- **Digital Cinema Distribution:** Digital delivery (to an acceptable commercial standard) of "Core Content", i.e. feature films, TV films or series (fiction, animation and documentary) to cinemas for theatrical exploitation (via hard disc, satellite, online...).
- Eligible Content: "Core Content" such as feature films, TV films or series, shorts (fiction, animation, creative documentary) or alternative content (making ofs, operas, concerts, performances). The following programmes will not be considered as eligible content: flow programming (news programmes, current affairs, reportages, "how-to" documentaries, DIY, talk shows, cooking lessons, sports events...), commercials, programmes promoting tourism. See section 5.4.2.
- **Eligible Costs:** the costs directly linked to the execution of the Action receiving support, as detailed below in Article 9.5. and incurred during the period defined in the Agreement.
- Estimated Budget: the detailed budget for the Action.
- **European Content:** content from a country participating in the MEDIA Programme.
- **Final Report:** the report, which provides details of the Eligible Costs incurred in the execution of the Action and which shall form the basis for the calculation of the Total Actual Costs of the Action.
- Framework Partnership Agreement (FPA): The FPA lays out the conditions for a simplified annual selection and contracting procedure over a 3-year period. The 3-year business plan submitted will be annexed to it.
- Grant: the financial support awarded to the Beneficiary on the basis of the Total Actual Costs.
- Interim Report(s): the interim reports have to be submitted according to the criteria defined in the Agreement. They provide details of the progress of the Action and of the Eligible Costs incurred at the time of their submission.
- Note on the Estimated Budget: the note attached to the Estimated Budget justifying the costs
 incurred under the various Budget Headings and establishing the direct link with the execution of
 the Action.
- Pre-financing payment(s): the advance payment(s) received by the Beneficiary.
- **Project:** the activities described in the application for which support is sought under the current call.
- The Programme: the MEDIA Programme (2007-2013).
- **Single Grant agreement:** a single grant agreement will lay out conditions and level of funding for annual actions submitted in response to a Call for Proposal.
- **Specific agreement:** A specific agreement will lay out the conditions and level of funding for each annual action, pursuant to the signature of a Framework Partnership Agreement.
- **Video on Demand:** Service enabling individuals to select audiovisual works from a central server for viewing on a remote screen by streaming and/or downloading.

1.3 Types of agreements – NEW

NEW

Under the current Call for Proposals, the applicant may submit a proposal to sign:

- either a "Single Grant Agreement for an Action"
- or a "Framework Partnership Agreement" (FPA)

Should an application for a FPA be unsuccessful, it will be assessed as an application for a "Single Grant Agreement for an Action".

Unless specified otherwise, the provisions detailed under this Call for Proposals apply to both types of agreement.

Where a FPA has been signed, the Agency will determine the level of the support for the second and the third year of action on the basis of the grant application, the previous year's result and the available budget.

2. OBJECTIVES

2.1. Objectives of the Programme

The global objectives of the programme are to:

- a. preserve and enhance European cultural and linguistic diversity and its cinematographic and audiovisual heritage, guarantee its accessibility to the public and promote intercultural dialogue;
- b. increase the circulation and viewership of European audiovisual works inside and outside the European Union, including through greater cooperation between players;
- c. strengthen the competitiveness of the European audiovisual sector in the framework of an open and competitive European market favourable to employment, including by promoting links between audiovisual professionals.

2.2. Objectives of the Video on Demand and Digital Cinema Distribution Support Scheme

The Video on Demand and Digital Cinema Distribution scheme constitutes one of the ways in which the MEDIA programme ensures that the latest technologies and trends are incorporated into the business practices of beneficiaries of the programme. Digital technologies have made European audiovisual works more easily accessible outside their country of origin thanks to new ways of transporting audiovisual content. The competitiveness of the audiovisual content industry in Europe will strongly depend on the use of these new technologies at the distribution stage.

The main objective of this scheme is to support the creation and exploitation of catalogues of European works to be distributed digitally across borders to a wider audience and/or to cinema exhibitors through advanced distribution services, integrating where necessary digital security systems in order to protect online content. This Call for Proposals encourages the European audiovisual industry to adapt to new developments in digital technology.

The Digital & Online environment is a powerful but unforgiving environment. Competition for attention is severe and with hours of content being added every second, careful planning and execution is required to bring European content to the attention of the largest possible audience. Applicants will have to demonstrate that they have understood the medium clearly and present a coherent catalogue, business plan and editorial strategy. They must have a well developed, appropriate and targeted marketing strategy capable of attaining the goals set out in their application.

The scheme is aimed at rights holders of European audiovisual works (i.e. independent European production and distribution companies), cinema networks and European operators making European content available.

2.3. Priorities of this Call for Proposals

Rights holders are encouraged to form consortia and platforms providing end-users with access to a significant number of European audiovisual works. Two types of services targeting two different types of audience are foreseen:

- one aimed at the general audience through "video on demand" services (Business to Consumers),
- one aimed at cinema exhibitors offering "digital cinema distribution" to their audience (Business to Business).

For the purposes of Call for Proposals EACEA/06/2011, B2B actions (so called "White Labels") will not be considered eligible for support to Video on Demand.

Proposals may be based upon new or existing services and thus a limited period of time will be allowed in order to prepare the "public" launch of the action. The supported service must be launched at the latest by 1st March 2012. (see 5.3 Eligible Activities & 9.5 Eligible Costs below).

3. TIMETABLE

Applications must be sent to the Agency by courier or registered mail by **20/06/2011** (the postmark will be taken as proof of timely sending). Please read carefully section 13 of this Call for Proposals concerning the procedure for submitting applications.

For previously funded actions, the period of eligibility will start on 01/01/2012 and end on 31/12/2012.

For new actions, the preparation and launching of the service. (see sections 5.3. & 9.5 below) may be incorporated into an extended eligibility period. For these actions, the period of eligibility may start on 01/07/2011 (at the earliest) and will end on 31/12/2012. Thus the possible eligibility period for the first "year" of a new action may extend over 18 months.

3.1.1. Duration of the project

Whether the application is made for a Single Grant Agreement or for a Framework Partnership Agreement, the duration of the applicant's project shall be a minimum of 3 years.

The financial contribution requested from the MEDIA Programme may only be awarded for one year. Any further contribution will be subject to a new application for the action.

3.1.2. Duration of the process

The intention is to inform applicants of the outcome of the selection procedure within two weeks following the Commission's decision. In case of selection, the beneficiary and the Agency will sign either a Single Grant Agreement, or a FPA and a specific agreement.

Should an application be unsuccessful, the Agency will inform the applicant as soon as possible and in writing of the reasons for the decision with regard to the criteria established in this call for proposals.

The procedure for considering applications will be as follows:

- receipt, registration and acknowledgement by the Agency June;
- evaluation and proposal selection July to September;
- consideration by the MEDIA Committee / European Parliament October/November;

- decision and notification of the results and closure of the award procedure November;
- contracting November/December.

Applicants who have been successful in the selection process will receive an agreement from the Agency. The agreement will indicate the level of the grant awarded and will set out the rules to be applied.

This agreement may be a single or a multi-beneficiary agreement. In the case of a multi-beneficiary agreement, the applicant will be acting as the Co-ordinator and the other partners as Co-beneficiaries. The application must include a statement of intent from each partner designating the applicant organisation as the Co-ordinator in the case of a contract with the Agency. In the event of a contract with the Agency, each Co-beneficiary will have to sign a mandate with the Co-ordinator.

4. AVAILABLE BUDGET

The total budget earmarked for the co-financing of actions is estimated at 7 million Euros. The financial contribution from the Agency cannot exceed 50% of the total eligible costs.

The maximum contribution per action under these guidelines is EUR 1,000,000.

The amount of the financial contribution to be awarded will be determined within the limits of available budgetary resources and in consideration of the costs and nature of each action, assessed on the basis of the application and the selection and award criteria. It shall take the form of a Grant. It is intended to award approximately 20 actions.

Under no circumstances does the award of a contribution in previous years infer the right to a grant from the present call for proposals.

The Commission reserves the right not to distribute all the funds available.

5. ELIGIBILITY CRITERIA

Applications which comply with the following criteria will be the subject of an in-depth evaluation.

5.1. Eligible Organisations

This Call for Proposals is open to European organisations registered in an eligible country (see section 5.2. below), who have as their main activity audiovisual production, distribution, exhibition and aggregation. These organisations must be owned directly or by majority participation, by nationals from eligible countries, and continues to be owned, whether directly or by majority participation, by nationals from these countries.

Broadcasters and telecommunication companies (i.e. companies having as one of their main activities broadcasting and/or telecommunication activities) are not eligible, neither as an applicant, nor as a co-beneficiary for the purposes of this Call for Proposals.

Any applicant or group of applicants must not have majority control (either in shareholding or commercial terms) by a broadcaster and/or a telecommunications company. Majority control is considered to occur when more than 25% of the company's share capital is held by a single broadcaster or telecommunications company (50% when several broadcasters or telecommunications companies are involved) or when, over a three-year period, more than 90% of the company's revenue is generated in co-operation with a single broadcaster or telecommunications company.

The Agency reserves the right to apply this criterion by taking into account the specific characteristics of the different audiovisual and/or legal systems of the Member States and other participating countries. The Agency will check groups' compliance with the criteria on the basis of the information provided in the application and the following supporting documents:

The Agency reserves the right to request these documents from other partners of the action.

"Natural" persons (i.e. individuals) are **not** eligible.

5.1.1. Legal Entity

The Agency can only offer agreements to (successful) applicants on the basis of approval of documents verifying the legal status of applicant.

Applicants must therefore supply up to date copies of the following documents

- Annex I: "Financial Identification Form" duly completed and signed by both the applicant's legal representative and a representative of the bank. Applicants should check that all details included in this form are a) completed and b) correct and consistent with information certified in the relevant legal documents. The bank identification form for each country is available on the following website:
 - http://ec.europa.eu/budget/execution/ftiers_en.htm
- Annex II: "Legal Entity Form" duly completed and signed by the applicant's legal representative.
 The form relating to the legal structure of the applicant company for the country in which it is established is available on the following website:
 http://ec.europa.eu/budget/execution/legal entities en.htm
- A copy of the **organisation's registration certificate** from the relevant authority, (e.g. Companies register, Official Journal, etc.) <u>and</u> statutes (including proof of the company registration number, the full legal title of the organisation, the registered address, the date and place of registration, all recent amendments either to the registration documents or to the elected shareholders, directors, board members or other legal representatives, and a list of company directors / share holders / board members including proofs of their nationality and a short explanation of the ownership of the company).
- A copy of the VAT registration including the VAT number (if the Company registration number is the same as the VAT number according to national law, only the organisation's registration certificate need be supplied).
- For public bodies, copy of the law or decree establishing the institution should be provided as 'copy of the organisation's registration certificate,' with proof of the data specified in the previous paragraph.

Moreover, where the person authorised to sign any agreement with the Agency is not the Statutory Legal Representative specified in the documents mentioned in the previous paragraphs, a letter or proxy (signed by the Statutory Legal Representative) giving him the authority to sign agreements with the Agency on the organisation's behalf, is required.

5.2. Eligible Countries

Applications from legal entities registered in one of the following countries are eligible:

- the Member States of the European Union
- the EEA members (Iceland, Liechtenstein and Norway)
- Switzerland
- Croatia

5.3. Eligible Activities

2 types of services are eligible: "Video on Demand" and "Digital Cinema Distribution".

The purpose of grouping independent rights holders which have as their main activity audiovisual production, distribution, exhibition and aggregation is to make available catalogue(s) of a size capable of sustaining a digital distribution activity.

The content to be provided by the proposed service should be sufficient to achieve the audience and commercial targets set out in the proposal and business plan. Digital standards should be compatible with the commercial sector.

Actions should assure the best possible accessibility to European content by the appropriate use of open standards furthering interoperability.

Applicants should note that selection for Union funding is a competitive process and that setting lower targets based upon a lack of content will result in lower marking of the action at the award stage probably leading to exclusion.

B2B actions (so called "White Labels") do not correspond to an eligible activity for support to Video on Demand.

Period of Eligibility

For previously funded actions, the period of eligibility will start on 01/01/2012 and end on 31/12/2012.

For those actions selected for the first time:

The launching of digital distribution services is a critical moment and it is important that any action has been properly prepared and the necessary ground work carried out before the service is launched. Therefore in the case of this Call for Proposals the eligibility period is extended and may include (if demanded by the action) a preparatory phase designed to prepare the service for launching. The action may thus (if required) be divided up into two distinct phases:

- A preparatory phase of the service to be offered lasting up to 6 months (the preparatory phase may be longer than 6 months but the period of eligibility of costs can only start 6 months before the launch of the service).
- The launch and implementation phase of the service to be offered up to the end of the potential eligibility period, the 31st December 2012. (see also the Final Report specifications at 9.5.3 below)

In any case the service must be launched by the 1st March 2012 at the latest.

5.3.1. <u>Video on Demand</u> (Business to Consumers-B2C)

Video on Demand (VoD): Service enabling individuals to select audiovisual works from a central server for viewing on a remote screen by streaming and/or downloading.

5.3.2. <u>Digital Cinema Distribution</u> (Business to Business-B2B)

Digital Cinema Distribution (DCD): Digital delivery (to an acceptable commercial standard) of "Core Content", i.e. feature films, TV films or series, shorts (fiction, animation and creative documentary) to cinemas for theatrical exploitation (via hard disc, satellite, online...).

5.4. Minimum European Dimension and Eligible Content

5.4.1. Minimum European Dimension

Proposed actions will have to offer a European dimension, which means that the offered content must include audiovisual works from at least five eligible countries representing at least five different official languages of the European Union².

² For the purpose of Call for Proposals EACEA/06/2011, this means the 23 official languages of the European Union, as well as Norwegian, Icelandic and Croatian.

No more than 40% of the content (in programme hours) may come from a single territory. This criterion MUST be fulfilled at the start, and for the duration of the action.

5.4.2. Eligible Content

There are two types of Eligible Content i.e. Core Content and Alternative Content:

- Core Content, i.e. fiction, animation and creative documentary (according to the MEDIA Programme's objectives), including feature films (i.e. feature length films), TV films or series and short films
- Alternative Content (making ofs, operas, concerts, performances...)

Potential beneficiaries should have an adequate balance between the two in any VOD proposal. In order for a VOD proposal to be eligible, the content of the **VOD catalogue** MUST consist of at least **60% of Core Content**.

In **DCD** proposals **only Core Content** will be considered as eligible.

European Content means content from a country participating in the MEDIA Programme. No restrictions concerning the year of copyright apply.

The qualification of films by the MEDIA Programme applies, which means that:

 the work must be majority produced by companies established in one or more eligible countries

and

o the work must be produced with the significant participation of professionals who are nationals/residents of eligible countries. 'Significant participation' is defined as having 10 or more points on the basis of the table below, (or the biggest share of points if the total is less than 19 in the case of documentaries or animation films):

+	Points
Director	3
Scriptwriter	
Composer	1
Actor 1	2
Actor 2	2
Actor 3	2
Artistic Director / Production Designer	1
Director of Photography	1
Editor	1
Sound	1
Shooting location	1
Laboratory	1
TOTAL	19

Audiovisual works consisting of advertising, pornographic, racist material or advocating violence are not eligible for support.

Please refer to the database of the MEDIA Programme, in order to check if the films of the submitted catalogue are European.

The database of all films which have been processed is available for consultation at: http://eacea.ec.europa.eu/media/films/

If a work has previously been considered eligible under the Cinema or Homevideo schemes it shall be deemed to be eligible for this Call for Proposals.

The Agency reserves the right to check if a film of the submitted catalogue is European or not.

The following programmes will **not** be considered as **eligible** content: flow programming (news programmes, current affairs, reportages, "how-to" documentaries, DIY, talk shows, cooking lessons, sports events...), commercials, programmes promoting tourism.

5.5. Eligible proposals

Only proposals submitted using the official application form, completed in full, signed (original signatures required) and received by the specified deadline, will be considered.

The application form must be accompanied by an official letter from the applicant organisation, documents attesting to its financial and operational capacity, and all the other documents referred to in the application form.

Applicants must submit a budget that is balanced in terms of expenditure and revenue and must comply with the ceiling for Union cofinancing, set at 50% of the total eligible costs.

The assessment is made on the basis of the documents sent by the relevant deadline. Incomplete applications may be rejected for ineligibility reasons.

The Agency reserves the right to request additional information from the applicant.

5.5.1. Language

All sections should be completed preferably in English. The three-year business plan required in the application **must** in any case be in English.

5.5.2. Structure

The application forms include the following two parts:

- Part A collects administrative information about the proposal and its proposers (e.g. title of the proposed action, proposer's names and addresses, brief description of the work, total funding requested by type of expenditure, etc.).
- Part B asks for a detailed description of the nature of the proposed action. Part B should also identify and describe the partners and their responsibilities within the proposed action.

6. EXCLUSION CRITERIA

Applicants must state that they are not in any of the situations described in Articles 93(1), 94 and 96(2)(a) of the Financial Regulation applicable to the general budget of the European Communities (Council Regulation (EC, Euratom) No 1605/2002 as amended) and set out below.

Applicants will be excluded from participating in the call for proposals if they are in any of the following situations:

- a) they are bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- b) they have been convicted of an offence concerning their professional conduct by a judgment which has the force of *res judicata*;
- c) they have been guilty of grave professional misconduct proven by any means which the contracting authority can justify;
- d) they have not fulfilled obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established or with those of the country of the contracting authority or those of the country where the contract is to be performed;

- e) they have been the subject of a judgment which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation or any other illegal activity detrimental to the Union' financial interests:
- f) they are subject to an administrative penalty referred to In Article 96(1) of the Financial Regulation (Council Regulation 1605/2002 of 25/06/02, as amended).

Applicants will not be granted financial assistance if, on the date of the grant award procedure, they:

- (a) are subject to a conflict of interests;
- (b) are guilty of misrepresentation in supplying the information required by the contracting authority as a condition of participation in the grant award procedure, or fail to supply this information.
- (c) find themselves in one of the situations of exclusion, referred to in art 93(1) of the Financial Regulation, for this grant award procedure;

and they are subject to the penalty consisting in the exclusion from contracts and grants financed by the budget for a maximum period of ten years.

In accordance with Articles from 93 to 96 of the Financial Regulation, administrative and financial penalties may be imposed on applicants who are guilty of misrepresentation or are found to have seriously failed to meet their contractual obligations under a previous contract award procedure.

To comply with these provisions, applicants must sign a declaration on their honour certifying that they are not in any of the situations referred to in Articles 93 and 94 of the Financial Regulation.

7. SELECTION CRITERIA

Applicants must have stable and sufficient sources of funding to maintain their activity throughout the period during which the action is being carried out or the year for which the grant is awarded and to participate in its funding. They must have the professional competencies and qualifications required to complete the proposed action.

Applicants must submit a declaration on their honour, completed and signed, attesting to their status as a legal person and to their financial and operational capacity to complete the proposed activities.

7.1. Operational Capacity

In order to permit an assessment of their operational capacity, organisations must submit, together with their applications:

- a detailed presentation and the track record of the applying organisation (if the organisation has been set up for the purpose of the submitted action, the track record(s) of the organisation(s) and/or person(s), which founded the applying organisation, are requested).
- the CV of the legal representative of the applying organisation;
- the CVs of the person(s) in charge of the action and of the key staff involved in its implementation
- the description of the technological resources
- evidence that the applying organisation has the capacity to provide the intended content and how they propose to do so

7.2. Financial Capacity

In order to permit an assessment of their financial capacity, organisations must submit, together with their applications:

the audited annual accounts of the 2 most recent completed fiscal years for profit companies and
of the last year only for non profit companies which request a single grant agreement (i.e. balance
sheet, profit and loss accounts and the annexes) must be included within the application form.
These accounts should be certified by an approved auditor external to the company;

- the Financial Capacity form (Annex III) carefully and fully completed must be signed by the legal representative of the company. The information (in figures) should be given in national currency and must be based on the certified accounts. The applicant guarantees that these figures are correct and verifiable. This information is required to evaluate the financial strength and cofinancing capacity of the applicant.
- the Bank Identification form (Annex I) completed by the applicant and certified by the Bank (original signatures are required);

Please note that the data to fill in are different depending on whether the applicant is a profit or a non profit company.

The Agency will apply these criteria taking into account the legislative framework of the different countries participating in the Programme.

If, on the basis of the documents provided, the Agency considers that the financial capacity has not been proven or is not satisfactory, it may:

- · Reject the application
- Ask for further information
- Require a guarantee (see section 9.3)
- Offer a grant agreement without pre-financing and with an interim payment (see section 9.1)
- Refuse to offer a FPA

In the event that an application requests a grant equal to or below EUR 25,000, the analysis of the Financial Capacity shall not apply provided that the applicant has duly completed the relevant Declaration of Honour in the application form.

7.3. Audit

For applicants requesting a single grant of more than EUR 500,000 or a FPA, grant applications must be accompanied by an external audit report produced by an approved external auditor. This report shall certify the accounts for the last 2 years available.

This obligation does not apply to public bodies.

8. AWARD CRITERIA

Award Criteria will be evaluated by means of an Evaluation Committee advised by external independent experts.

Candidates with eligible actions should pay particular attention to the Award Criteria below and be aware of the fact that the assessment of their action in relation to each of these criteria will determine their potential for the future award of a contract.

Each member of the group has to demonstrate the way in which its service, and more particularly the catalogue provided, will improve and be made more attractive over the years.

The content of an "ideal quality catalogue" depends entirely on the business model chosen and the intended audience. Applicants should provide evidence of the quality of their catalogue in general and specific evidence of the suitability of the catalogue in the market niche selected.

The Development of a clear identity and the pursuit of an effective editorial strategy based upon the strengths of the catalogue presented will be key features in the award process.

A clear, credible and sustainable business model is required to complement the catalogue and editorial focus.

Non European films or programmes may be included in the catalogue, however the costs, specifically related to these non European works, will not be eligible (see section 9.6 on Ineligible Costs).

The eligible applications, including the 3-year business plan if a FPA is requested, will be assessed on the basis of the following criteria:

Catalogue and Editorial line		
Catalogue and Editorial line Will be taken into account the extent and scope of the programmes in the catalogue and the editorial line of the catalogue.		
 Extent and scope of the programmes in the catalogue Editorial Line/Policy 	5% 5%	
European dimension of the catalogue Will be taken into account: Cross-border & Cross-language Distribution and the content from countries with a low production capacity.		
 Cross-border & language Distribution - Inward & Outward Distribution of content from countries with a low production capacity 	10% 10%	
Quality and cost-effectiveness of the Business Model submitted Will be taken into account: the quality of the Business Model, the Cost-Effectiveness and the quality of the Marketing Plan		
 Quality of the Business Model Cost-Effectiveness of the submitted action 	10% 10%	
Marketing Strategy Will be taken into account the overall concept, techniques and tools deployed (e.g. Web 2.0 etc.) and the appropriate nature of the plan measured against the expected results.		
 Quality of the Marketing Plan Coherence of the marketing plan with the Catalogue, Editorial Line/Policy and the Marketing Plan 	10% 10%	
Innovative aspects of the action Will be taken into account: the new ideas and solutions presented in the action plan.		
Grouping and Networking Dimension Will be taken into account: the extent of the partnership and the exchange of knowledge within the partnership	10%	
 Number of partners and impact of their contribution to the overall catalogue Exchange of commercial knowledge within the partnership 	5% 5%	
Target audience and Potential impact Will be taken into account: the size of the targeted audience and the number of countries targeted		
 Size of the potential audience Number of territories with an effective marketing strategy 	5% 5%	

Applications will be ranked according to the award criteria defined and weighted above. Within the limit of the available budget, actions obtaining the highest scores will be selected.

9. FINANCIAL CONDITIONS

European Union grants are incentives to carry out actions which would not be feasible without the MEDIA Programme's financial support, and are based on the principle of co-financing.

They complement the applicant's own financial contribution and/or national, regional or private assistance that has been obtained elsewhere.

Acceptance of an application by the Agency does not constitute an undertaking to award a financial contribution equal to the amount requested by the beneficiary. The awarding of a grant does not establish an entitlement for subsequent years.

Grant applications must include a detailed estimated budget in which all prices are given in euro. Applicants from countries outside the euro zone must use the monthly conversion rates applicable on the date of application.

These exchange rates can be obtained from the national MEDIA Desks and Antennae and from the European Commission website: http://ec.europa.eu/budget/inforeuro/

The exact rate used should be specified within the space provided on the Budget Form.

Applicants should note that currency conversions must be made on an item by item basis and the sub-totals and totals of each budget sub-category calculated from the converted euro amounts for each item (and not simply converted from the equivalent subtotal in a national currency), so that both national currency and euro budgets are coherent and totally correct.

Applicants are strongly advised to re-check all automatic calculations with a simple calculator.

The budget for the action attached to the application must have revenue and expenditure in balance and show clearly the costs which are eligible for financing from the Union budget.

The amount of the own resources indicated in the revenue part of the estimated budget is regarded as secured, and the amount as a minimum, must be entered in the revenue section of the final account.

The allocated amount may not exceed the amount requested.

The applicant must indicate the sources and amounts of any other funding received or applied for in the same financial year for the same action or for any other action and for routine activities.

The beneficiary shall supply evidence of the co-financing provided, either by way of own resources, or in the form of financial transfers from third parties. The applicants shall provide an explicit undertaking from each co-financing organisation to provide the amount of funding stated in the grant application for the action.

The Union grant may not have the purpose or effect of producing a profit for the beneficiary. Profit is defined as a surplus of receipts over costs. The amount of the grant will be reduced by the amount of any surplus.

9.1. Contractual provisions and payment procedure

In the event of a definitive approval by the Agency, a grant agreement drawn up in Euro and detailing the conditions and level of funding will be sent to the beneficiary. The 2 copies of the original agreement must be signed by the beneficiary and returned to the Agency immediately. The Agency will sign last.

The account or sub-account indicated by the beneficiary must make it possible to identify the funds transferred by the Agency. If the funds paid into this account give rise to interest or equivalent profits in accordance with the legislation of the country where the account is held, such profit or interest will be recovered by the Agency where it results from the pre-financing payment if this payment exceeds EUR 50,000.

The payment of the grant will normally be made in two instalments as follows, depending on the option chosen:

Pre-financing

Only those successful applicants who have fulfilled the Financial Capacity criteria set out in 7.2 above are eligible to receive an advance payment without the submission of a Bank Guarantee. They may opt for a higher advance payment (Option 1 below) by choosing to provide a Bank Guarantee.

Option 1

A pre-financing payment of 80% of the total financial support after the signature by the two parties of the contract between the Agency and the beneficiary and within 45 days of reception and acceptance of a bank guarantee. Pre-financing is intended to provide the beneficiary with a float.

Option 2

A pre-financing payment of 50% of the total financial support after the signature by the two parties of the contract between the Agency and the beneficiary provided that the applicant has fulfilled the Financial Capacity criteria set out in 7.2 above.

Option 3

If the beneficiary is unable either to pass the Financial Capacity test or provide a Bank Guarantee then an **interim payment**, corresponding to a maximum 50% of the value of the contract, will take place after reception and acceptance of a mid-term detailed cost statement, signed by the contractor and verified by an approved external auditor and a mid-term activity report covering the first half of the period of the action. The payment cannot exceed 50% of the expenses accepted by the Agency in the Mid-term Activity and Financial Report.

Final payment

The Agency will establish the amount of the final payment to be made to the beneficiary on the basis of the final reports certified by an independent and approved external auditor. If the eligible costs actually incurred by the organisation during the action are lower than anticipated, the Agency will apply its rate of funding to the actual costs, and the beneficiary will, where applicable, be required to repay any excess amounts already transferred by the Agency under the first payment.

9.2. Certificate on the financial statements and underlying accounts

A certificate on the financial statements and underlying accounts, produced by an approved auditor or in case of public bodies, by a competent and independent public officer, may be demanded by the authorising officer responsible in support of any payment on the basis of his assessment of risks. In the case of a grant for an action, the certificate shall be attached to the request for payment.

The certificate shall certify, in accordance with a methodology approved by the contracting authority responsible, that the costs declared by the beneficiary in the financial statements on which the request for payment is based are real, accurately recorded and eligible in accordance with the grant agreement.

Except in the case of lump sums and flat rate financing, the certificate on the financial statements and underlying accounts shall be compulsory for interim payments per financial year and for payments of balances in cases of grants for an action of EUR 750,000 or more, when the cumulative amounts of request for payment is at least EUR 325,000, and operating grants of EUR 100,000 or more.

9.3. Guarantee

The Agency may require any organisation which has been awarded a grant to provide a guarantee first, in order to limit the financial risks linked to the prefinancing payment. See section 9.1 for conditions.

The costs for the bank guarantee are eligible expenses and can be included in the Estimated Budget.

The purpose of this guarantee is to make a bank or a financial institution stand as irrevocable collateral security for, or first-call guarantor of, the grant beneficiary's obligations.

This financial guarantee, in euro, shall be provided by an approved bank or financial institution established in one of the Member State of the European Union. When the beneficiary is established in a third country, the authorising officer responsible may agree that a bank or financial institution established in that third country may provide the guarantee if he considers that the bank or financial institution offers equivalent security and characteristics as those offered by a bank or financial institution established in a Member State.

The guarantee shall be released as the pre-financing is gradually cleared against interim payments or payments of balances to the beneficiary, in accordance with the conditions laid down in the grant agreement.

9.4. Double financing

Subsidised actions may not benefit from any other Union funding for the same activity.

To ensure this, they must give details in their application form of any other grant requests which they have submitted or intend to submit to the European Institutions during the same operating year, stating in each case the budget heading, the European Union programme and the amount requested

9.5. Eligible Costs

Eligible costs of the action are costs actually incurred by the beneficiary, which meet the following criteria:

- they are incurred during the duration of the action as specified in the grant agreement, with the exception of costs relating to final reports and certificates on the action's financial statements and underlying accounts;
- they are connected with the subject of the agreement and they are indicated in the estimated overall budget of the action;
- they are necessary for the implementation of the action which is the subject of the grant;
- they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost-accounting practices of the beneficiary;
- they comply with the requirements of applicable tax and social legislation;
- they are reasonable, justified, and comply with the requirements of sound financial management, in particular regarding economy and efficiency.

The beneficiary's internal accounting and auditing procedures must permit direct reconciliation of the costs and revenue declared in respect of the action with the corresponding accounting statements and supporting documents.

Costs incurred prior to the beginning of the period of eligibility of costs will not be accepted.

Eligible expenses may only be charged to the action over the duration of the period of preparation, implementation and follow-up of the action, i.e. during the defined period of eligibility of costs.

The Estimated Budget shall be in two parts:

- a summary budget for the three year period covered in the business plan
- a detailed budget for the proposed action for the eligible period ending on the 31st December 2012.

The Agency reserves the right to request changes in the work plan and detailed budget following the results of the selection process.

The personnel costs, travel and subsistence costs, as well as any amount higher than EUR 10 000 must be broken down into detail giving unit prices and number of units where appropriate and sufficiently detailed to allow identification, monitoring and control of the proposed activity.

No amount higher than EUR 10 000 will be considered as eligible in the absence of a detailed breakdown and/or an appropriate justification.

No costs may be assigned to different category of costs in the final accounts if it has previously been assigned to a different category in the budget.

9.5.1. <u>Direct Eligible Costs</u>

The eligible direct costs for the action are those costs which, with due regard for the conditions of eligibility set out above, are identifiable as specific costs directly linked to the performance of the action and which can therefore be booked to it directly. In particular, the following direct costs are eligible, provided that they satisfy the criteria set out in the previous paragraph:

9.5.1.1. Personnel Costs

Personnel Costs must be calculated on the basis of the actual daily salary/fee of the employee/service provider, multiplied by the number of days worked on the action. This figure must include all the usual contributions paid by the employer, such as social security contributions.

The Personnel costs shall be substantiated by detailed timesheets of the work done.

The daily salary shall be based on the average salary charged at national level for qualified personnel executing comparable tasks.

The maximum number of days per year per person is 220.

Senior employees and directors shall be identified by name in the Estimated Budget. Their salaries may not be distributed over several Budget Headings.

Personnel costs cannot exceed 40% of the total eligible costs of the action.

9.5.1.2. Operating Costs

Under this budget heading the following sub-headings can be included:

• Travel and subsistence costs

May be claimed only for journeys directly linked to the action and relating to specific and clearly identifiable activities; it is requested to justify in the 'Note on the Budget' the relevance of expenses to the action activities and the calculation method. Beneficiaries are required to use the cheapest means of travel and will have to make every effort to take advantage of reduced fares.

For air travel, only the cost of economy class is accepted; any costs in excess of this rate will have to be detailed and justified in the 'Note on the Budget'; they will only be accepted in duly justified, exceptional cases. For train travel first class tickets are permitted. For car travel, the eligible amount will be limited to the amount corresponding to the price of a 1st class train ticket.

For accommodation and subsistence costs, the maximum amounts per person per day and per country are available on the following website:

http://ec.europa.eu/europeaid/perdiem/index_en.htm

The amounts specified on this website include all costs associated with the stay in the country concerned. If there is no overnight stay, the amounts are reduced by 50%.

Within these limits, the reimbursement of accommodation and subsistence expenses may be made on an actual or fixed cost basis. However, if the internal regulations of the institution of the person making the journey impose a lower limit than the amounts detailed in the above table, the former must be used as a basis of calculation. Costs exceeding the Commission's threshold will have to be duly justified and agreed by the Agency in order to be eligible.

Please note as a general rule that, if different activities are included in this sub-heading, the corresponding costs have to be detailed by activity.

Durable Equipment

Purchase cost of equipment (new or second-hand), is eligible provided that it is written off in accordance with the tax and accounting rules applicable to the beneficiary and generally accepted for items of the same kind. Only the portion of the equipment's depreciation corresponding to the duration of the action and the rate of actual use for the purposes of the action may be taken into account by the Agency, except where the nature and/or the context of its use justifies different treatment by the Agency.

The period of depreciation allowed may not exceed the period of eligibility stipulated in the Agreement.

Subject to the work plan, equipment shall be reimbursed according to a depreciation period (for computer office equipment that costs less than EUR 25.000 the depreciation period is 36 months, for all other equipment the depreciation period is 60 months) and its use on the action; equipment leased shall be reimbursed without exceeding the eligible cost if it were to be purchased.

Costs for maintenance of durable equipment are eligible costs, as well, under this sub-heading.

• Digitisation costs

This sub-heading includes the costs of compression and transfer to the final exploitation format and subtitling costs for European programmes only.

Computer and Database costs

This sub-heading includes computer licenses and database expenses specifically linked to the submitted action.

Digital Security Systems costs

This sub-heading includes encryption costs, costs of KDM (Key Delivery Message) and costs of DRM (Digital Rights Management) for European programmes only.

• Advertising and promotion

Costs specified under this section must exclusively relate to advertising and promotion of the action through the appropriate medium. Advertising costs may comprise all expenditure linked to design, layout and publication (including billboards and sign posting) as well as the buying of advertising space.

Advertising costs should be differentiated according to the type of medium used e.g. professional press, posters etc. They should further specify separately the costs of concept, design and layout and the actual cost of the advertising space required.

Web pages costs should be detailed and, if necessary, the division between this item and other entries into the forward budget for Internet and web costs should be duly justified in the 'Note on the budget'.

Costs of Bank Guarantee

The costs for the bank guarantee are eligible expenses and can be included in the Estimated Budget.

9.5.1.3. Sub-Contracting Costs

This budget heading should detail any amount paid to an external party which is not part of the contractor's consortium of the partnership and is carrying out a specific one-off task in connection with the action. The following costs may be included in this heading: subtitling, dubbing, printing and certain accounting services.

Sub-contracting costs are only admissible if the staff of the member organisations of the partnership does not have the skills required. Subcontracting may not account for more than 60% of the total cost of the action. Sub-contracting costs must be substantiated by receipted invoices.

The sub-contracting costs required, the justification for sub-contracting and the procedure to be followed in identifying the relevant sub-contractor, should be clearly set out in the note accompanying the Estimated Budget. Sub-contracting costs should be limited to those specified in the original application. Any significant change will require the express prior agreement of the Agency.

Should the beneficiary undertake any procurement as part of the activities co-financed by the MEDIA Programme, the beneficiary shall award the contract to the tender offering best value for money, in compliance with the principles of transparency and equal treatment for potential contractors, care being taken to avoid any conflict of interests.

9.5.2. Reporting Costs

The costs for the certification of the Final Report by the approved external auditor shall be eligible.

Under this budget heading the following sub-headings can be included:

 Auditing costs for the certification of the Final Financial Report by the approved external auditor

9.5.3. Eligible indirect costs (administrative costs)

A flat-rate amount, not exceeding 7% of the eligible direct costs of the action, is eligible under indirect costs, representing the beneficiary's general administrative costs which can be regarded as chargeable to the action.

Indirect costs encompass the following categories:

- a) Premises and related expenses (e.g. rent, insurance, administration and management costs...)
- **b)** Office expenses and consumables (e.g. telephone, postal services, photocopies, goods or equipment)

Indirect costs are not eligible when the beneficiary also receives an operating grant.

9.6. Ineligible Costs

The following costs shall not be considered eligible:

- Return on capital,
- Debt and debt service charges,
- Provisions for losses or potential future liabilities,
- Interest owed.
- Doubtful debts.
- Exchange losses,
- VAT unless the beneficiary can show that he is unable to recover it, according to the applicable national legislation;

- Costs declared by the beneficiary and covered by another action or work programme receiving a European Union grant,
- Excessive or reckless expenditure.
- Contributions in kind,
- Any costs incurred by the beneficiary but re-invoiced to third parties

In the event that the applicant is unable to reclaim amounts of VAT related to the expenditure of the action, then these charges may be included in the budget form provided that they are detailed and duly justified. The Applicant must specify whether the amounts stated throughout the budget (revenue and expenditure) are calculated with or without VAT.

Non European films or programmes may be included in the catalogue, however the specific costs for these programmes (such as digitisation, security, subtitling...) will not be eligible.

9.7. Sources of Income

The attention of Applicants is drawn to the fact that contributions in kind are not eligible either as expenses or as income under the present guidelines. All financial contributions must be substantiated by clear statements, specifying the amounts that will be provided in cash. Evidence of this, including invoices and bank records may be required before the final payment of the contribution.

The income side of the Estimated Budget should show:

- The direct monetary contribution from the applicant's own resources;
- The financial contribution from private sources;
- The financial contribution from other public bodies (local, regional, national or supranational);
- Any income generated by the action;
- The contribution requested from the MEDIA Programme.

All sources and amounts of revenue must be clearly specified and proven by copies of partnership agreements to be provided along with this application form.

Should some of these documents not be available by the deadline for applications, a guarantee letter signed by the applicant should be provided, covering all own investment and outstanding revenues with its own funds.

10. SUB-CONTRACTING AND AWARD OF PROCUREMENT CONTRACTS

Where implementation of the action requires sub-contracting or the awarding of a procurement contract, the beneficiary and, where applicable, its partners must obtain competitive tenders from potential contractors and award the contract to the bid offering best value for money, observing the principles of transparency and equal treatment of potential contractors and taking care to avoid conflicts of interests.

The beneficiary must clearly document the tendering procedure and retain the documentation in the event of an audit.

Please read as well the restrictions set out in section 9.5.1.3.

11. PUBLICITY

All grants awarded in the course of a financial year must be published on the Internet site of the European Union institutions during the first half of the year following the closure of the budget year in respect of which they were awarded. The information may also be published using any other appropriate medium, including the Official Journal of the European Union.

With the agreement of the beneficiary (taking account of whether information is of such a nature as to jeopardise its security or prejudice its financial interests), the Agency will publish the following information:

- the name and address of the beneficiary;
- the subject of the grant;
- the amount and the rate of funding.

In the event that the beneficiary does not agree to this, they should attach a detailed justification.

Beneficiaries must clearly acknowledge the European Union's contribution in all publications or in conjunction with activities for which the grant is used.

Furthermore, beneficiaries are required to give prominence to the name and logo of the European Commission and of the MEDIA Programme on all their publications, posters, programmes and other products realised under the co-financed action.

If this requirement is not fully complied with, the beneficiary's grant may be reduced.

12. DATA PROTECTION

All personal data (such as names, addresses, CVs, etc.) will be processed in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the European Union institutions and bodies and on the free movement of such data.³

Your replies to the questions in the application form are necessary in order to assess your grant application and they will be processed solely for that purpose by the department responsible for the Union grant programme concerned. On request, you may be sent personal data and correct or complete them. For any question relating to these data, please contact the Agency. Beneficiaries may lodge a complaint against the processing of their personal data with the European Data Protection Supervisor at any time.

Applicants and, if they are legal entities, persons who have powers of representation, decision-making or control over them, are informed that, should they be in one of the situations mentioned in:

- the Commission Decision of 16.12.2008 on the Early Warning System (EWS) for the use of authorising officers of the Commission and the executive agencies (OJ, L 344, 20.12.2008, p. 125), or
- the Commission Regulation of 17.12.2008 on the Central Exclusion Database CED (OJ L 344, 20.12.2008, p. 12),

their personal details (name, given name if natural person, address, legal form and name and given name of the persons with powers of representation, decision-making or control, if legal person) may be registered in the EWS only or both in the EWS and CED, and communicated to the persons and entities listed in the above-mentioned Decision and Regulation, in relation to the award or the execution of a procurement contract or a grant agreement or decision.

13. PROCEDURE FOR THE SUBMISSION OF PROPOSALS

13.1. Publication

The Call for Proposals is published in the Official Journal of the European Union and on the website of the MEDIA Programme at the following address: http://ec.europa.eu/culture/media

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³ Official Journal L 8, 12.1.2001.

13.2. Application Forms

Grant applications must be submitted using the official Application Forms (including the Budget Form).

Only typed applications will be accepted.

Applicants are required to present one signed, dated original (unbound) and two bound copies of the application forms including the required annexes. All pages of the application form (the original) have to be initialled and the declarations must be signed by an authorised signatory of the applying organisation(s).

Proposals should preferably be submitted in English. In order to accelerate and facilitate the evaluation process, all documents relevant to the assessment of the application submitted should be, when applicable, translated into English.

An electronic copy of the application shall also be included on CD-Rom / DVD-Rom.

The forms can be downloaded from the MEDIA website at the following address: http://ec.europa.eu/media

13.3. Submission of the Grant Application

Only applications presented using the official Application Forms, having been completed correctly and in full, including a complete, correct and balanced budget in compliance with the limits set in the present Call for Proposals, in particular in section 9.5. (for example the 40% limit regarding personnel costs), having been signed and dated by the applicant's legally authorised representative and sent in 1 original and 2 copies will be accepted.

All pages of the application forms must be **initialled** by the signatory of the applicant organisation.

Applications must be clearly marked with the following words: "MEDIA Programme – Video on Demand and Digital Cinema Distribution – EACEA/06/2011" and sent by registered mail or courier service (at the applicant's own expense) by 20/06/2011 at the latest, as shown on the postmark, to the following address:

Education, Audiovisual and Culture Executive Agency
MEDIAPROGRAMME – Video on Demand and Digital Cinema Distribution – EACEA/06/2011
Mr Constantin Daskalakis (BOUR 03/30)
Avenue du Bourget 1
B - 1140 Brussels
Belgium

Applications delivered by hand must arrive before 3.00 pm on the relevant deadline.

Applications sent by fax or e-mail will not be accepted. Applications submitted after the relevant application deadline will be rejected.

No modification can be made to the application after it has been submitted. However, if there is a need to clarify certain aspects, the Agency may contact the applicant for this purpose.

Applicants must provide all the documents requested and mentioned in the checklist attached to the application forms of the present Call for Proposals.

Only applications that fulfil the eligibility criteria will be considered for a grant. If an application is deemed ineligible, a letter indicating the reasons will be sent to the applicant.

Applicants will be informed as soon as possible whether or not the Commission has decided to grant them a financial contribution. This decision will be final.

Selected proposals will be subject to a financial analysis, in connection with which the Agency may ask the persons responsible for the proposed actions to provide additional information and, if appropriate, guarantees.

No file or document submitted will be returned to applicants at the end of the evaluation and award procedure.

13.4. Applicable Rules

- Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities. (OJ L 248, 16.9.2002, p. 1, as last amended).
- Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities. (OJ L 357, 31.12.2002, p. 1, as last amended).
- Decision n° 1718/2006/EC of the European Parliament and the Council of 15th November 2006 concerning the implementation of a programme of support for the European audiovisual sector (MEDIA Programme)

13.5. Contacts

If you have any question, please contact:

Education, Audiovisual and Culture Executive Agency Mr Clément Carasco (office BOUR 03/17) MEDIA Unit (P8) Avenue du Bourget 1 B - 1140 Brussels Belgium

clement.carasco@ec.europa.eu

National Contacts:

MEDIA Desks and Antennae: http://eacea.ec.europa.eu/media/index en.php