



MEDIA 2007 (2007-2013)

Call for Proposals EACEA/13/07

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

Guidelines

for submitting proposals to obtain
Community funding in the area of

Video on Demand and Digital Cinema Distribution

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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 2007)¹.

The European Commission is responsible for the implementation of the MEDIA Programme and for the decision to grant individual European Community funds. The Education, Audiovisual and Culture Executive Agency administers the MEDIA Programme on behalf and under the control of the European Commission. The section responsible for the implementation of the call for proposals is the MEDIA programme unit, part of the Education, Audiovisual and Culture Executive Agency.

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

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 community financial contribution.

The community contribution will be limited to a maximum of 50% of the total eligible costs per project.

2. OBJECTIVES

2.1. Objectives of the Programme

The global objectives of the programme are the following:

- 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 the way in which the MEDIA 2007 programme ensures that the latest technologies and trends are incorporated to 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 in 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.

¹ Official Journal L327/12 of 24 November 2006

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).

Proposals may be based upon new or existing services and a limited period of time will be allowed in order to prepare the "public" launch of the project. The supported service should be launched at the latest by 1st May 2008. (see 5.4 Eligible Activities & 9.5 Eligible Costs below).

2.4. Definitions

For the purposes of this call for proposals the following definitions shall apply:

- **Pre-financing payment(s):** the pre-financing payment(s) received by the Beneficiary.
- **Beneficiary:** Applicant who has signed a contract with the Executive Agency.
- **Co-ordinator:** organisation entrusted by its partners to take full legal responsibility for the proper implementation of the project vis a vis the Executive Agency.
- **Co-beneficiary(ies):** other partners mentioned in the application, which provide a contribution to the project. In case of selection of the project, the co-ordinator and each co-beneficiary will sign a mandate entrusting the co-ordinator to act in their name and account.
- **Budget Heading(s):** the heading(s) of expenditure provided in the Forecast Budget. The headings of expenditure consist of "Personnel costs", "Operating costs", "Subcontracting costs" and "Overheads".
- **Budget Sub-Heading(s):** the heading(s) provided under each Budget Heading.
- **Digital Cinema Distribution:** Digital delivery (to an acceptable commercial standard) of content to cinemas for theatrical exploitation (via hard disc, satellite, online...).
- **Eligible Costs:** the costs directly linked to the execution of the Project receiving support, as detailed below in Article 9.5. and incurred during the period defined in the Agreement.
- **Eligible Content:** feature films, TV films or series (fiction, animation documentary) or alternative content (making ofs, operas, concerts, performances, shorts). The following programmes will not be considered as eligible content: flow programming (news programmes, current affairs, DIY, talk shows, cooking lessons...), commercials, programmes promoting tourism.
- **European Content:** content from a country participating in the MEDIA 2007 Programme.
- **Contributions in kind:** the money equivalent of certain services or materials which could be contributed to the project by the partners (see section 9.6. on Ineligible Expenses).
- **Final Report:** the report, which provides details of the Eligible Costs incurred in the execution of the Project and which shall form the basis for the calculation of the Total Actual Costs of the Project.

- **Forecast Budget:** the detailed budget for the Project.
- **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 Project and of the Eligible Costs incurred at the time of their submission.
- **Note to the Forecast Budget:** the note attached to the Forecast Budget detailing the costs incurred under the various Budget Headings and establishing the direct link with the execution of the Project.
- **The Programme:** means the MEDIA 2007 Programme (2007-2013).
- **Project:** the activity receiving financial support and covering the preparation, implementation and evaluation stages.
- **Project Duration:** The duration of the project may be 3 years or longer.
- **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.

3. CALENDAR

Applications must be sent to the Agency by **09/07/2007** (the postmark will be taken as proof of timely sending). Please read carefully section 12 of this Call for Proposals concerning the procedure for submitting applications.

The period of eligibility of the selected projects may start on 09/07/2007 (at the earliest) and will end on 31/12/2008. The possible eligibility period for the first "year" of the project extends over 18 months, since it includes preparation and launching of the service. (see 5.4. & 9.5 below)

Applicants will be informed within two weeks following the Commission's decision. For selected projects, an agreement will be signed between the beneficiary and the Agency.

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 payment schedule is set out in section 9.1 below.

The final reports need to be presented as soon as possible after completion of the project and no later than 3 months after the end date of the project.

The procedure for considering applications will be as follows:

- receipt, registration and acknowledgement by the Executive Agency – July;
- consideration and pre-evaluation by the Executive Agency – July/August;
- evaluation and proposal selection – September;
- preparation of the Commission proposal – September;
- consideration and final decision by the MEDIA Committee / European Parliament – October/November;
- notification of the results and closure of the award procedure – November;
- contractualisation – November.

4. AVAILABLE BUDGET

The maximum amount available under this Call for Proposals is 4 million Euro. Community contributions per project will under no circumstances exceed 50% of the total eligible costs.

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 project, assessed on the basis of the application and the selection and award criteria, and shall take the form of a Grant.

The Commission reserves the right not to allocate this entire budget.

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

5. ELIGIBILITY CRITERIA

As a first step in the assessment and selection process, the Executive Agency will check the applicants' compliance with the eligibility criteria. Failure to comply will result in exclusion of the application from the selection process.

5.1. Eligible Organisations

This Call for Proposals is aimed at European organisations registered in an eligible country (see 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.

It should be noted that “natural” persons (i.e. individuals) cannot submit applications.

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 Commission 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:

Any potential beneficiary (i.e. a single applicant or the co-ordinator of a group or consortium) **MUST** provide up to date copies of their statutes and certificate of company registration and VAT registration (**including copies of all amendments**) and a short explanation of the ownership of the company.

The Agency reserves the right to request these documents from other members of the project.

5.2. Eligible Countries

This call for proposals is open to applicants from the Member States of the European Union, the EEA members (Norway, Iceland and Liechtenstein) and from Switzerland, subject to the conclusion of a new cooperation agreement with this country in the framework of the MEDIA 2007 Programme.

5.3. Minimum European Dimension and Eligible Content

5.3.1. *Minimum European Dimension*

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

No more than 40% of the content (in programme hours) may come from a single territory.

5.3.2. *Eligible Content*

Eligible Content means feature films, TV films or series (fiction, animation documentary) or alternative content (making of, operas, concerts, performances, shorts). The following programmes will not be considered as eligible content: flow programming (news programmes, current affairs, DIY, talk shows, cooking lessons...), commercials, programmes promoting tourism.

European Content means content from a country participating in the MEDIA 2007 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

- 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	3
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/>

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

5.4. 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. The digital standards should be compatible with the commercial sector.

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

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

Period of Eligibility (see also 9.5 Eligible Costs below)

The launching of digital distribution services is a critical moment and it is important that any project 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 project) a preparatory phase designed to prepare the service for launching:-

The project 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 2008. (see also the Final Report specifications at 9.5.3 below)

In any case the service must be launched by the 1st May 2008 at the latest.

5.4.1. Video on Demand (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.

5.4.2. Digital Cinema Distribution (Business to Business-B2B)

Digital Cinema Distribution (DCD): Digital delivery (to an acceptable commercial standard) of content to cinemas for theatrical exploitation (via hard disc, satellite, online...).

5.5. Eligible Applications

To be eligible, the applications should:

- be sent to the Agency by the relevant deadline (postmark will be taken as proof of timely sending.)
- respect these guidelines and be correctly and fully completed,
- be submitted using the official application forms (Part A & B + Annexes I to V)
- include a signed, detailed, balanced and correctly calculated budget complying with all the conditions set out under section 9 and 12 of this call for proposals.
- include **all** the official forms, duly **completed** and **signed**
- include all documents requested in the Checklist (Annex I)

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

The Commission 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 project, 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 project. Part B should also identify and describe the partners and their responsibilities within the proposed project.

6. EXCLUSION CRITERIA

Applicants must certify that they are not in any of the situations described in Articles 93 & 94 of the Financial Regulations applicable to the budgets of the European Communities (EC Council Regulation, Euratom-n° 1605/2002 25 June 2002.) These situations are set out below.

Applicants are excluded from participation in this call for proposals for the following reasons:

- 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 these 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 professional conduct by a judgment which has the force of res judicata;
- c. they have been guilty of a serious offence proven by any means which a 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 where they are established or with those of the country of the contracting authority or of the country where the project is to be implemented;
- 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 Communities' financial interests;
- f. following another grant award procedure or procurement procedure financed by the Community budget, they have been declared to be in serious breach of contract for failure to comply with contractual obligations.

Applicants cannot receive a contribution if they are in one of the following situations while the grants procedure is in progress:

- a. they are subject to a conflict of interest;

- b. they are guilty of misrepresentation in supplying the information required by the Commission as a condition of participation in the relevant call for proposals or fail to supply this information.

Administrative and financial penalties may be imposed by the Commission on applicants found guilty of false declarations or who admit to a serious breach of their contractual obligations under a previous contract or call for tender, in accordance with the provisions of Articles 93 to 96 of the Financial Regulation.

In order to respect these criteria, the applicant must sign a declaration of honour stating not to be in any of the situations set out in Articles 93 & 94. This declaration is included in the Application Forms provided in Annex IV.

7. SELECTION CRITERIA

The selection criteria are aimed at assessing the applicant's operational and financial capacity to complete the proposed action or work programme.

7.1. Operational Capacity

Applicants must prove their operational capacity to implement the action by demonstrating that they have the human and technological resources that are required to implement the project.

To enable assessment of the operational capacity, applicants must provide the following documents as part of their application:

- a detailed presentation and the track record of the applying organisation (if the organisation has been set up for the purpose of the submitted project, 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 project 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

7.2. Financial Capacity

Applicants must have stable and sufficient sources of funding to maintain their activity throughout the period during which the action is being carried out.

In signing the Declaration in Annex IV, the applicant declares on the honour to have financial and operational capacity to implement the project for which support is requested.

The proposal submitted must include the following:

- The balance sheet for the last fiscal year;
- A profit & loss account for the last fiscal year;
- The form concerning the applicant's financial capacity (Annex III), duly and carefully completed. The information provided (figures) will be based on those from the most recent complete closed certified accounts, provided with the application. The applicant certifies that these figures are accurate and verifiable. This information will be necessary to the evaluation of applicant's financial solidity and co-financing capacity.

7.3. Audit

In the event that the contribution sought from the MEDIA 2007 Programme is higher than €500,000, an audit report produced by an approved external auditor shall be submitted. That report shall certify the accounts for the last financial year available. *The Agency may waive this obligation for public bodies and institutions.*

8. AWARD CRITERIA

Eligibility and Selection Criteria will be assessed by the Executive Agency.

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

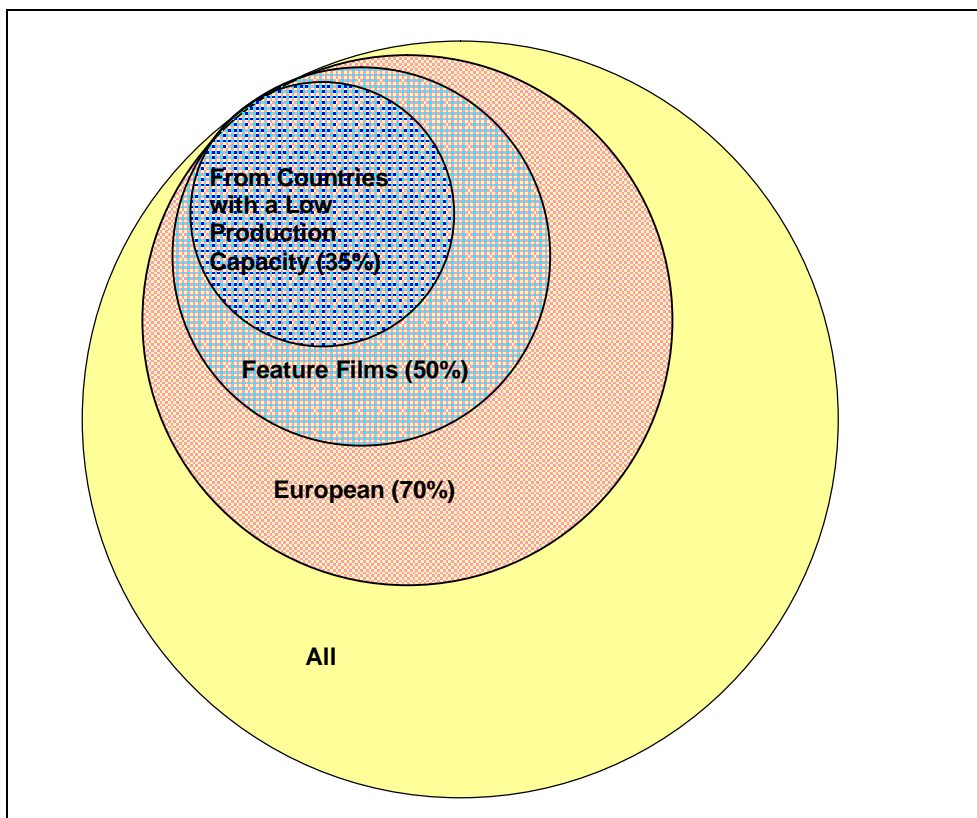
Candidates with eligible projects should pay particular attention to the Award Criteria below and be aware of the fact that the assessment of their project in relation to each of these criteria will determine their potential for future award of a contract.

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 following example of an "ideal quality catalogue" is intended to give candidates a flavour of the type of content the Commission would wish to see included in a given VOD service.

Quality catalogues should normally contain a minimum of 50% European feature films (and a minimum of 35% of feature films from European countries with a low production capacity), and 70% of European films or programmes.

The following chart summarizes an example of an ideal quality catalogue. The various categories are not inclusive i.e. works from countries with a low production capacity should ideally comprise 35% of the total and not 35% of the total should be European feature films from a countries with a low production capacity.



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).

It is intended to propose approximately 6 projects.

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

European dimension of the catalogue Will be taken into account: cross-border distribution, cross-language distribution and distribution of content from countries with a low production capacity.	30%
<ul style="list-style-type: none"> ○ Cross-border distribution ○ Cross-language distribution ○ Distribution of content from countries with a low production capacity 	10% 10% 10%
Quality and cost-effectiveness of the project submitted Will be taken into account: the overall way and consistency in which the project and its financial plan is presented.	25%
<ul style="list-style-type: none"> ○ Quality of the Work Plan ○ Quality of the Financial Plan (in terms of cost-effective delivery of the goals of the projects) 	10% 15%
Human and technological capabilities of the project Will be taken into account: the experience of participating human and technical resources of the organisations participating in the project	20%
<ul style="list-style-type: none"> ○ Human Resources ○ Technological Resources 	10% 10%
Target audience and Potential impact Will be taken into account: the number of countries targeted and the solutions to be implemented by the project in order to provide professional services to its target audience, the planned actions in order to raise awareness among the target audience of the project.	20%
<ul style="list-style-type: none"> ○ Size of the potential audience ○ Number of territories with an effective marketing strategy ○ Quality of the marketing plan (as a whole) 	5% 5% 10%
Innovative aspects of the action Will be taken into account: the new ideas and solutions presented in the project plan.	5%

9. FINANCIAL CONDITIONS

The selection of a particular applicant, does not signify agreement to the level of financial support requested.

The amount of the financial contribution awarded is determined in consideration of the costs and nature of projects.

The award of a contribution does not infer any right to a grant in subsequent years.

Under no circumstances may the amount awarded exceed the amount requested.

Applicants from States which are members of the Euro Zone must present their budget and reports exclusively in Euro. **All other applicants must present their budget in both Euro and their national currency. Currency conversions in the Budget Form should be calculated using the official exchange rate applicable at the beginning of the previous month of the relevant deadline for submission of the proposals under the present Call for Proposals.** These exchange rates can be obtained from the national MEDIA Desks and Antennae and from the European Commission website:

<http://ec.europa.eu/budget/infoureuro/>

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 must be balanced and clearly indicate the costs for which a Community co-financing is requested.

Applicant must specify in the budget all sources and values of contributions anticipated / sought for the project.

Under no circumstances may the community contribution give rise to a profit for the beneficiary. Profit is defined as having achieved greater revenues than costs. Any profit will result in a proportionate reduction to the contribution finally paid.

The bank account specified in the Application forms must enable any Community contribution to be identified. This account shall be **opened specifically for EU funds received for carrying out the action for which the grant is awarded.** If the contribution paid into this account generates any interest or equivalent profit (under the relevant national law of the country in which the account is based), the beneficiary must, upon submission of the Final report, declare this interest resulting from any pre-financing. The interest or equivalent profit will be recovered when the balance of the contribution is paid.

The beneficiary is committed to carrying out the project as presented in the application form.

9.1. Payment Procedure

The financial support granted in the framework of this Call for Proposals will take the form of a Grant as specified in Article 9 of Council Decision 1718/2006/EC.

Should an application be approved by the Commission, an agreement (in Euro) specifying the conditions of the grant and the level of community financing will be concluded between the Executive Agency and the beneficiary. Original copies of this agreement must be signed and returned to the Executive Agency who will be the last party to sign.

The payment of the Community's contribution will be normally made as follows, in two instalments:

- A pre-financing payment of 80% of the total financial support after the signature by the two parties of the contract between the Executive Agency and the beneficiary and within 45 days of reception and acceptance of a bank guarantee. Pre-financing is considered as a down payment providing cash flow to the beneficiary;

(The project may opt not to have a pre-financing payment. In this case the first payment, corresponding to a maximum 50% of the value of the contract, will take place after reception and acceptance of a detailed cost statement, signed by the contractor and verified by an approved external auditor and a mid-term activity report covering the first 9 months of the activity.)

- The remaining part of the financial support following the presentation and acceptance by the Executive Agency of the Comprehensive Final Activity Report and a Final Financial Statement giving detailed breakdowns of the final costs and revenues of the project and duly certified by an approved external auditor, as well as all proper accounting documents for the expenses made.

The amount of this contribution depends on real costs incurred by the beneficiary and the levels of co-financing ultimately obtained. Should actual expenses incurred by the beneficiary for the implementation of the project be lower than the costs foreseen in the provisional application budget, the Executive Agency will apply the financing rate set out in the contract. If appropriate, the beneficiary will be required to reimburse any surplus already paid as pre-financing payment.

9.2. Audit of Accounts

Should the project be selected, an agreement shall be signed between the Executive Agency and the beneficiary, by which the beneficiary shall undertake to allow Commission/Executive Agency staff, staff from the Court of Auditors of the European Communities and persons authorised by them, appropriate access to the sites or premises where the project is being carried out and to all documents relating to the technical and financial management of the operation. Access by persons authorised by the Commission/Executive Agency may be subject to confidentiality arrangements to be agreed between the Commission/Executive Agency and the beneficiary.

The beneficiary shall also agree to the Commission/Executive Agency and the Court of Auditors of the European Communities verifying the use to which the financial contribution is put in accordance with the Council Regulation 1605/2002 of 25 June 2002 and the Commission Regulation 2342/2002 of 23 December 2002 applicable to the general budget of the Commission, as amended, throughout the duration of the agreement and for five years after the final payment of the Community contribution.

The beneficiary shall also undertake to ensure that any co-beneficiaries accept these same obligations.

Checks by the Commission/Executive Agency or the Court of Auditors of the European Communities may be carried out on the basis of documents or on the spot.

9.3. Guarantee

The Executive Agency shall request a bank guarantee (in a format specified by the Agency) for an amount equal to the pre-financing payment, which corresponds to 80% of the value of the contract. The costs for the bank guarantee are eligible expenses and can be included in the Forecast Budget.

The guarantee aims to make the guarantor liable for all obligations of the beneficiary of a community contribution.

This financial guarantee, which must be made in Euro, is to be provided by a recognised financial or banking institution established in any of the European Union's Member States.

Subject to prior agreement by the Executive Agency, this guarantee can be replaced by the personal liability of a third party or the beneficiary involved in the agreement concerning the project.

The financial guarantee will be returned within 60 days upon final payment of the subsidy, conforming to the conditions set out in the agreement.

9.4. Double Funding

One project may give rise to the award of only one grant from the Community budget to one beneficiary. The project proposed by the applicant cannot receive double funding.

Applicants must indicate in the application for support what other applications for financial support they have submitted or will be submitting to the European Institutions during the same year, indicating for each support the Community Programme concerned and the amount of the support.

9.5. Eligible Costs

The expenditure part of the Forecast Budget must be sufficiently detailed to allow 'eligible costs' to be distinguished from any 'ineligible costs'.

The period of eligibility of costs may start on 09/07/2007 (at the earliest) and end on 31/12/2008 (see also 5.4. above).

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

Only Cash costs identified in the Budget Form attached to the present Call for Proposals will be considered eligible costs.

Eligible expenses may only be charged to the project over the duration of the period of preparation, implementation and follow-up of the project / event, i.e. during the defined period of eligibility of costs (see 5.4. above).

The Forecast Budget shall be in two parts. Firstly a summary budget for the three year period covered in the business plan and secondly a detailed budget for the proposed project for the eligible period ending on the 31st December 2008 (see also the specifications for the Final Report at 9.5.3. below). The Commission/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 €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 €10 000 will be considered as eligible in the absence of a detailed breakdown and an appropriate justification.

Costs which are considered as eligible are those which are:

- necessary for the implementation of the event/project and directly linked to it, written in the provisional budget attached in the agreement, reasonable and in conformity with the principles of sound financial management and cost-effective;
- generated during the eligible period of costs as defined in the agreement;
- actually incurred by the applicant (co-ordinator or co-beneficiaries), registered in the beneficiary's accounts in accordance with the relevant accountancy principles, and have been declared according to national financial and social security regulations;
- identifiable and verifiable on the basis of justifying documents.

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

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.

A beneficiary of a community support is obliged to maintain a clear analytical accounting system for the costs of the supported project. This accounting and classification system will facilitate the verification and certification of the final costs by the approved external auditor necessary for the payment of the financial contribution. The independent audit of all final accounts is mandatory.

The beneficiary's accounting procedures must allow the reconciliation of costs and revenues declared in relation to the project supported with the corresponding justifying evidence and the organisation's accounts.

9.5.1. Direct Eligible Costs

Direct eligible costs are those which respect the general conditions of eligibility set out in the previous paragraph, are necessary for and specific to the implementation of the action/project and can be directly attributed to it.

The following direct costs are considered eligible, as long as they meet the following criteria:

- Costs relating to the purchase of equipment (new or second hand) are eligible as long as they are depreciated using the relevant and commonly accepted accountancy principles. Only the amortised cost relating to the duration of the project/action is eligible.
- All the following described direct costs are eligible:

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 project. 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 *Forecast Budget*. Their salaries may not be distributed over several *Budget Headings*.

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

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 project and relating to specific and clearly identifiable activities; it is requested to justify in the 'Note to the Budget' the relevance of expenses to the project 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 to 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 regulation 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.

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

Subject to the work plan, equipment shall be reimbursed according to a depreciation period (for computer office equipment that costs less than €25.000 the depreciation period is 36 months, for all other equipment the depreciation period is 60 months) and its use on the project; 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 project.

- 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 project 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 to the budget'.

- Financing costs

The Executive Agency shall request a bank guarantee for an amount equal to the pre-financing payment, which corresponds to 80% of the value of the contract. The costs for the bank guarantee are eligible expenses and can be included in the Forecast 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 project. The following costs may be included in this heading: subtitling, dubbing, printing, 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 project. Subcontracting 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 forecast budget. Sub-contracting costs should be limited to those specified in the original application. Any significant change in sub-contracting costs 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 2007 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. Indirect Eligible Costs (Overheads)

Overhead costs encompass the following categories:

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

Indirect costs representing applicant's overheads, when incurred in carrying out the action/project, are considered as eligible. These indirect costs cannot exceed a flat-rate funding of **7% of the total eligible direct costs** of the action/project.

9.5.3. 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

9.6. Ineligible Costs

Any costs incurred by the beneficiary but re-invoiced to third parties are not eligible for inclusion in the budget.

In addition, the following costs are considered ineligible:

- 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,
- Costs declared by the beneficiary and supported in the framework of another action or under another Community grant,
- Excessive or reckless expenditure
- Contributions in kind.

In the event that the applicant is unable to reclaim amounts of VAT related to the expenditure of the project, 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 will be required before the final payment of the contribution.

The income side of the Forecast 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 project;
- The contribution requested from the MEDIA 2007 Programme.

9.8. Duration

9.8.1. Duration of the Project

The project duration may be three years or longer.

Any contracts awarded following the conclusion of Call for Proposals EACEA /13/07 will cover the period until the end of 2008.

All projects that are to continue for a further year must re-apply on a yearly basis to be selected. Their selection will depend on results obtained at the moment of evaluation.

9.8.2. Duration of the Contract

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

This contract will be a multi-beneficiary agreement, which means that 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 Executive Agency. In the event of a contract with the Executive Agency, each Co-beneficiary will have to sign a mandate with the Co-ordinator.

The duration of the contract will cover the duration of the project to be supported and the statutory period for verification of same.

9.9. Legal Entity

The Executive Agency can only offer agreements to (successful) applicants on the basis of approval of documents enabling the legal status of applicant organisations – whether or not they are legal entities or individuals.

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 according to the 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 according to 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 for the relevant authority, (e.g. Companies register, Official Journal, etc.) **and** statutes (including proofs 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).
- 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 proofs of the data specified in the previous paragraph.

Moreover, where the person authorised to sign any agreement with the Executive 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 Executive Agency on the organisation's behalf, is required.

10. SUB-CONTRACTING AND CHOICE OF EXTERNAL SERVICES

In addition to the restrictions set out in section 9.5.1.3., where the project proposed has resort to a significant element of external services then the applicant should provide for the establishment of a tendering process to select the relevant service provider.

The beneficiary shall then 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.

11. PUBLICITY

All subsidies allocated during any one financial year must be published on the website of the European Institutions during the first six months of the following financial year, after the completion of the audit of the budget under which they were granted. This information may also be published in any other appropriate publication, for example the Official Journal of the European Community.

With the permission of the successful applicant, (unless such information threatens their security or harms their business interests), the Executive Agency (EACEA) will publish the following information:

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

In the event that the beneficiary does not agree to this, they should attach a detailed justification, which will be considered in the process of deciding on the award of the grant.

All successful applicants are required to mention clearly the support of the MEDIA 2007 Programme in any publicity or during the activities for which a subsidy is granted.

Moreover, all successful applicants are required to display (clearly) the name and logo of the MEDIA 2007 Programme on all publications and publicity materials produced for any project which has been allocated a co-financing contribution.

Should this condition not be respected, the amount of the Community contribution provisionally allocated may be reduced.

12. HOW TO APPLY

12.1. Publication

The Call for Proposals is published in the Official Journal of the European Union and is accessible on the Directorate General of Information Society and Media's website at the following address:

http://ec.europa.eu/information_society/media/index_en.htm

12.2. Application Forms

Applications must be submitted using the official Application Forms (including the Budget Form). The applications forms must be typed. Only printed 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.

Application forms and budget forms can be downloaded from the following website:

http://ec.europa.eu/information_society/media/index_en.htm

In addition to these, an electronic copy of the application shall be included **on CD-Rom / DVD-Rom** (no other formats accepted).

12.3. Presentation of the Application

Only applications presented using the official Application Forms (Annex I), 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 point 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 budget form must be **signed** by the signatory of the applicant organisation.

Any costs included in this budget and exceeding € 10 000 must be broken down in detail within the Budget Form itself and eventually on attached sheets and explanatory note as well. Applicants must indicate the quantities (number of meetings, persons, days, quantity and scale of materials etc.) and the unit price and must clearly indicate the nature and duration of the work(s) carried out.

Applicants must provide full details and explanations/justifications for all costs mentioned in the budget on a separate "Note to the Budget" giving clear explanations for the basis of the calculation of the costs and the justifications for their inclusion in the forecast budget. The note should be structured on the same 'heading by heading' basis as the forecast budget.

All sources and amounts of revenue must be clearly specified and proved 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 on its own funds.

Applicants applying with a multi-annual project are requested to submit a detailed budget for the first 18-month period and for every subsequent 12 months period.

Proposals must be clearly marked with the following words: "**MEDIA Programme – Video on Demand and Digital Cinema Distribution – EACEA/13/07**" and sent by registered mail (at the applicant's own expense) by **09/07/2007** at the latest, as shown on the postmark, to the following address:

Education, Audiovisual and Culture Executive Agency
MEDIA Programme – Video on Demand and Digital Cinema Distribution – EACEA/13/07
 Mr Constantin Daskalakis (BOUR 03/30)
 Avenue du Bourget 1
 B - 1049 Brussels
 Belgium

Applications delivered by hand or by private courier (which must be at the applicant's own expense) should be delivered to the following address:

Avenue du Bourget 1, B-1140 Brussels, Belgium

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

Applications sent by fax or email will not be accepted.

No amendments and/or modifications to the application will be accepted following its receipt by the Executive Agency. Nevertheless, the Commission reserves the right to request additional information clarifying elements of the application. Applicants should give full and prompt replies to any such request.

Applicants shall ensure to provide all the documents requested and mentioned in the check-list attached to the application forms of the present Call for Proposals.

Incomplete applications (including applications which do not provide all documents requested in the checklist included in the application form) may be rejected.

Applications submitted after the relevant applications deadline will be rejected.

Only applications which fulfil all of the eligible criteria will be considered eligible and assessed. Ineligible applications will not be considered for a community contribution and will receive letters stating the reasons for such rejection.

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 applications will be subject to a financial assessment. In this context the Commission may request additional information or guarantees from applicants before taking any final decision on granting support.

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

12.4. Applicable Rules

- Council Regulation (EC Euratom) n° 1605/2002 of 25th June 2002 concerning the Financial Regulations applicable to the budgets of the European Communities;
- Council Regulation (EC Euratom) n° 2342/2002 of 23rd December 2002;
- Council Regulation 1261/2005 of 20th July 2005 modifying the Regulation 2342/2002 of 23rd December 2002 and as modified by the Regulation of the Commission 1248/2006 of 7th August concerning the financial rules applicable to the general budget of the European Communities.
- 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 2007).

12.5. Contacts

For any further questions, please contact:

Education, Audiovisual and Culture Executive Agency

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National Contacts:

MEDIA Desks and Antennae:

http://ec.europa.eu/information_society/media/overview/who/desks/index_en.htm