Public Aid Mecanisms for Film and Television in Europe

Vol.I
Comparative Analysis

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Public Aid Mecanisms for Film and Television in Europe

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This report is mainly based on a large-scale questionnaire survey conducted on the reference year 1995. Consequently, and in order to have a common baisi for analysis, most of the comparative data refer to this reference year. However, important and lastest developments relating to the organisation and regulations for national funding systems have, when ever possible, been taken into account in our analysis.

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Foreword

The Centre national de la cinématographie and the European Audiovisual Observatory have come together to create a comparative analysis of the film and television public funding agencies in Europe. This study is a "first". It demonstrates that all European countries provide financial assistance to their film and television industries, according to specifically adapted national and regional terms and conditions.

Among the main conclusions of this analysis, it emerges that in most countries, funding agencies receive their financing predominantly from public contributions. Television companies make direct or indirect contributions through taxation in seven countries. In the film sector, most of the funding is directed at production. While automatic funding is widespread, its impact is relatively weak, and in the main, only affects film production. France is the exception in also providing automatic funding for distribution, exhibition, video production and television production.

Finally, the rules and conditions of funding are subject to constant change at a time when the film and television industries are undergoing major upheavals.

Filmmakers and those responsible for public agencies will find in this first volume a comparative analysis of direct funding and information on the rules which apply. The second volume provides detailed monographs of twenty eight European countries.

The Centre national de la cinématographie and the European Audiovisual Observatory intend to continue their collaboration to offer all those involved in film and television complete and comparative information on public funding sources.

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Table of Contents

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List of Tables and Graphs

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Introduction and Methodological Notes

In order to gain a better understanding of the various public funding agencies for film and television in Europe, the *Centre national de la cinématographie* and the European Audiovisual Observatory set themselves a common task in 1994. The work which they planned was, above all, of a comprehensive nature: to cover all the funds for the industry established by public authorities, not only in the relatively well-documented countries of Western Europe, but also in the countries of Central and Eastern Europe.

To complete the primary information available (annual reports, guidelines, statististics relating to supported projects, etc.) a questionnaire was sent to every public funding agency in each of these countries, both at national and regional level. From the replies, complete descriptions were created, fund by fund. These descriptions were intended to help anybody in the industry looking for financial support for their projects. They will shortly be available in a revised version and published on the Internet site of the European Audiovisual Observatory (http://www.obs.coe.int).

This reference file, called *RAP or Resources for Audiovisual Production*, has been of value in preparing the country monographs, covering the fifteen members of the European Union, Switzerland, Norway and Iceland.

Rather than providing a guide to the European funds, these monographs provide a complete analysis of public funding in each country. Thanks to our questionnaire, we have been able to calculate the amounts of money involved and to make use of this valuable and little known information. Finally, for each country we have placed the funding systems within their national and international legislative settings.

Funding systems vary from one country to another. Nevertheless it has been possible to make some analyses from the body of information created by this project. To achieve this we wanted to complete our coverage of the ground and descriptions with a comparative analysis of the film and television funding systems in Europe.That is the purpose of Volume 1 of this publication.

The analysis is in five parts:

1. Summary: the main characteristics of the funding mechanisms and a comparison between the main funding systems of the principal European countries;
2. The public film and television funding mechanisms in the countries of Western Europe;
3. The public film and television funding mechanisms in the countries of Central and Eastern Europe;
4. The public funding mechanisms at European and international level;
5. The legislative context for film and television production in Europe.

Finally, in the appendix, tables and graphs summarise on the one hand the main statistics of amounts spent according to types of funding and industry sectors, and on the other hand, the main statistical market indicators for film and television production available at the European Audiovisual Observatory.

We have limited our field of analysis of the public film and television funding mechanisms to funds directly allocated to the sectors of production, distribution and exhibition. If in our description of the legislative context we have covered the indirect funds provided by states, we have not, on the other hand, dealt with the agencies established by public authorities to attract producers and location shooting like the National Film Commission in France.

These film commissions, the idea of which comes from the United States, spread across all the European countries from the end of the 1980s and now exist at both regional and national levels. It has not proved possible to measure their relative direct and indirect economic impacts in this study, other than when they are directly linked to regional funding agencies. Where this is the case, their existence is mentioned in the monographs.

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We were interested only in funds allocated directly to the industry. No account has therefore been taken of the range of funds provided by public authorities to intermediate bodies, cultural associations and others, for example professional bodies and those involved in training or cultural promotion.

We have concentrated on the production sector, the most heavily funded area in all the countries studied, where it is not the only one. On the other hand we have been equally interested in both film and television. The term “television” is used here in a limited way, to cover productions and programmes (fiction, documentary, animation...) specifically made for television transmission.

Above all, this study is descriptive in nature. It attempts to reveal the differences and similarities between the various public funding mechanisms and to understand the national contexts in which the various European industries operate. The funding systems have a structuring effect on the organisation of the film and television sectors. In providing a better factual knowledge of these systems, this study aims to reveal the national views of the organisation of the film and television industries, as well as to show the imagination and relevance of the public funds.

Numerous bibliographic elements have assisted us in this work. Their sources are listed at the end of this volume. Contact information on the various public funding agencies are available on the European Audiovisual Observatory's Internet site (http://www.obs.coe.int/oea/docs/00002183.htm).

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1. Summary: The Main Characteristics of the Funds in Europe

Each year, more than 500 MECU are allocated by the national and regional funding bodies of the European Union, of which 300 MECU is allocated in France and 130 MECU in Germany: the remaining 70 million being spread among the other countries. Among these is the United Kingdom where, since the establishment of the National Lottery in 1995, the financial involvement of the public authorities has grown very considerably. This increase has somewhat modified the general setting for public funding available to film and audiovisual production for the period 1996 à 1998.To this figure should also be added the 85 MECU allocated annually by the European funding bodies such as Eurimages and the MEDIA II programme of the European Union.

While every European country funds its film and television industries, each country has its own way of organising its funding system to include different ingredients. Nevertheless, this diversity operates within the context of common objectives.

Two questions are central to the various approaches: the account taken of the two dimensions of the film and television funds- the cultural and the commercial- and the dialogue with the industry in framing the public funding bodies. In this respect, the analysis shows that, without exception, the approach of funding productions is more widespread than that of funding companies.

This both reflects the nature of film and television production activity as being centred on individual projects, and the somewhat overdue account taken of the production company as the key unit of this industry.

1.1 Common Objectives

1.1.1 Writing and Production are Central to all the National Funding Mechanisms

Public funding spread in Europe at the end of the 1960s, and mainly focused on the production sector. This still accounts for almost 90% of public funding, except in Germany and France, which nevertheless devotes more money to it than the other countries. However, only Belgium, Greece, Ireland and Luxembourg concentrate all their efforts onto it.

In the beginning of the 1990s, funds for the stages prior to production spread both at regional and national levels. Currently, they exist in all the countries studied, but in more or less well-developed forms. They account for between 16% (Luxembourg) and 1% (France, Norway, Italy) of the money available to the production sector. They are mainly funds for project development, rather than scriptwriting, with funds for pre-production being fairly unusual.

These funds for work prior to production are selective, and allocated on artistic criteria to feature films, and also to television productions where television is supported at the production stage. In Germany, France and Portugal, producers may use part of their automatic funding to finance work in advance of production. Furthermore, with the *Centre national de la cinématographie* in France, and certain of the German *Länder* funds, producers can receive funding to develop several projects in parallel.

A huge majority of the direct funds deal with individual productions, up to 100% in Luxembourg, Norway, the Netherlands and Portugal, with France being the country which devotes proportionately less resources to it (79% of funds allocated).

1.1.2 Productions as a Higher Priority than Companies

While it can be seen that the direct funding mechanisms, whether automatic or selective, tend to prioritise funding for, mainly film, productions, there are some specific mechanisms, especially regulatory measures, and banking and financial engineering, addressed directly at production companies.

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Since film and television production is essentially an activity which is composed of a succession of individual projects, it is perfectly sensible that a significant proportion of the funds is primarily dedicated to these. Historically, and a little schematically, it can be seen that the public authorities' approach based on selective funding for projects coincided with a somewhat artisanal nature and vision of production activity (1960s to the beginning of 1980s). The development of funding mechanisms for production companies during the 1980s came at the same time as the growing argument for the economic sector. It is also interesting to note in this connection that it is at this very period that a precise definition of a producer as an economic entity is introduced into the national legislations dealing with film and television.

The creation of direct and indirect funds for small to medium enterprises in the media sector stems from a desire to bring about structural change, which only strong and durable companies can guarantee.

The media enterprise is the main objective of the new English National Lottery scheme, introduced in 1995 for a period of five years. It focuses on the structuring effect of funding on a well-co-ordinated industry by means of commercial franchises, consortia of independent producers with a central unit responsible for editorial policy and a common distribution policy.

Finally, fiscal incentive measures, such as Section 35 in Ireland, aim at an economic and employment impact by implicitly strengthening small and medium-sized production companies.

The size of budgets and the difficult balance in time and amounts of finance between the different elements - producers' own investments or their equivalents, sales and distribution advances (theatrical, television, video, merchandising etc.), short term bank loans; vital for cash flow, and suppliers credits - demonstrate the extent to which film and television production has become a more industrialised activity in the countries of Western Europe. This is, however, not yet true of Central and Eastern European countries, still undergoing the effects of privatisation and restructuring.

1.1.3 Funds for Television Productions in the Majority of the Countries

The development of television, prompted by the appearance of new companies, particularly commercial ones, led to the introduction, during the 1980s, of a number of funds for television production, when, until that point, it had been only the film sector which was supported by public funds. However, in most countries where television projects are not excluded from public funding, there is not always a clear distinction made between film and television projects which have been supported.

Almost all European countries have introduced specific funds for television writing and production. However, the levels of funding vary.

In France, television production receives the larger proportion of financial resources (66%, compared with 33% for film production).[1] It is also the country in which the contributions of the television companies are the highest, and where there is a very clear distinction made by the CNC between the budgets for film and those for television. Furthermore, a special automatic fund for television production has been established at regional level, and only *Rhône-Alpes Cinéma* has decided to exclude television productions from its funding.

In Germany, no Federal funding is given to television production, although the *Filmförderungsanstalt* (FFA) receives financial contributions from television companies. At *Länder* level, only three funds give no funding to television productions. However, while 30% of *Länder* production funds are for film production, 11% are specifically directed at television, and 59% to either type of production without distinction.

The situation in Spain is similar to that in Germany. At national level, the Institute of Film and Television Arts (ICAA) only supports film production, while all the funds established by the autonomous communities support both kinds of production. In this country, the television companies do not contribute directly either at national nor at the autonomous community level to public support.

In the United Kingdom, all the funds of British Screen Finance (BSF) and the National Lottery are devoted to feature films, and this is also the case with the Glasgow Film Fund. The other regional agencies fund film and television projects without distinction, and, untill 1998, the BFI allocated certain funds available to one or the other. In this country 92% of production funding is devoted to film production.

[1] basically made up of COSIP and the support fund for the programme industry created in 1985.

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Looking at the sums given solely to feature films, it is Italy which contributes the greatest amount (91 MECU), and it does not support television production at all. France is in second place with 59.36 MECU, Germany only contributing 34.42 MECU strictly to feature film production, and the United Kingdom giving it almost 26 MECU. However, if we add the resources allocated to feature films to those which *could* be available to them (but could equally be given to television productions), then the resources in Germany grow to 66.78 MECU, while the French resources represent 59.56 MECU.

Today only a small number of countries provide no funding for television productions (Greece, Iceland, Italy and Sweden). But certainly some agencies have limited their funding solely to film productions: the ICAA in Spain, the FFA in Germany, and the BSF in the United Kingdom are the larger of them. As for the regional agencies, on the other hand, there are few that do not fund television productions.

1.1.4 Finding a Balance Between Economic Considerations and Cultural Aims in the Selective Funds

Whether at national, regional, European, or international level, the challenge and the problems in constructing public film and television funding agencies lie in the subtle balance between cultural aims and economic considerations, particularly with selective funds, where the link between a production and its market is not directly established.

Since selective funds are generally created to correct the functioning of the market and to act as a nursery for new work (through funds for short films and first and second films) and for artistic experiment, the cultural aspect is predominant. Nevertheless, the need to take account of the financial viability of a project, the track record of the director and producer, as well as the requirement for the assessment of having minimum guarantees and/or television pre-sales in place, will guarantee the necessary attention to market realities.

These dual objectives and the economic and cultural preoccupations, like the objectives of the MEDIA II programme, are a sign of a certain maturity in the system. MEDIA's overall objective is to promote and strengthen the European film and television industry by improving its competitive capabilities, particularly at the level of small to medium enterprises, and taking account of the cultural dimension of the sector. In most of the Western European countries these two kinds of objectives are met by the co-existence of economic funding mechanisms and mechanisms aimed at culture, such as funding for new directors and short films.

1.2. Some Distinctive Features

1.2.1 Public Funds Mainly Financed by Public Contributions...

The European public funding agencies are broadly based on four main sources of finance:: contributions from the public purse, income from special taxes on the sectors of cinema and television distribution [2], , contributions from television companies and own income (reimbursements, etc.).. They still receive the majority of their financing from the public purse. This accounts for 100% of the financing of the funds of five countries, including Spain and Denmark, and more than 50% in six other countries, including Italy, Sweden and Switzerland. It accounts for between 30% and 10% in Norway, the Netherlands, France and Portugal. The regional funds are primarily financed by the regional authorities, often solely, as in Spain, Switzerland and France - the exceptions being *Rhône-Alpes*, *Haute Normandie* and *Franche-Comté*, which also receive contributions from the French government.

1.2.2 but with Significant Levies on the Resources of the Market in Several Countries

With the growth of new formats and markets for the exploitation of film and television productions, cinema exhibition is now relatively less significant for the receipts of a film. Competition with these new formats and the general drop in admissions in the 1980s have weakened the financial base of those public funding agencies solely based on a parafiscal tax on box-office receipts. This became alarmingly apparent in the

2 in theatres, on television and video tape.

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period of transition and financial reform of the film and television economies in the Central and Eastern European countries. Indeed, in these countries, the budgets which financed the public funding agencies came mainly from receipts - in free fall - or a tax on admissions.

In seven countries a tax is raised at the point of exhibition and is paid into the budget of the national public funding agency. This income is significant in each of the countries, even if it is only in Norway that it is the main financial source for public funding, to which it contributes 70%. These taxes account for 37% of public funding in Sweden, 24% in Finland and in France, 21% in Germany, 10% in Greece and 8% in Italy, where this income is exclusively paid into the automatic fund for film production.

With the aim of developing and ensuring the stability of the financing of their public funds, France, the Netherlands and Portugal have created taxes on the advertising income and turnover of the television companies. In Portugal, 90% of the public funds administered by IPACA are financed through the income of a tax raised on television advertising. In the Netherlands, 69% of direct public funding comes from television income. On the one hand, the fund to promote cultural television (STIFO) receives 1/16th of the advertising income of the public service broadcasters, on the other the COBO-Fund receives the rights fees paid by the Belgian and German cable operators to the Dutch television companies to screen their programmes.
.
In France 59% of public funding (a sum of 217.43 MECU in 1995, which is the largest contribution to a national public fund) comes from a tax raised at 5.5% on the turnover of the television companies (subscriptions, advertising, fees). Based on the model of this tax, a tax on video production was also created.

1.2.2.1 The Contribution of Television to Financing Public Funds

The production sector is being increasingly financed by the broadcasters, from between 30% to 74% depending on the country, and in the forms of direct contributions to the budgets of the funds, via a special tax or also in the form of co-production or a pre-sale agreement.

The television companies contribute to the budgets of public funds through direct contributions, or through tax in Germany, France, the Netherlands, Portugal, Norway, the United Kingdom and Sweden. They represent the main form of finance in Portugal (90%), the Netherlands (69%) and France (59%). While the television companies only finance the budgets of the national film and television public fund in France, Portugal and Sweden, they come indirectly in the United Kingdom to support specific schemes created by the BFI, the Arts Council of England, or funding agencies at regional level. In Germany, the national television companies ZDF and ARD contribute to the budget of the main public funding agency, the FFA, in the framework of a special agreement [3] while the third public service channel and some private channels support several funds established at the level of the *Länder*. The first agreement between the FFA and the private television companies was abrogated in 1995, and a second agreement providing for an annual contribution of 30DEM million was only arrived at for the 1996-1998 period, after long and difficult negotiations, especially around the issues of what the companies would receive in return. In the Netherlands, Norway and Denmark, funds specifically financed or co-financed by the television companies have been established to support productions intended for those television companies or which are being co-produced by them. [4].

France and Portugal are the only two countries where taxes on the income of television companies go towards the budgets of national public funds, the CNC in France and IPACA in Portugal. In Sweden, the budget of the Swedish Film Institute, responsible for public funding, also receives money from the television companies, but this is as a result of an agreement signed between the State, the terrestrial television channels and the film industry. Under this same kind of renewable contract, the German public service television companies contribute to the German public fund, administered by the FFA, while in 1995, the private television companies, via their association the VPRT, refused to renew their contract with the FFA. In the negotiations which followed, the private broadcasters made it a condition of signing a new agreement that the equivalent of 25% of funding should go to television drama, documentaries and films for children and young people.

3 FilmFernsehenabkommen.

4 These are the COBO-fund and Stifo in the Netherlands, the Dansk Novellefilm in Denmark, AV-Fondet in Norway, Nordisk Film & TV Fond for all the Nordic countries, and the Telefilm Foundation in Hungary.

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Since 1989, the film and television economies in the Central European countries, especially in the production sector, have had to face dramatic changes: The privatisation of the state production entities, reduction of funds, galloping inflation and the lack of alternative sources of finance. In this situation, the contributions of Hungarian and Polish television have been, and remain, vital in maintaining and developing national production. In Hungary the public service broadcaster MTV has created a special fund, the Telefilm Foundation, in collaboration with the Hungarian Film Foundation, providing additional funding of some 350 million Forints (or 1.9 MECU) per annum. In Poland the public service broadcaster, because of its excellent financial condition, has been able to finance up to 75% of film production, thereby offsetting the weaknesses of public funding in the period of transition. The creation of the Pay-TV channel, *Canal+Polska*, with the obligation to support and invest in local film production, has made it possible to add a further 1.6 MECU per annum to Polish film and television production.

Finally, the public service or mixed economy television companies like Channel Four in the United Kingdom, TV2 in Denmark and in Norway, the Franco-German channel ARTE, acting as commissioning companies, make a structural contribution to the development of independent production through their on-going commissioning of independent producers and the resources which they invest in national and European productions.

It should also be mentioned that, in several countries, television companies are involved through co-productions or pre-sales under general agreements or investment requirements[5].

1.2.3 The Modest Presence of Automatic Funding which Fulfils a Wide Variety of Functions

Automatic funds, generally based either on actual receipts or estimated ones, create a strong link between a production and its market. Eleven countries have established automatic funds (in Switzerland the fund was set up in 1997 on a pilot basis). In the United Kingdom it was abolished in the 1980s.[6] They account for 48% of funding to the production sector in Spain, 71% in France, 10% in Germany and 8% in Italy. Looking only at the production funds at national level, they account for 59% of the production funding allocated by the ICAA in Spain, 47% of the funds of the FFA in Germany, 72% of the funds of the CNC in France and also 8% of the funds allocated by the FUS in Italy. France allocates 131.37 MECU to the production sector as automatic funding,[7] while only 10.38 MECU are allocated in this way in Spain, 7.31 MECU in Italy and 7.28 MECU in Germany. The French automatic funds may be given to film or television productions, while, in the three other countries, they are available only to film production.

Basically these funds only exist at national level, although the Catalan Community in Spain and the *Fondation vaudoise du cinéma* in Switzerland have also adopted automatic funding schemes. Furthermore, similar systems in the form of compulsory savings have been created by the German *Länder* funds of North Rhine Westphalia, Hamburg and Berlin-Brandenburg.

1.2.3.1 Terms and Conditions

Where they exist, the automatic funds operate under very varied terms and conditions:

- they are not necessarily funded through a levy on box-office income; this is not the case in Austria, Belgium, Denmark, Spain or Switzerland;allocation is not always in proportion to a film's receipts. In Belgium, Sweden and Norway it takes the form of a bonus to the completed film; in Spain a film's budget level is taken into account; it is based on estimated admissions in Denmark and is repayable beyond a certain success threshold;

- there is not always the requirement to reinvest in production; this requirement only exists in Germany, Austria, France, Italy and Portugal;

5 Under article 10 of the Decree on Encrypted Channels No 95-668, Canal+ France is required to allocate at least 25% of its total annual resources in purchasing the television rights to films. In 1997, Canal+ spent 1754.53 MFRF in purchasing the television rights to films.

6 The tax on admissions, called the *Eady Levy* which used to finance the National Film Development Corporation, was abolished in 1995..

7 Including the compte de soutien à l'industrie des programmes (COSIP)

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- the system can operate in sectors other than feature film production. France is an exception in extending this type of funding to all sectors: exhibition, distribution, video and television production.

1.2.4Funding Other Sectors

Taking the example of France, where television makes a direct contribution to film financing at a level of 40%, and the CNC at a level of 15%, it is evident that direct funding mechanisms cannot entirely resolve the question of funding for development, production as such and post-production, since pre-purchases by the television companies are normally paid after a film has been released. This realisation has led to the creation of a number of special arrangements aimed at facilitating and guaranteeing short term bank loans, thanks to which cash flow can be handled at a reasonable cost.

While Greece and Ireland are the only countries to concentrate all their public funding on the production sector, the resources dedicated to distribution and exhibition in Europe are very modest. The funds provided for both the sectors of distribution and exhibition account for less than 15% of public funding, except for France (26%) and Germany (20%). Finland provides 14% (4% for distribution and 10% for exhibition), Spain 8% (4% for distribution and 4% for exhibition), Norway 6%, Denmark 4%, while Sweden and Italy only provide 1%.

Funding for these sectors is still rare in the regional funds, except in Germany where films which have received production support, may receive a subsidy for the distribution, dubbing/sub-titeling or production of copies.

1.2.5The Importance of the Regions

It was from the end of the 1980s that independent agencies responsible for public funding were established in the regions, whether in federal states (Germany, Switzerland, Austria and Belgium) or centralised states moving (at that time) towards decentralisation (Spain, France, the United Kingdom). The financial levels of these agencies varies from country to country: 64% of total public funding in Germany, but only 16% in Switzerland, another federal state,while they account for 25% of public funding in Spain, where decentralisation is significant, and 2% in France, although regional funding agencies are on the increase there.

Basically, the regional funds take the form of support for the production sector, generally given in the form of a grant, on a selective basis. While the essential criterion is the residence of the applicant - director or producer - within the region, this is often replaced by criteria relating to regional interest. The regional interest in a production is assessed on the basis of a package of economic and cultural criteria. A supported production is expected to have effects in terms of employment and local economic activity, but also in terms of image, benefits to tourism and cultural reputation. The dynamic behind it is both economic and cultural which most of the regional authorities tend to promote by creating funds for film and television.

This being the case, most regional authorities aim to develop both an economic and cultural dynamic in their regions and to make it visible. This, for example, is the objective of the *Wirtschaftseffekt* (economic return), which obliges funded productions to spend the equivalent of 150% of the amount they are funded on suppliers and the local economy, and is a condition of the *Filmstiftung Nordrhein-Westfalen* and the *Wiener Filmförderungsfond*. These twin concerns, cultural and economic, are the basis of certain obligations and returns which the funding agencies, established by most of the regions of Europe, require: shooting in the region, employment for locally resident film workers and local technical services, and the creation of events around the shooting and release of a supported film.[8.]

In the case of Germany, the development of stable regional funding agencies with considerable resources is a key element of the *Länder's* policies of regional planning and developing centres of media production and activity (*Medienstandortspolitik*). More than being mere distributors of local funds, these agencies

[8] A study on the dynamics of employment and the impact of regional development policies for the audiovisual industry, entitled *Technological and Organisational Change in the European Audiovisual Industries. An Exploratory Analysis of the Consequences for Employment*, set up by the European Audiovisual Observatory and the London School of Economics under a research programme on employment in the cultural industries initiated by DGV of the European Commission, will be published on the European Audiovisual Observatory's website (http://www.obs.coe.int).

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have become, as the slogan of the *Filmboard Berlin-Brandenburg* , "We give you more than money", emphasises, a centreof local production activity around which a basket of services and secondary activities develop (training, media desks, collaboration agreements with filmmakers and agencies in other regions, film commissions, etc.).

1.3 National Characteristics Asserted by the Main Countries

Through breaks or progressive changes, most European countries have integrated both the cultural and commercial dimensions into their methods of financing film and television. Nevertheless, certain differences can be established, without minimising the sometimes complex peculiarities of each country: the dominance of guaranteed low-interest loans in Italy, grants in Spain, the federal component in Germany, France's aim at national level to treat all the relevant sectors as a totality and to mark closely the changes in the film and television industries, both at the level of the introduction of new initiatives and of how public funds should be financed, and finally Britain's concern with commercial income and private resources.

The divisions between the national and regional initiatives show, perhaps most clearly, the disparities based on very different political and institutional procedures. In this, France and Germany are at two extremes, with Spain taking an intermediate position, while Italy is the only one of the five countries which still does not have regional funding agencies.

German, France, Spain, Italy and the United Kingdom are seen as the five European countries whose film and television industries are the most developed. In 1995, almost 80% of the feature films produced in Europe were made in one of these countries. France, then Italy and Germany are the countries which, by far provide the greatest amount of public funding to these sectors in Europe, respectively 257.87 MECU, 92.24 MECU and 91.67 MECU in 1995. From 1995, thanks to the new funds available from the National Lottery (19.13 MECU added to the 11.38 MECU of the previous year), the United Kingdom comes fourth. Spain, with 23.41MECU in 1995, comes sixth after the Netherlands.

While Italy has chosen to support production chiefly through loans with or without low interest (87% of funds allocated), the United Kingdom prefers investment in co-production as it method of intervention, and 73% of its production funds are allocated in this form. In Spain 94% of the support for this sector and 100% of that of the ICAA is allocated in the form of grants. In France, grants account for 89% of the funds allocated to production. But this figure includes the sums allocated to the automatic funds, which are seen as grants. Selective funds allocated as grants only account for 62% of selective funding awarded to production and some 19% of all the funding awarded to that sector.

Looking at the variations as to how public support is organised from one country to another, one finds greater similarities between the five countries than would appear at first glance: a national, central agency - the ICAA in Spain, the CNC in France - is responsible for public funding and the management of the national film and television industries, reporting to the Ministry of Culture. In Germany, while an agency, the FFA, administers federal public funding, reporting in this case to the Ministry of Trade, there are two other agencies at federal level which provide more modest support: the Ministry of the Interior (BMI) and the Foundation for Young German Film (*Kuratorium Junger Deutscher Film*). In the United Kingdom, two separate agencies, each with a different remit, operate at national level: BSF, with an economic remit, partly supported by the Department of Trade and Industry, provides the larger amount of funds, while the BFI, supported by the Department of Culture, has a cultural remit Following the review by the Film Policy Review Group which published its report 'A Bigger Picture'[9] in March 1998, the issue is now to create a centralised structure along the lines of the Centre national de la Cinématographie in France, which will bring together all the funding mechanisms (National Lottery, BSF, etc.).

1.3.1 Germany Characterised by its Regional Structure

The German system of public funding for film and television is characterised by the existence of film and television funds in most of the *Länder.* These regional funds are, in terms of their financial resources, comparatively stronger than the federal agencies. The development of funds like the *Filmstiftung Nordrhein-Westfalen*, the *Filmboard Berlin-Brandenburg*, the Baden-Wurtemberg fund, *FilmförderungHamburg* and the *FilmFernsehFond Bayern*, which are involved in the regional planning and development of the media industry, has taken place almost in competition, as they try to attract productions into their regions. However, recognising the negative effects that such an escalation could

[9] *A bigger picture*. The report of the Film Policy Review Group. Department for Culture, Media and Sport, March 1998. DCMSJO285NJ.

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have, the five biggest regional funds have created a co-ordinating body which meets two or three times a year.

The total amount of the budgets of these funds accounts for 64% of German public support: 94.425 MECU, against 52.78 MECU for the three agencies at federal level, the FFA, the BMI and the *Kuratorium Junger Deutscher Film*.

In terms of budget, the three largest are those which are constituted as private limited companies: the *Filmstiftung Nordrhein-Westfalen* , in the lead with a budget of 27.15 millions ECU (which also makes it the second largest fund on a national scale, behind the French CNC), the new *FilmFernsehFond Bayern* with 26 MECU, and the *Filmboard Berlin-Brandenburg* with 20 MECU. Then there is the Hamburg film fund with a budget of 9.7 MECU and the fund created in Lower Saxony thanks to the contribution of the public service broadcaster NDR, whose annual budget in 1995 was 9.5 MECU.

1.3.2 The Dominance of Investment in Co-production in the United Kingdom and its Unusual Funding Through the National Lottery

The case of the United Kingdom is particularly interesting, in part through the way in which its funding agencies are organised and operate, and in part through the decision to create a fund from the receipts of the National Lottery, which, by supporting groups of companies through franchises, has increased the level of public support to 173% above its level of 1994/5.

In the United Kingdom the public funding agencies such as British Screen Finance, BFI Production and the regional funds are mainly involved in investing in co-production and it is the only country to have recourse to funding via the National Lottery, while new fiscal arrangements to encourage private investment could also soon be introduced.

Apart from BFI Production and the Arts Council, the other agencies, both regional and national, which provide funding for the film industry are private limited companies. This characteristic also extends to the administration of the funding, chiefly in the form of loans, and to the requirement for complete openness for accounts and the receipts of supported films. Thus, films receiving loans from the fund administered by British Screen Finance (the European Production Fund, the Greenlight Fund of the National Lottery) are required to set up a collection account to enable control to be kept of accounts and receipts. This helps BSF to be in the lead in a little-known competition, that of the best level of return (some 70%, while many national or European funds fluctuate between 2% and 10%).

The choices made on methods of intervention demonstrate the active partnership role which the English public funding agencies seek to achieve.

1.3.3 France Favours the Redistribution of Resources Raised from the Market and Adopts a Systematic Approach in its Interventions

The fact that public funding in France has the largest financial resources at its disposal (371.57 MECU against 147.21 in Germany) is thanks to the taxes raised on the income of the television companies, which account for 59% of its budget against only 32% in Germany.

France is unusual compared to other European countries in the way it organises its funding system. In the first place, the core of its financial resources comes from money raised from the market: contributions from the public purse account for only 17% of its resources, while tax on cinema exhibition and video production accounts for 24%. The largest amount is raised on the income of the private and public service television companies: 59% of the total public funding budget in 1995, against 32% in Germany. This form of financing linked to market performance largely explains why France has the largest financial resources in Europe: 371.57 MECU ahead of Germany with 147.21 MECU. The size of these resources is also the result of a strong funding initiative to benefit television productions, which receive 66% of total production funding in France.

The allocation of these resources is chiefly done through automatic mechanisms. Thus 71% of production funding is automatic. Furthermore, these automatic mechanisms, which only deal with production in other European countries, in France cover all sectors (exhibition, distribution and video). Additionally, the amounts allocated by the selective funds are also larger than in the other European countries. The basic

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administration for the distribution of this funding is carried out by the *Centre national de la cinématographie*, which has no real equivalent in Europe.

Finally, all these redistribution mechanisms and the area they cover provide the French authorities with the means on the one hand to ensure an effective balance between the sectors and, on the other, a dynamic link between industrial objectives and cultural aims. Indicators of the effectiveness of this policy are the maintenance of a high level of production (some 150 films produced each year) and the significant level of new entries (almost 30 first films per year). It should also be mentioned that the intervention of the authorities is not solely through direct funding, but is strengthened by a regulatory regime which also plays a decisive part in structuring the market, such as the obligations of the television companies to contribute directly to the financing of film and television production.

1.3.4 Italy: a System Based on Mechanisms of Loans and Bank Guarantees

The Italian funding system has genuine peculiarities. While *EnteCinema* supports public cinema via Cinecitta and the *Istituto Luce*, the sector known as private production receives its state support via the Fondo Unico dello Spettacolo - FUS, the single fund for entertainment. The remit of the latter is to support all the arts and directly to administer the funds which are given in the form of grants. It delegates to the national bank, *Banco Nationale del Lavoro* (BNL), the administration of all grants allocated in the form of a credit. The state provides the largest amount of money from the public purse, 88.15 MECU, which accounts for 92% of the finance of the Italian public funds.

1.3.5 Central and Eastern European Countries: a Complete Reform of the System due to the Transition to a Market Economy

While one can essentially speak of adaptation and evolution with regard to the funding systems in Western Europe, those of the Central and Eastern European countries have had to undergo a complete reform of their public funds over the short period of 5 to 6 years.

This reform was made necessary by:

- the reorganisation and privatisation of the production sector;
- the fall in cinema admissions, in itself creating a significant reduction in tax income on box-office receipts, often the sole source of finance for the mechanisms which could add to state provision which was stagnating;
- the virtual absence of alternative finance;
- the difficulty of attracting foreign investment;
- the introduction of a new kind of player into the production system, i.e. the independent producer;
- the creation of independent public agencies with the remit to organise the sector's activity.

Almost all these countries have at least reformed the operation of their funding bodies, even if not all underwent a complete overhaul of the funding systems, as was the case in Poland, Hungary and Russia, the countries whose production economies were the motors for the region. In the case of these three countries, the fundamental role of the public service and pay-TV television companies, making significant investments in film and television production should also be mentioned.

Access to European funding mechanisms, especially the *Fonds ECO Cinéma* of the CNC over the years 1989-96, and membership of the Council of Europe's pan-European co-production fund, *Eurimages*, was of assistance both to production and to the involvement of the producers of Central and Eastern Europe with production networks in the heart of Europe.

On the other hand, the nascent local production economies are not yet sufficiently mature to make effective use of fiscal mechanisms or bank guarantees and to attract a significant volume of foreign investment.

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2. The Systems of Public Funding of Film and Television in the Member States of the European Union, Switzerland, Norway and Iceland

2.1. The Main Stages in Establishing the Funding Systems

2.1.1. The First Funding Systems, Funding for Film

Automatic Funding as the Primary System The creation of public systems to fund film and the arts more generally, has become widespread since the end of the 1950s. The United Kingdom and Italy, which passed their first laws to protect their national cinema in the 1920s, were the pioneers of the field.

The first funding systems of the countries were in the form of automatic financial support for film production. In Italy the automatic funding of production was put in place in 1938. In France, and in Norway too, such systems were established in 1948[10] and 1949 respectively.

In France the *Centre national de la cinématographie* (CNC) was founded immediately after the Second World War by the Act of 1946 with the aim of regulating the French cinema industry, while the first Ministry of Culture was not set up until 195911. The CNC has been responsible for box-office receipts since its establishment and the Act of 23 September 1948 put in place an automatic production fund financed by a tax on the sale of cinema tickets and a tax on the circulation of films[12.] A similar system was introduced in 1950 in the United Kingdom. It was not given the force of law until 1957 and disappeared in 1985. [13.] Not all the automatic systems have been funded by a recycling of resources raised in the form of taxes on the cinema industry. In Spain, up to 1985, there was a tax on the price of a cinema ticket which contributed to the general budget of public subsidy. This has been abolished and while the automatic fund, reformed in 1995, is distributed in proportion to gross box-office receipts, it comes directly from the budget of the ICAA.

Selective Funding from the 1950s

The first selective funding systems, which were also initially focused on film production, came into being during the 1950s, at a moment where the first significant drop in cinema attendance was observed. British selective funding dates from 1949, and the French "advances on receipts" was introduced in 1959 along with the creation of the Ministry of Culture[14.] In Spain automatic funding was introduced in 1964 and was implemented effectively in 1977, while selective funding was not introduced until 1983

In Germany the first Federal Film Law dates from 1967., automatic funding from 1968, the year of the establishment of the *Filmförderungsanstalt,* (the independent public agency responsible for administering Federal public funding), and it was not until 1974[15] that the first selective funds were introduced there.

In a single decade, funding for film developed across the whole of Europe and, by the end of the 1960s, most European countries had established their financial support systems. The last countries to introduce

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[10] Loi du 23 septembre 1948 (Act of 23 September 1948);

[11] Décret du 24 juillet 1959 portant organisation du Ministère chargé des Affaires culturelles (Decree of 24 July 1959 regarding the organisation of the Ministry for Cultural Affairs).

[12] Décret du 23 septembre 1948 portant fixation des taux de la taxe de sortie de films, instituée par la loi du 23 septembre 1948 (Decree of 23 September 1948 regarding the setting of the level of the tax on the release of films, instituted by the Act of 23 September 1948) This tax no longer exists.

[13] Act of 1.7.1957 establishing the "Eady Levy" on cinema admissions. This tax was abolished in 1985 following the Terry Report of 1976.

[14] Décrets du 16.6.1959 et du 30.12.1959 (Decrees of 16.6.1959 and 30.12.1959

[15] Ordre Ministériel du 19.08.64 (Ministerial Order of 19.08.1964)

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public funding were Switzerland (1969) [16] Portugal (1971) [17], Iceland (1979), Greece (1980), Austria (1981) and, finally, Luxembourg (1990).

Since the beginning of the 1980's, national film policies tend to evolve from a protectioniste and restrictive policy towards and more liberal policy of guardianship. .

2.1.2 The Birth of Regional Funding

The beginning of the 1960s saw the emergence of the of the first regional systems of public funding in Europe, their introduction varying according to the countries in which they came into being, but principally in Germany, France, Spain, the United Kingdom and Switzerland[18]. As opposed to a federal administration of funding there was a centralised model which, from the 1980s, tended towards relative decentralisation and the establishment, admittedly inequitable, of regional public funds.

The Federal States In the Federal Republic of Germany, according to its constitution ("*Grundgesetz*"), political powers and responsibilities are broadly divided between the 16 *Länder* (federated states) who share their sovereignty with the *Bund* (Federation) and in certain matters with the local authorities. This division of power is particularly significant in the area of the arts, film and television, not only because it is the implementation of a constitutional principle, but also because it takes account of the traditional decentralisation of cultural life, providing the *Länder* with substantial powers of initiative. Each *Land* has established a fund for film and television, with, in the majority of cases, its own independent legal existence and considerable resources. The total amount of the budgets of all the *Länder* funds in the study corresponds to 64% of the total sum of all the German public funding agencies. The first funds were created following the establishment of the *Filmbüro* in 1980 and were administered by those professional associations: the *Bayerische Film und Fernsehfonds* (currently the *Filmfernsehfonds Bayern*) in Munich, the *Kulturelle Filmfonds Hamburg* and the *Kulturelle Filmfonds Nordrhein-Westfalen*, the only one of the three to still be in existence. The creation in 1991 of the *Filmstiftung Nordrhein-Westfalen* (Film Foundation of North Rhine-Westphalia), constituted as a private limited company with an annual budget of 27.15 MECUs was the start of a new period in funding film and television by the *Länder.*

In Switzerland, although film is a responsibility of the Federation, culture is part of the remit of the cantons. It is under this heading that several of them provide financial support to film and television projects alongside support for photography and artists[19]. The oldest of these funds, which remain modest, were first established in 1980, at the *Office de la Culture* in the Canton of Bern, and more recent ones in 1988, when the Zurich Film Fund, which has the largest budget (1.013 MECUs in 1995) was established. The involvement of the cantons in Swiss public funding only represented 16% of the overall budget in 1995.

In Switzerland, although film is a responsibility of the Federation, culture is part of the remit of the cantons. The Confederation however continues its involvement in culture with a budget of 190 million Swiss francs in 1988. It is under this heading that several of them provide financial support to film and television projects alongside support for photography and artists [20] The oldest of these funds, which remain modest, were first established in 1980, at the *Office de la Culture* in the Canton of Bern, and more recent ones in 1988, when the Zurich Film Fund, which has the largest budget (1.013 MECUs in 1995) was established. The involvement of the cantons in Swiss public funding only represented 16% of the overall budget in 1995.

Because of the current threats affecting Swiss cantonal funding, especially in Geneva and Zurich where the debt-laden public authorities have tended to reduce the sums provided for cultural funding, the cantons' share of the public financing of film and television production has been considerably cut back. In 1998 this led the Swiss industry to mobilise itself to finance a study on the cultural and socio-economic effects of the cantonal funding mechanisms.[21]

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16 Loi fédérale sur le cinéma de 1962, modifiée en 1969 (Federal Act on the cinema of 1962, amended in 1969.)

17 General Act of 1971 creating the Portuguese Film Institute

18 It is very likely that in coming years, regional funds will be established in Italy, particularly in the Turin region. From 1998 the regions should have complete autonomy in matters of the arts.

19 Of the seven cantons studied, only the funds of the Vaud are allocated through an agency in the form of a private foundation. In the other cantons, funds are allocated either by public agencies or more often, directly by the administrative department of the canton.

20 Of the seven cantons studied, only the funds of the Vaud are allocated through an agency in the form of a private foundation. In the other cantons, funds are allocated either by public agencies or more often, directly by the administrative department of the canton.

21 This study was commissioned by Zürich für den Film, Fonction: Cinéma

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Highly Variable Decentralisation According to Country

In Spain, decentralisation began with the end of Francoism, and since that time the seventeen automonous communities have enjoyed significant political powers and, since the new constitution came into force in 1978, their budgets have grown considerably. Certain autonomous communities have thus established funding systems for film and television. Catalonia was the first in 1982 and continues to be the community whose direct funding of the industry is the largest at an annual budget of 1.428 MECUs. In 1984, the communities of Valencia and Galicia established their own funds, followed by the Basque region in 1991. In 1994, the City of Madrid established a promotion service for film and television, which represented a completely different system of support, providing indirect assistance as part of an industrial modernisation programme. The budget devoted to this activity was the largest of any community, at 2.55 MECUs[22] in 1995. Despite its resources and ambitions, this fund was abolished in 1996.

The total amount of the budgets of the five autonomous communities discussed here accounts for 25% of total public financial assistance in Spain.

The United Kingdom comprises four nations: England, Scotland, Wales and Northern Ireland. The first regional fund to be established was in 1982 in Scotland, the Scottish Film Fund. It is also the largest, with an annual budget of 0.921 MECUs. It was not until ten years later that the Wales Film Council/Screen Wales (currently Sgrin) was established, which administers the Welsh Production Fund; the London Film and Video Development Agency, which administers the London Production Fund[23], and a specific fund in Glasgow (the Glasgow Film Fund), established in 1993. In 1994, before the creation of the National Lottery Fund (see below), the sums paid out by these regional funds accounted for 13% of public support in the United Kingdom. Under the National Lottery the regional arts councils (Arts Council of Scotland, Wales and Northern Ireland) are also responsible with distributing part of the resources for projects of a regional nature.

In France, the Decentralisation Act of 1982 saw the entry of local and, above all, regional authorities into the film and television funding sector, which until then had been heavily centralised and the responsibility of the CNC alone. However, since the decentralisation legislation does not make reference to the responsibilities of local authorities in relation to film and the cinema, any local authority activity in this field has to be undertaken jointly with the state. Thus *départements*, regions and occasionally city authorities have signed agreements with the CNC. Nevertheless, some regions have established lasting funding schemes for film and television. However, apart from *Rhône-Alpes Cinéma,* their financial resources are modest, and the total resources of the largest regional operations[24] only account for 2% of all public subsidy for film and television in France. The first agency to be established was the *Centre régionale des ressources audiovisuelles* (CRRAV) (Regional Centre for Audiovisual Resources) in the region of *Nord-Pas-de-Calais*. Its original aim was to develop economic activity through film and television. The following year, Aquitaine established the ANC, an association which administers the regional fund for the programme and image industries. But it was not until after the end of the 1980s that the majority of the agencies were established. The largest of the regional funds is *Rhône-Alpes Cinéma* (formerly the *Centre européen du cinéma Rhône-Alpes*) (European Film Centre of the Rhône-Alpes), which was established by formal agreement with the CNC in 1991 as a private limited company (currently the only one in France to be so constituted). It is able to invest up to 3.1 MECUs per annum in co-productions. The annual budget of the CRRAV in 1994/95 was 1.8 MECUs. There are currently seventeen regional councils, six general councils and two municipalities providing financial support for film at a level which extends from 3.1 MECUs in the Rhône-Alpes region to 15,000 ECUs for the city of Clermont-Ferrand[25.] The financial difficulties encountered by Rhône-Alpes Cinéma in 1998, as a result of a change in the political majority at regional level and the vote against the regional subvention against which the CNC's contribution is

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22 We have decided to deal in our study with the largest regions, whose contribution to the sector is financially significant. However, as well as the five regions, Catalonia, Basque Country, Galicia, Valencia and Madrid, there is also Andalusia, which did not respond to our study. These six regions account for 92% of the film and television budgets of all the seventeen autonomous communities.

23 NDLR: the London Film and Video Development Agency, suffering a major financial crisis, is currently threatened with closure.

24 Twelve regional and local agencies have been covered in the study.Rhône-Alpes Cinéma, Centre régional des Ressources audiovisuelles Région Nord-Pas de Calais, Association régionale du cinéma de Haute Normandie, Atélier de production Centre Val de Loire, Fonds d'aide à la production audiovisuelle de la Région Midi-PyrÈnees, Fonds régional d'aide à l'industrie des programmes et de l'image - Aquitaine, Fonds d'aide à la production cinématographique de la région Franche-Comté, Centre Franc-Comtois du cinéma, Fonds d'iintervention pour le cinéma et l'audiovisuel de la Région Languedoc-Roussillon, soutien à la création audiovisuelle de la région Alsace, les aides à l'audiovisuel de la Communauté urbaine de Strasbourg.

25 According to the 1997 edition of the booklet "Politiques régionales et départementales de soutien à la production cinématographique et audiovisuelle" edited by the APCVL (Atelier de production Centre Val de Loire).

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indexed, is a good illustration of the 'existential' paradox which all the regional funds have to face. Because, since they are largely financially dependent on contributions from the regional authorities, where the vote on the annual budget is determined by the sitting political majority, the major difficulty for the regional funds is to be able to maintain a durable existence, certainly in the medium term, within the landscape of public funding mechanisms.

Among other regional European initiatives, the *Wiener Filmförderungsfond* (Vienna Film Fund) should also be mentioned. It was established in 1984 and its objective was also an economic one. It alone accounted for 28% of the budget for Austria's public subsidy in 1995.

On the other hand, in Denmark, where the regions are responsible for culture, it was not until 1996 that the County of Aarhus introduced a system of direct subsidy for the film and television sector. Reference should also be made to the production workshops in the municipalities of Haderslev, Aarhus and Copenhagen, co-financed by the Danish Film Institute (DFI) and those municipalities, which provide assistance for young directors.

Belgium : The Shift to Linguistic Communities

Three regions (the Flemish, the Walloon and *Bruxelles Capitale*) are responsible for territorial matters, such as trade and industry, and employment. There are also three linguistic communities (the Flemish, the French and the Germanophone), which are primarily responsible for cultural matters. Following the reform of the Constitution in 1980, which transferred a certain number of responsibilities to community level, particularly in the area of culture, public subsidy, which had been administered as a troika (by the state and the two French and Flemish communities) until 1989, has since become entirely a community matter. Both the regions and the communities are responsible for international cooperation and are authorised to make international agreements and to sign treaties within the limits of their responsibilities. In 1993 the Flemish Community and the French Community in 1994[26], each have created an independent body responsible for the allocation of funding to the audiovisual sector.

In addition to the above countries, there is also the particular case of Belgium. It is a country which has moved progressively towards being a federal state. This process began in 1971 with the first amendment to the Constitution, followed by subsequent amendments in 1980, 1988 and 1993. The current provisions result from an agreement based on both territorial and linguistic considerations.

2.1.3 The Introduction of Subsidy for Film and Television Since the 1980s

The Development of the Sector

Since the introduction of the first selective funds, state intervention has increased and become specialised to meet the changes in the film and television markets and to take account of new forms of moving image production. With the administration of subsidy policy concentrated in a single agency, France is without doubt the easiest case in which the impact of these changes can be observed. The CNC, in close collaboration with the industry, adapted the system of national funding to reflect the changes in the sector. Currently there is support for all areas of film and television production in both its creative and technical aspects, as well as, since 1993, video and multimedia production[27]. The first funding for film and television dates from the end of the 1970s. In 1986, with the establishment of the *Compte de soutien aux industries de programmes* (COSIP)(Funding Account for the Programme Industries), the current system of automatic support for those films and television programmes eligible for selective or automatic subsidy, whatever their type (feature, animation or documentary), was put in place [28] By introducing a new tax on the sale

[26] The Germanophone Community of Belgium should also be mentioned. Through lack of information we were unable to deal with it in this study.

[27] In the same way the financing of public support has also developed, the state introducing various taxes, first on the price of a cinema ticket, then on the incomes of the television companies and finally on the sale and rental of video cassettes, which contribute to the compte de soutien. As well as these taxes, the Ministry of Culture gives a grant to the CNC, but it is limited and generally used for projects known as "cultural action".

[28] Decree No. 86-175 of 6 February 1986 on the state's financial support of the television programme industry. The final changes to the text regarding the COSIP were made in the Decree No 95-110 of 2 February 1995 regarding the state's financial support of the television programme industry. These changes specifically limit selective funding to those companies which cannot benefit from automatic funding.

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and rental of video cassettes [29], the State also established, in 1993, selective and automatic funding for

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video production [30].

While certain funds are exclusively devoted to film, many others are devoted to both film and television without distinction. The CNC, in creating an explicit distinction in its budgeting between funding for film and support for television, is comparatively unusual in Europe.

The Role of the Regional Funds

In certain countries, funding for television was first introduced in support systems established at a regional level. Thus, in Spain, the ICAA continues to limit its funding to film, while funds for the television sector came into being with the funding of the autonomous communities, for example in 1982 with the fund of the autonomous community of Catalonia. The same is true of Germany, where funding at Federal level (the funding of the FFA, the funding of the *Bundesministerium des Innern* (Federal Ministry of the Interior), and funding for new German cinema by the *Kuratorium Junger Deutscher Film*), is devoted exclusively to productions intended for theatrical distribution. Support for the television sector first came about with some of the *Länder* funds. In most cases these funds made no distinction between film and television production, so long as they were productions of independent producers. The introduction of television productions went along with a significant involvement of the television companies in the management of these agencies. It was not, however, until 1992 that the first fund exclusively for television and video production came into being at the *Bayerische Filmfonds (now the FilmFernsehfonds Bayern)*. The new *Filmförderung Hamburg*, established in 1995, also has a specific fund for television production.

2.1.4 The Financing of the Public Funds

Public subsidy, receipts from dedicated taxes on cinema exhibition, contributions from television companies, and earned income are the main sources of finance for the agencies and funds which administer public support in Europe.

Public Funding Principally Financed Through Public Endowments

In all European countries the state provides, out of its national budget, financial contributions to the public funding systems. However, in three western European countries: Denmark, Ireland and Luxembourg, the state is the main, if not the only, contributor to these systems, as is also the case in most of the countries of central and eastern Europe.

Viewed more comprehensively (state and regions), public subsidy covers the total amount of public support in Belgium. Switzerland can also be mentioned, where 99% of public support comes from the public purse too, the remaining 1% coming from private donations.

In only five western European countries is the state not the main financial contributor to public support: in Germany, where nevertheless it covers 47% of the budgets of the public agencies; in Norway, where it covers 30% of the budgets of the public agencies; in the Netherlands, where it covers 29% of the budgets of the public agencies; in France, where it covers 17% of the budgets of the public agencies; and in Portugal, where it covers 10% of the budgets of the public agencies.

Income from Tax Raised on Cinema Exhibition and the Sale and Rental of Video Cassettes

In seven of the countries under review, a tax is raised at the point of the cinema exhibition of films, and is paid into the public support budget at national level. This tax is raised on the price of a cinema ticket in France[31], Greece [32], Iceland, Italy [33], en Norway [34], Sweden [35], and on the turnover of exhibitors in Germany [36]. In Sweden, Norway, Germany and France, a tax is also levied on the sale and rental of video cassettes.

This income is considerable in each of the countries, especially in Norway, where it represents the main source of finance for public support, at 70%. The taxes account for: 37% of public support in Sweden; 24% of public support in Iceland, and likewise in France[37], 21% of public support in Germany; 10% of public support in Greece; and 8% of public support in Italy, where the income is exclusively devoted to the automatic fund for film production.

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In France, the Netherlands and Portugal, the Television Companies are the Chief Source of Finance for their Public Funds.

In Portugal, 90% of public subsidy, wholly administered by the *Instituto Portugues da Arte Cinemagrafica e Audiovisuel* (the Portuguese Institute of the Cinematographic and Televisual Arts), is financed through a tax levied on television advertising.

In the Netherlands, 69% of public subsidy comes from television receipts. The fund for promoting cultural film and television (STIFO) receives 1/16th of the advertising income of public service television, and the COBO fund receives the fees paid by Belgian and German cable operators to Dutch public service television for the right to broadcast their programmes.On the other hand, the Dutch Film Fund is entirely financed by a grant from the Dutch Ministry fir Education, Cultura and Science.

In France, 59% of public support (a sum of 217.43 MECUs in 1995: the largest contribution to any support scheme in Europe), comes from a tax on subscriptions and advertising of the private television companies, and on the turnover of the public service companies, equivalent to 5.5% of that turnover. The tax is paid to the *Centre national de la cinématographie*, and is redistributed partly to film support and partly to audiovisual production"[38.]

Television companies also contribute to public support, although more modestly, in four other countries:

- -in Germany, at 32%, in the form of direct payments under the *Film-Fernsehenabkommen* (a general agreement between television and the film sector), at Federal level, and through formal agreements between local television companies at the level of the *Länder*;
- -in Austria, at 17%, under a formal agreement between the public service broadcaster, ORF, and the Austrian Film Institute;
- -in Sweden, at 9%, in the form of direct payments;
- -in the United Kingdom, where television companies support individual productions at both national and regional levels.

Finally it is interesting to note that at the moment the only supranational fund to which national television companies (public and private) make direct financial contributions is the Nordisk Film & TV Fond. SVT, TV4, YLE, DRTV, TV2 Denmark, RUV, STD, NRK, and TV2 Norway contribute 2.35 MECU's or 30% of the fund's annual budget.

2.1.5 Recent Developments in Public Support Systems

Striking a New Balance Between the Economic and Cultural Aspects of Film

National funding systems have undergone significant changes since they were first established. At the beginning of the 1990s, the original laws had been either amended or completely replaced in a large number of countries. In the United Kingdom, for example, the creation of British Screen in 1985, with a strongly economic bias, took place at the same time as the abolition of the selective funding scheme, which dated from 1949, and the automatic funding scheme, which had been established in 1950.

The low level of distribution of national productions outside their home territories, the meagre market shares of European productions within their home territories, and the increasing difficulties of the distribution sector, led the authorities of a number of countries, and also the European agencies, to agree on new approaches with, in particular, a common desire to emphasise both the economic and cultural aspects of film and television. Broadly speaking, the public support systems attempted to strike a balance between subsidy and investment, with a greater emphasis on the economic aspect in certain countries.*et* and to the creating a structuring effect on the network of production companies in some countries.

One example is the changes to the support system in Spain where, in 1995, under pressure from producers, the ICAA reformed its funding system for feature films. Specifically, the automatic fund has become a reward for success, since it aims to make the film production sector more independent by encouraging a greater diversification in its financing. The selective fund is restricted to experimental work by established filmmakers, or to first, second, or third films.

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In Germany in 1994, the *Filmboard Berlin-Brandenburg GmbH* was established as a joint fund of the *Land* of Brandenburg and the city of Berlin.[39] It adopted a new strategy which emphasised the commercial prospects of the films it funded, and allocated its funds as investment in co-productions with regard to the market potential of a project (distribution contract, target audience).

Rationalisation and Cooperation

In order to improve the effectiveness of their funding systems, a number of countries embarked on restructuring at the beginning of the decade. This was the case in Finland, with the reorganisation of the Finnish Film Foundation in 1995, and in Norway where the Norwegian Film Institute and the National Film Office were amalgamated into a single agency *Det Norske Filminstitutet* in 1993. A global audit on the Norwegian national film funding policies and agencies was conducted in 1995-[40]. In the Netherlands, the production funding structure underwent a major reform which extended over two years - 1991 and 1992, and culminated in the establishment in May 1993 of a single Dutch film fund (the *Stichting Nederlands Fonds voor de Film*), replacing the two separate funds which had existed until then: the Production Fund and the Film Fund, established in 1956 and 1983 respectively, the former with a more specifically commercial approach and the latter with an artistic one.

In Portugal, the Portuguese Institute of Cinematographic and Television Arts (IPACA) was established on 1st February 1994, by a decree which took account of the fact that nowadays film, television and video were activities which could not be addressed in isolation from one another, but were interdependent. IPACA replaced the Portuguese Film Institute (IPC), established in 1971 with the creation of a support system for film production A fund for television production was finally established in 1997. A ministerial review commission carried out a strategic global assessment of the Portuguese film industry's economic and legislative situation in 1997[41].

Since 1994 and particularly in 1997 the Spanish administration has been looking at changing its film policy from a protectionist one to one of fostering in a more liberal way. Over the last ten years the Spanish film industry (in line with many other European national industries) has undergone profound changes which have left it in a difficult and complex situation. A number of factors prompted some necessary changes, not only in the attitudes of film companies but also on a legislative level: the reduction in production up to 1995, the effects of various legal decisions, the process of European integration, the hitherto scarcely regulated television sector, the decline of cinema exhibition, technological progress, the advent of new ways of exploiting film, and the constant increase in production costs.

In this context two objectives became priorities for means of economic stimulation: on the one hand to allow the sector to become self-sufficient, and on the other not to operate an interventionist policy in the sector.

In 1994, Italy passed a new decree: "Urgent Measures in Support of the Cinema", amending the law of 1985. This is the law which currently regulates the public funding of the private sector This is the law which currently regulates the public funding of the private sector [42]. A significant measure in the new decree was to establish a bank guarantee fund, administered by the *Banco Nazionale de Lavoro*, which has since proved to be one of the major instruments for providing support to Italian film nowadays, and is basically a system of loans.

In Switzerland in 1994, under pressure from the industry, and thanks to the support of the Federal Ministry of the Interior, large-scale consultations were undertaken on how to finance Swiss film. A number of events had shaken the industry, including a reduction of resources devoted to Swiss films and co-productions, and the withdrawal of Switzerland from MEDIA 1, following the referendum against Switzerland joining the European Economic Area (EEA). In the Spring of 1993, *Cinésuisse* and *EuroInfor* (the former Mediadesk) requested the Federal Council to create a special budget of compensation for MEDIA, to diminish the negative effects of Switzerland's exclusion. In 1993, this budget was agreed by the Federal Council, and in following years by the Federal Parliaments. Responsibilty for the budget is vested in the OFC. The amount available to compensate for MEDIA is 1.96 million Swiss francs per annum. It is used to support the areas of continuing training, project development, and theatrical and television distribution.

Discussions between the public and professional agencies resulted in the creation of an automatic fund. Thus, from 1st January 1997 a system of film funding linked to the success of a film was introduced for a

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trial period. This new fund is financed by the cultural foundation Suissimage, the SSR, the pay-TV company le Téléclub and the Federal Office of Culture, which came together to form the organisation Succès cinéma. Two other ideas were also floated: the creation of a national film institute, which finally came to nothing, and the creation of a guarantee fund, which remains a priority. One other key element of the Swiss funding reforms was the establishment of an actual "audiovisual pact" between the film department of the Office fédérale de la culture (OFC) (Federal Office of Culture), the Swiss public service broadcaster SSR, and the pay-TV company Téléclub, aimed at diversifying the sources of funding. Under the "Audiovisual Pact" the SSR makes an annual contribution of 9.3 million Swiss francs towards Swiss film and television production.[43]

To complete the reorganisation of assistance to the film industry, the OFC has committed itself to amending film legislation.

At the same time, financial problems compelled the Vaudois Foundation for the Cinema to review its funding system. The changes which came into force in 1996 were according to two criteria: to maintain the priority areas, and to provide a system related to the proposals arising from the national discussions at the level of the OFC. This was the reason for the Foundation establishing an automatic fund. Finally, a review of the funding system in the Flemish Community in Belgium was undertaken in 1998.Detailed information on the reforms of funding agencies in all the countries covered by this study are available in the national monographs in Volume II.

Emergence of Private Company Structures

At local and regional authority level there appears to be a new generation of funds emerging. They are constituted as private limited companies and have contractual relationships with television or the local authorities. They are the successors to the predominance of associations or local authority offices. The British were the first in this field: the Scottish, Welsh and London funds are administered by limited companies.

This change appears most markedly in Germany. Since the creation of the Filmboard Berlin-Brandenburg in 1994, two of the Länder which had established funds since the 1980s at the time of the creation of the Filmbüro have just reconstituted them completely. In Bavaria, the FilmFernsehFonds Bayern, a private limited company, replaced the Bavarian Fund for Film and Television in 1996. In Hamburg, Filmförderung Hamburg GmbH was established at the end of 1995 also in the form of a private limited company, and replaced the three agencies which had existed until then: the economic fund (Filmfonds Hamburg), the cultural fund (Kulturelle Filmförderung) established by the Filmbüro and the distribution fund (Vertriebskontor). They are private limited companies and, in the style of the Filmboard Berlin-Brandenburg, have given their directors the powers of decision, investment and risk-taking, which are almost the equivalent of those of a producer. In the case of the latter, the selection committees, made up of people from the industry and the Land, were abolished and funding policy became the sole responsibility of the film commission's director. In France the constitution of Rhône-Alpes Cinéma, the only private limited company, appears as an exception.

New Resources Available in the United Kingdom Thanks to the National Lottery

The mid-1990s was marked by significant changes to the British support system, following the work of the Middleton Committee, which was completed in July 1996[44]. New initiatives came about with the creation of the new Department of National Heritage in 1995[45] in particular the establishment of a film fund financed by the National Lottery. Since 1995 it has contributed an additional 19.13 MECUs per annum in public support, of which 16.74 MECUs were allocated to feature film production. With the introduction of this new fund, the amount of available public support increased by 173% compared with the previous year. In 1997, a system of "franchises" was established by the National Lottery, with the aim of creating a stronger structure for the film industry. Some 110 MECUs were allocated to three companies as commercial franchises in May 1997. There is no doubt that this new mechanism will have a significant effect on the structure of the sector, although it is still too soon to measure its actual economic impact.*En* In 1997, a system of "franchises" for the production and distribution of feature films was established by the National Lottery, with the aim of creating a stronger structure for the film industry. The idea was to create American-style mini-studios in which producers, distributors and financiers are partners to ensure not only the production of a film but also its distribution.

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The Lottery Film Department of the Arts Council of England (ACE) announced that it would offer up to four groups (or franchises) a global budget package of 110 MECU's, spread over a period of six years for the production of 15 to 35 films per franchise. This system, by helping production structures to work over the long term on a number of projects, from their development to their distribution, is intended to contribute to providing a firm base for the British film industry. This offer produced a major re-alignment: independent producers had to regroup, form alliances and find solid financiers. At last, in May 1997, out of 37 applicants the ACE selected only three: The Film Consortium, DNA and Pathe. Over the following six months the three winners had to restructure and reach agreement with the ACE on the precise terms and conditions of their relationship. The three "franchised" companies have fairly varied profiles:

> Pathe Entertainment is a holding company bringing together, besides Pathe, a council of some ten independent producers, several banks, and Canal+; Pathe Entertainment consists of four departments: Pathe productions which deals with films made outside the franchise; Pathe Pictures which produces the British films under the franchise; Pathe Fund, the financial structure of the franchise which invests in projects in development and in productions; and finally Pathe Distribution Ltd, which deals with the distribution of the films in the United Kingdom. Pathe will receive £33 million over six years, but these funds are drawn down in stages, film by film. The franchise system thus remains a selective fund, each project having to receive the agreement of the ACE's Council. But it is a quasi-guaranteed selective fund: no project has yet been refused. Finally, for each film the sum allocated by the ACE must be matched to the same level from private sources. Pathe anticipates making 6 films each year, of which a third are to be made with independent producers not belonging to the group.
>
> The Film Consortium is a much lighter structure: it brings together noted independent producers like Scala and Parallax (Ken Loach's company), linked to Virgin Cinemas and the French Sofica Cofiloisirs. Film distribution is covered by UIP. The Film Consortium will receive £30.2 million over six years, and intends to produce five films each year.
>
> DNA, the smallest of the commercial franchises, functions as a small group around Polygram (for distribution) and two producers, Andrew McDonald and Duncan Kenworthy. It will receive £29 million over six years and will produce 2 to 3 films each year. Some eight non-commercial franchises, involved in art and short film production (the Alpha Fund) were also meant to be allocated to complete the scheme. However, this project has been suspended, since the government proposes to create a Film Council which will incorporate the function of allocating the National Lottery funds..[46]. This new arrangement, whose actual economic impact it is too early to assess, will no doubt have a significant effect on structuring the sector.[47]

2.2 Direct Funding of Film and Television Production: Philosophy and Implementation

2.2.1Funding for Productions and Funding for Structures

The Majority of Funding Allocated to Production

At a national level across the European countries, public support is concentrated on the production sector. Although few countries allocate no funds at all to the other sectors of distribution and exhibition, support for the production sector still amounts to between 80%[48] and 99% of the amount allocated to the industry in all countries which support all three sectors, with the exception of France, where it amounts to 74%.

It is very rare for this public funding of production to be allocated to anything other than individual productions. Traditionally, production companies have not been directly funded, and structural support has gone to the exhibition sector, the technical industries and sometimes, in France for example, to distribution.

While few European countries dedicate a significant amount of their economic support for the film sector to helping production companies as such, it should be remembered that almost all the countries of Western Europe have created horizontal arrangements to help create and develop small to medium businesses, from which film and television production companies can benefit. In the absence of national and European studies on the use made by film and television production companies of such schemes it is virtually impossible to assess the financial benefits which they provide compared with the sectoral schemes.

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Funding for Project Development Schemes

Following the example of funds being allocated for the development of projects by MEDIA II, funding to support companies has been introduced at a national level. In particular there is the development funding allocated by the French CNC and the funding called "incentive funding" allocated in Germany by *Filmförderung Hamburg GmbH* and the *Filmboard Berlin-Brandenburg*. This funding assumes the same form: it is repayable, and allows a funded producer to finance the development of several projects in parallel. It is a response to two particular considerations, those of supporting the development stage of clearly identified projects, and of allowing producers to minimise their risks by letting them speculate on several projects at the same time, thereby increasing their volume of activity and their opportunities to expand the production structures themselves.

Finally, particularly in Germany, the automatic funds traditionally available to produce a following film can be used, up to a ceiling of 20% of the amount, to increase a producer's capital or to make a long term investment. In this particular case, automatic funding is also structural funding.

2.2.2 The Characteristics of Automatic Funding

Options Taken by Various Countries

As we have already seen, the first funds to be established were automatic funds. But not all countries established them, and some were abolished, as in the United Kingdom in 1985, while they have only just now been introduced in Switzerland[49].

Automatic funds currently exist alongside selective funds in the following countries: Germany, Austria, France, Italy and Portugal, where they have to be reinvested in new productions; in Spain they are intended to allow producers to recoup part of their personal investment in their production; in Belgium (the Flemish community and the French community), Sweden and Norway they are allocated as bonus to a completed production; and finally in Denmark they are allocated as an advance on the basis of sales estimates.

Automatic funding exists not only in countries where public support is financed by funds raised (in the form of specialised taxes) on different areas of exhibition, either in full as in Germany, or to a high proportion, as in France, Norway, Portugal and Sweden, but also in countries where public support is paid for entirely through the national budget, as in Austria, Belgium, Denmark, Spain and Switzerland. Italy is a special case since only the automatic fund is covered directly by a tax on ticket prices.

While no European country has based its funding system solely on automatic funding, eight of them have opted exclusively for selective funding: Finland, Greece, Ireland, Iceland, Luxembourg, the Netherlands and the United Kingdom.

Subsidy for Feature Film Production... and some Exceptions

France is the only European country in which there is an automatic fund for sectors other than production. Distribution, exhibition and video production can also obtain automatic funding [50].

Automatic funds benefit the production of feature films, which can also benefit from selective funds, as well as from automatic funds, where they exist. There are only genuine automatic funds for shorts in Belgium (only in the French community) and Norway[51] and only France has established an automatic fund for television production.

In the countries where the funds have to be reinvested in a new production, the priority is that they have to be used for the production stage itself, although, to a certain extent and increasingly, they can also be used in advance of production. This is the case in France, both for feature films and television productions, where part of the funds can be used to finance project development. It is also the case in Germany, where they can be used either for project development or for script-writing, and in Portugal, where they can be used for script-writing.

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Nevertheless it is chiefly the selective funds which finance the stages before and after a production, and also shorts, experimental films, first films and art films, following the example of the French *avance sur recettes* (advances on receipts).

Only in Denmark do automatic funds have to be repaid. They are allocated to films with a strong commercial potential, paid in advance on the basis of sales estimates, and have to be repaid according to the same terms as selective production funds, that is to say when the producer has recouped double his investment from the film's box-office takings.

Funds Which are Largely National

Finally it should be noted that automatic funds exist only at national level except in Spain and Switzerland. In Spain, Catalonia gives automatic funds to feature films whose original version is in the Catalan language. The funds allow the producer, as with the ICAA, to recoup a proportion of his investment in the production. In Switzerland the *Fondation vaudoise pour le cinéma* has established an automatic fund. It contributes to any film which has an interest for the Canton of Vaud and has been supported by the *Office fédéral de la culture* or by public service television.

And Similar Systems with the German Länder

In Germany, however, some of the *Länder* funds have established mechanisms of compulsory savings for producers, allowing them to consolidate their financial positions and to guarantee a continuity of their work. These mechanisms can be seen as attachments to the automatic funds at Federal level. For production funding, the *Filmstiftung Nordrhein-Westfalen* has set up a system which obliges the producer, for a period of eight years after the first screening of a film, to pay into a special bank account a proportion of the receipts, which he can then use for the development or production of a new film[52]. A similar system has been established by the Hamburg Film Fund, called the "reference account": sums recouped from the loans allocated by the Fund are paid into an account held for each producer. The producers can then use these funds to develop or produce a new project. Finally, with the production and distribution funding of the *Filmboard Berlin-Brandenburg*, the beneficiary can receive, in a period of up to five years, subsidies to finance new projects up to the sum which he has repaid into the Fund.

Wide Variations in the Size of Automatic Production Funds

Even though the automatic funds seem to cover the same kind of productions in their respective countries, there are nevertheless huge discrepancies in size between them. In France the automatic fund accounts for 72% of funds allocated to production by the CNC and 71% of all French public support for production. In Spain it accounts for 59% of funds allocated to production by the ICAA and 48% of all Spanish public support for production. In Germany it accounts for 47% of funds allocated to production by the FFA, and only 10% of all German public support for production. In Norway it is 32% of all public support for production, and in Belgium it constitutes 28% of all public support for production from both communities. In Portugal it accounts for 32% of all public support for production, 25% in Sweden, 17% in Denmark and 8% in Italy.

2.2.3. The Selection Criteria of the Selective Funds

Choices Between Artistic and Economic Criteria According to Fund

While at first glance there is a great temptation to divide countries between two separate philosophies, the economic imperative and the cultural priority, it is apparent that in the future in most European countries these two philosophies will exist side by side either within the same agencies or between different ones, examples of the latter being the United Kingdom and Germany. This co-existence of cultural and economic objectives is evidence of a certain maturity in the political and administrative approach of the sector, bearing in mind that it is both an industry and an artform.

In the United Kingdom, where film is seen as an industry with no need for special treatment on the grounds of its cultural content, there are two main criteria operating within the system, the one primarily for the British Film Institute (BFI) - the innovative nature of a project - the other primarily for British Screen Finance (BSF) - the commercial potential of the production. With the BFI on one hand with its cultural mission and the BSF on the other with its economic mission, the rest of the country's funds can be seen as approximating to one or the other of these national agencies in terms of their own selection criteria. On the side of the BSF is the European Production Fund and also, at the end of the reference period, the National Lottery Fund, in addition to the Glasgow Film Fund. On the side of the BFI, there are the Welsh

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Production Fund and the London Production Fund, while the Scottish Film Fund operates on a synthesis of both tendencies

In Germany at Federal level, the FFA allocates funds on an economic basis and assesses a project's potential for commercial success. The Minister of the Interior allocates funds of a cultural nature, assessing the artistic merit of a project, just like the *Kuratorium Junger Deutscher Film*. In Austria there is the same kind of separation between the *Film Abteilung*[53] whose selection criteria are resolutely artistic, and the Austrian Film Institute which assesses the economic aspects of a project (in particular its international financing plan) alongside its artistic aspects[54].

Furthermore, since automatic funds, being calculated on the basis of box-office receipts, recompense commercial success [55], selective funds always tend to make a priority of the cultural, even artistic aspects of a project. Naturally from country to country and fund to fund cultural and artistic criteria are more or less balanced by economic criteria, particularly in funds for the production stage of a project[56], with funds for development being generally allocated on artistic criteria alone, even with those funds which are particularly concerned with the economic aspects.

A Wide Range of Economic Criteria Balancing the Choices Made Against Artistic Criteria

Economic criteria cover a wide range from the feasibility of a project's financial plan to its estimated commercial success and distribution plans.

The feasibility of a project's financial plan is part of the assessment in countries which could be regarded as giving priority to artistic criteria, such as Denmark, Norway, Switzerland in the case of the OFC, Spain for the funds of the autonomous communities, Finland, Greece, and Iceland.

In Ireland and the French community in Belgium, the experience of the applicant and the success of the director's previous films are part of the assessment.

In the Netherlands, while priority is given to a project's content and to artistic criteria by all the funds, the Dutch Film Fund also assesses the professional quality of a project and, for production funding, particular attention is given to the prospect of a successful distribution and, if so, evidence has to be provided of a distributor's or television company's interest.

In Sweden, selective production funding is allocated mainly on the strength of a project's distribution plan, taking all forms of ditribution ito account - theatrical, video and terrestrial television (i.e. by the television companies which contribute funds to the Swedish Film Institute). It should be noted that Sweden, like Denmark, is a country in which funding decisions are not made by a committee but by consultants engaged for a limited period (normally 3 years) by the national film institute.[57]

In Italy, where selective funding is normally in the form of a loan, two funds have been established specifically to support films on the basis of their artistic characteristics, with priority being given to quality - the subsidy given in arrears by the *Fondo Unico dello Spettacolo* and the loans from a specific fund for co-productions[58] The loans from the intervention fund (or cinematographic credits), administered by the *Banco nazionale del Lavoro*, are based on assessment of the artists involved (director, actors), the professional standing of the producers and distributors, and above all, significant financial guarantees are required from the producer.

In Portugal, a project's content and aesthetic and artistic criteria are involved only in the selection process for script funding and the selective fund for feature films. Project selection for direct production funding and funding for short films is based solely on the technical and financial feasibility of the project.

In France with the CNC, decisions on selective production funding are generally made on the basis of artistic criteria, with the amount then being assessed according to the project's financing plan (this is the case, for example, with the *avance sur recettes* and the fund for short film development),

At the level of the French regions, with the exception of conditions relating to the regional interest in the project, the selection criteria are also based on artistic merit, plus, in certain cases, financial criteria. This is the case with *Rhône-Alpes Cinéma*, which assesses the co-production structure of a film, and with the *Agence Régionale du Cinéma et de l'Audiovisuelle* (Regional Agency for Film and Television) (ARCA), which examines the financial structure of a project.

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The Importance Given to Commercial Potential

The factors of commercial success and economic intervention, very important in the case of the United Kingdom, also arise in some of the German *Länder* funds.

There, there are cultural funds which logically give priority to a project's artistic aspects. The cultural funds of Mecklenburg-East Pomerania, Schleswig-Holstein, North Rhine-Westphalia [59] and Saxony do not seem to take account of any factors other than artistic ones, apart from the regional interest. The cultural fund of Lower Saxony, however, assesses both the cultural merit of a project and its commercial potential.

At the beginning of the 1990s, funds were established from a more economic than cultural point of view, the first of them having been the *Filmstiftung Nordrhein-Westfalen* in 1991, which, like the *Wiener Filmförderungsfond* in Austria, emphasised the principle of the *Wirtschaftseffekt* (economic effect). The economic effect has to be at least 150% of the amount of subsidy allocated. With the larger funds the commercial value of a project is very seriously assessed, even if its artistic merit is not entirely left out of account. For the Schleswig-Holstein television fund (MSH) the quality of a project and its distribution potential are the main selection factors. For *Filmförderung Hamburg,* feature films are selected on the basis of anticipated theatrical success, and television films and series have to demonstrate international distribution potential. The quality of a project and its commercial potential are also leading factors in the selection process of the *Filmboard Berlin-Brandenburg*. For the *Filmstiftung Nordrhein-Westfalen*, production funding is allocated to feature films expected to have commercial success, and to television films which are international co-productions or are aimed at the international market.

2.3 Other Areas of Intervention

2.3.1 The Relative Importance Attached to Funding Pre-production Stage

At the beginning of the 1980s, when funding was being extended to television, the first funds to cover the period prior to production were established: scriptwriting, development and, more rarely, pre-production (only British Screen Finance in the United Kingdom, the Danish Film Institute, the autonomous community of Catalonia, IPACA in Portugal and the *Filmstiftung Nordrhein-Westfalen* provide direct assistance[60] for this stage of production). In the 1990s these types of funds spread, especially in the area of development, to both national and regional funds.

Particular attention is also given to them under the MEDIA Programme, especially through the funds administered by EMDA.

Funds Available for any Type of Production

Throughout the European countries, funding prior to production is carried out in a similar way, generally as selective funding, allocated to feature films according to artistic criteria. Although features seem to enjoy a priority[61], wherever television production is funded, it generally can also receive assistance for the stages prior to production. Surprisingly it is also rare for script funding to be specifically restricted to feature films. This is, however the case for the script funding of the autonomous community of Valencia[62], the script funding of the *Filmförderungsanstalt* and for both the script and development funding of *Rhône-Alpes Cinéma*.

In France, before the reform of *avances sur recettes* in 1997, there was limited funding for script rewriting under *avances sur recettes* and funding for the writing of creative documentaries aimed at television[63].

New Initiatives and Low Level Funding

There have been new initiatives in this area. As has been mentioned already, in France, Germany and Portugal, producers can use part of their automatic funding to finance a project's development (in France and Germany) and scriptwriting (in Germany and Portugal). Furthermore, funds have been established by the French CNC, *Filmförderung Hamburg* and the *Filmboard Berlin-Brandenburg* to support production companies by assisting with the development of several projects at once.

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Although in one form or another all countries are funding work prior to production [64], the funds are not always of a very high level. In Luxembourg they account for 16%[65], of all production funding, 15% in Finland, 10% in Iceland, and 8% in Ireland. Furthermore they account for 4% of the funding for production in Germany, 3% in Greece, 2% in Spain and Italy, and only 1% in Norway and France.

Funding for the whole Development Phase Rather Than Simply Script Funding

While Italy and Greece support script writing only [66], they are exceptions, since the funding of script writing alone is insignificant in most of the countries covered in this study. No script funding is available in Ireland, Luxembourg, Norway or Sweden.

However, along with Danish, Finnish and Icelandic filmmakers, those of the latter two countries are able to receive development funding for feature films, shorts, documentaries and animation projects from the Nordisk Film & TV Fond.

However, script funding is not always allocated to the writer, but can be paid to the producer, provided he already has a contract with the writer.

When script funds are directly allocated to writers they allow them to write their project before they seek a producer, and thus help them to take this step. They account for only 5% of production funding and 50% of pre-production funding in Ireland, 1.8% and 86% respectively in Spain, 1.5% and 9% in Finland, 1% and 26% in Germany and 0.2% and 22% in France [67], are often subject to a ceiling.

The tendency to include script funding as part of a wider funding scheme to foster research and development as a stage in the chain of production, rather than the isolated activity of a writer, is characteristic of the changes in European funding systems, where the production company is seen as the essential unit at the heart of a cultural industry.

2.3.2 The Comparative Importance Given to Funding the Exploitation of a Film (Distribution, Exhibition, Export)

Low Levels of Financial Resources, Except in France and Germany

While Greece and Ireland are the only countries to concentrate all their public funds on production, the resources dedicated to distribution and exhibition are fairly small in Europe as a whole. They account for between 26% and 1% of the public funding allocated to the three main areas of the film and television industry - production, distribution and exhibition.

The United Kingdom does not support distribution but provides some funds for exhibition (via the London Film and Video Development Agency which contributes to exhibitors' investments in renovating their cinemas), while seven countries do not support exhibition at all: Austria, Belgium, Spain, Luxembourg, Iceland [68], Switzerland and the Netherlands.

Among the countries which support one or other of these two sectors, France is the one which puts in the largest amount of public funds: 6% of all funds for all three sectors for distribution, and 20% for exhibition.

Germany contributes 20%, Finland 14% (4% for distribution and 10% for exhibition), Spain 8% (4% for distribution and 4% for exhibition), Norway 6%, Denmark 4% (3% for distribution and 1% for exhibition). Sweden and Italy each contribute 1%.

Funding for these sectors is even rarer with the regional funds, except in Germany. None of the French regional agencies makes a contribution. Nevertheless, local authorities may provide grants for cinemas. In Spain they are supported only by the autonomous community of Catalonia. In the United Kingdom, the London Film and Video Development Agency supports exhibition. In Switzerland, none of the Canton funds contribute to exhibition, and there are only three funds for distribution (from the Zurich Film Fund[69], the *Fondation vaudoise pour le cinéma* and the Office of Culture for the Canton of Berne, which is, in fact, the only one of the three to allocate its funds directly to distributors).

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Selective Distribution Funding by Film

As has already been stated, the only automatic funding for distribution and exhibition exists in France. It should also be mentioned that funding for distribution is allocated automatically by the autonomous community of Catalonia to feature films produced in the Catalan language.

All of the funding of the distribution sector is in the form of support for films, except in France, where there is also funding for the structures of distribution. The funds help to finance the opening of a film, the creation of promotional materials, publicity costs, and, less frequently, the purchase of rights (only the Finnish Film Foundation and the automatic fund of the French CNC will finance the purchase of distribution rights), and also the production of prints. The funds also cover the sub-titling or dubbing of national films for their distribution abroad. This is the case with the funding of the *Office fédéral de la culture* in Switzerland[70] and that of the OFI in Austria.

Exhibition Funding Allocated to Structures

Most of the funding of the exhibition sector is allocated to cinemas (funding for structural modernisation) except for the funding of the Norwegian Film Foundation, which is, in fact, to assist in the operation of the cinemas (funds for the local opening of Norwegian films and for the distribution of quality films from the Norwegian Foundation for Cinema and Film). It should be noted that in Norway this foundation, established by the National Association of Municipal Cinemas, funds only the sectors of distribution and exhibition [71].

Apart from these Norwegian funds, exhibition funding is directed at the building, modernisation and renovation of cinemas. Most of the time, as in Denmark or in France and Norway, their priorities are for cinemas in development areas or for "art-house" cinemas.

Between Distribution and Exhibition, Funding for the Production of Prints

In France, Germany[72], Finland, Norway and Denmark there are specific funds for the reproduction of prints, which are allocated to distributors but are considered as exhibition support.

They follow the same format and are aimed at helping cinema owners with cinemas in specific areas (medium-sized towns, rural localities and small towns), or whose programming is of a high cultural level (in Denmark and in Germany for the funds of the *Bundesministerium des Innern*) to have priority access to prints.

These funds prioritise films with a strong commercial potential[73] and can also be allocated to foreign films[74]. They are available only to films which already have a large number of prints in circulation (10 in Finland, 20 in Norway and 80 in France).

Support for Export: Direct Funding and Specific Organisations

For distribution, as well as funding for sub-titling and dubbing films, often to allow them to take part in an international festival, some countries have established funding to help the export of films. This is sometimes the responsibility of a specific agency (an association), while some countries directly fund films through payments to foreign distributors or sales agents, like Italy, Finland, Portugal[75] and Germany (*Filmboard Berlin-Brandenburg* and *Filmförderung Hamburg*).

In Germany, at a national level, the Export-Union is responsible for the export of German films[76].

In the area of assistance with the promotion of films, the French community in Belgium has commissioned *Wallonie-Bruxelles-Images* to ensure its productions are screened at festivals and to assist independent producers with potential foreign buyers.

In France, there is one type of export assistance through the associations of *Unifrance Film* and *TV France international*, financed by the CNC, whose tasks are to promote French films and television programmes respectively abroad. There are also funds for films: assistance for the foreign distributors of French films, and assistance for the promotion and overseas sale of television programmes.

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Other countries, such as Sweden, Denmark, Portugal and Spain have chosen to support the export of national productions by setting up a special, integrated unit within the national film institute or equivalent.

Assistance for Importing Foreign Films in the Nordic Countries and France

In Finland, Norway and Denmark there are funds for importing foreign art-house films for theatrical distribution. Unlike the funds for prints, they go directly to support the work of the distributors, and base their allocations on artistic and non-commercial criteria.

In Finland and Norway they are given in the form of grants. In Denmark they are advances repayable according to the film's box-office performance. In Finland, however, should the receipts for an imported film not reach 293 ECUs, the distributor will receive a grant (of 88 ECUs) in compensation and the exhibitor will retain all the receipts.

The French CNC's initiative *"Cinéma sans frontière"* also assists the distributors of films from national cinemas of low circulation, drawn from a list compiled by a committee of experts. The grant covers the purchase of rights and subtitling costs, and can be received in addition to the CNC's selective funding for distribution, which is allocated on a selective basis.

2.4 The Balance Between Grants and Repayable Loans

2.4.1 Subsidy, Advance, Loan or Investment

Alongside funds given in the form of grants, the form of assistance given by the public support agencies in Europe is very disparate. However, this range of assistance can be put into three distinct groups: repayable advances, loans, with or without interest, and finally assistance in the form of investment in co-productions [77].

Advances Repayable Against the Box-Office Receipts of Films

Repayable advances are mainly found in the production and distribution sectors. They are advances on receipts which have to be repaid from the producer's net receipts on a film's exploitation under a variety of conditions:

- like the advance on receipts for production allocated by the French Community in Belgium or in France, following the reform of the *avance sur recettes* in 1997, which changed the terms of repayment. Repayments now have to be made either as first call on the revenues of a film or directly from the automatic subsidy once registration has been accepted.

- once a film has produced receipts above a certain threshhold, like the production fund of the OFI in Austria, which receives its repayments once the income has covered the producer's investment in the film, or like the production funding of the Finnish Film Foundation, which has to be repaid, in part at least, once the producer has recouped twice his own investment after the first year of release.

- on the basis of cinema ticket sales, like the Swedish selective production fund, which has to be repaid if a film reaches a minimum of 110,000 admissions. The fund for the importation of foreign films of the DFI in Denmark has to be repaid to the level of 50% when the number of tickets sold exceeds 30,000 and in full when they exceed 60,000.

Repayment on the First Day of Principal Photography

Funds allocated as advances for the first stages of production must always be repaid according to the same terms: when the funded project enters production, and that on the first day of principal photography, which, in certain cases can create a real cash-flow problem for the producer. Repayment is also required when the beneficiary sells the rights to a project. This is also the case with the development funding of the Scottish Film Fund, which is given in the form of a loan with interest.

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Variable Rates of Interest

Funding in the form of loans is made, depending on the country, for production, distribution or exhibition. These loans may be without interest, but certain countries make loans with interest, which are generally set at a reduced rate. This is the case with the loans made by the *Wiener Filmförderungsfond* or those made for production through the Italian funds administered by the *Banca nazionale del Lavoro*. But they can also be set at normal bank rate, like, for example, the funding for modernising cinemas in large towns made by the Finnish Film Foundation.

Grants Accompanied by Repayable Funds

Some funding is allocated in the twin form of a grant and an advance or a loan. Normally a grant is awarded up to a certain level, above which the funding has to be repaid. This is the case with the funding for promotion and exhibition from the FFA in Germany, the production funding of the cultural film fund of Mecklenburg-East Pomerania and that of the film fund of the NDR in Lower Saxony.

It is also the case in Portugal with selective production funding. With feature film funding, 20% of the total awarded is in the form of a reimbursable advance, and 25% in the case of short films.

Funding Structures Acting as Co-producers

Some funding agencies act as co-producers and receive a proportion of the revenues of a film according to their initial investment. The Greek Film Centre in particular acts as a co-producer. It therefore becomes a co-owner of the films it supports [78] and participates in the allocation of their revenues. The funding agency of the Basque Country in Spain deals with production in the same way.

It is also partly the case with the *Filmboard Berlin-Brandenburg*. It makes an advance whose recoupment is based on the producer's net receipts up to half the percentage of its involvement in the project's budget.

In Denmark, the funding of the Copenhagen and Haderslev workshops gives them a portion of the rights to the film, which makes their involvement that of a co-producer, and they also receive a proportion of the film's revenues.

In France, *Rhône-Alpes Cinéma* is an actual production company.It takes an ownership share in the negative of the feature films which it supports and receives a proportion of the revenues. The CRRAV, in the region of *Nord-pas-de-Calais*, is also a co-producer of the television programmes which it supports. Since it is not a registered producer it cannot act as co-producer for feature films. Its funding is therefore as a co-financer, which means that it takes no ownership share in the negative.

In the Netherlands the two funds which support the television sector (STIFO and COBO-Fund) also act as co-financers.

In the United Kingdom there is a wide range of approach. The production funding of the Scottish Film Fund is made in the form of an investment in the production. The BFI's support should also be seen as an investment in the production. Although they are called grants, funding for development and feature film production is made in the form of co-production, since the BFI requires a proportion of the revenues. For short films this requirement is not always made.

Finally British Screen Finance and the European Co-production Fund (ECF) give their support to a production in the twin forms of loans with interes t[79] and co-production investment.

2.4.2 The Options Taken by Various Countries

Each Country Operates a Primary but not Exclusive Form of Financing

Although grants are the most widespread form of financing, only three countries provide funding exclusively in this form: Switzerland, Norway and Iceland [80]. On the other hand, every country, except Greece, offers loans.

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Among the various forms of funding for the production sector, most countries prefer one or other of the following [81]:

Where grants are preferred:
- in Spain where they account for 94% of the funds dedicated to production;
- in France where they account for 89% of the funds dedicated to production, because of the predominance of the automatic funds which are regarded as grants.

Where repayable advances are preferred:
- in Luxembourg where they account for 84% of the funds dedicated to production;
- in Sweden where they account for 75% of the funds dedicated to production;
- in Denmark where they account for 94% of the funds dedicated to production;

Where loans with interest are preferred:
- in Ireland where they account for 97% of the funds dedicated to production;
-in Italy where they account for 87% of the funds dedicated to production;

Finally, where investment in production is preferred:
- in Greece where it accounts for 97% of the funds dedicated to production;
- in the Netherlands where it accounts for 73% of the funds dedicated to production;
- in the United Kingdom where it accounts for 73% of the funds dedicated to production.

Two countries, Germany and Belgium, are the exceptions where the balance between the different forms of funding is more equal:
- Belgium allocates 59% in grants and 41% in repayable advances to production, with grants being the main form of funding for the Flemish Community, while the French Community makes advances on receipts to the film and television sectors;
- Germany allocates 47% in grants and 41% in interest-free loans, other forms of funding being repayable advances (12%) and loans with interest (less than 1%).[82]

Funds Which Occasionally Operate a Single Form

In countries where different forms of funding coexist, the main funds opt for different forms depending on the type of fund. However, some agencies only operate a single form of funding. This is the case with the ICAA in Spain which is the only main public agency in its country and funds all three sectors - production, distribution and exhibition - solely through grants. In Ireland, all the funding of the Irish Film Board (the main Irish funding agency) is made in the form of loans. The funding of the French Community in Belgium is all through advances on receipts.

On the other hand, this single form of funding is encountered more often in the agencies which act in a complementary fashion to the main national funds. In Denmark the *Statens Film Central* which supports shorts, documentaries and educational films, only gives grants, while the Danish Film Institute gives both grants and repayable advances. In Austria the Department of Film and Video and Television Arts, which supports projects on the margins of the film and television industries, gives all its assistance in the form of grants, and the Vienna Film Fund gives loans with interest, with the Austrian Film Institute giving grants and loans.

In Germany, at Federal level, the cultural funds of the Ministry of the Interior are given in the form of grants, while all the funding of the foundation for young German film is given in the form of interest-free loans, with the FFA operating a variety of funding forms.

The Regions Mainly Fund Through Grants[83]

The tendency at the level of the regional funds is to provide grants. In Spain this form of funding accounts for 61% of the sums awarded to production at regional level. It includes the funds allocated by Galicia, by the Generality of Valencia, and most of the support schemes of Catalonia. On the other hand the funding allocated by the Basque Country is given in the form of a participation in co-production.

In the United Kingdom all the production funding of the London Film and Video Development Agency, the Welsh Production Fund and the various funds for short films at the Scottish Production Fund are in the form of grants. They account for 64% of the sums allocated to production by the British regional funds.

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In Germany, however, grants cannot be seen as the dominant form of funding of the *Länder* funds, although they are the major form. The *Länder* give to production 44% as grants and 39.5% as interest-free loans.

In France most of the regional funds also give grants, but the two main funds (*Rhône-Alpes Cinéma* and the CRRAV of *Nord-pas-de-Calais*) assist production in the form of investment or co-financing. This form of funding is therefore the largest in France at regional level and accounts for 61% of regional production funding.

Differences in Forms of Funding According to Sector

As we have already mentioned, with the exception of Denmark where they are in the form of advances on receipts, all the automatic funds are in the form of grants. Furthermore, in general, funds allocated to short films are also in the form of grants.[84]
Apart from these two characteristics, which can be seen as constants, there are considerable differences in the choices made by different countries between grants and repayable funds according to sector, both at national and regional levels.

Grants and loans are given to the exhibition sector, grants, loans and repayable advances may be given to the distribution and production sectors.

Funds for the stages before production can take the form of grants or repayable advances without it being possible to determine a constant in the ways in which the funds deal with production itself.

Germany as an Example of the Differences in Europe

In general, choices of forms of funding show little in common between the various countries and their various funds. The example of Germany is a perfect illustration of the differences which can be found at European level. The fact that, in Germany each *Land* is fully independent so far as cultural and film policy is concerned, explains why they operate different forms of funding.
At Federal level, while the two funds which are complementary to the FFA, the fund of the Ministry of the Interior and the *Kuratorium Junger Deutscher Film*, operate a single form of funding, grants and interest-free loans respectively, the FFA operates with both grants and interest-free loans. Some of its funding is given as a mix between these two forms: funding for promotion is given in either form depending on the nature of the operation and the amount requested by the applicant; funding for exhibition is a grant which, in certain cases, may be added to an interest-free loan.

All these forms are also found at the level of the *Länder*, interest-free loans being sometimes replaced by repayable advances. Thus the *Filmstiftung Nordrhein-Westfalen* gives interest-free loans except in the cases of production and exhibition, where assistance is given in the form of grants. On the other hand, all the funding of the MSH is in the form of grants, except for script development, which is in the form of a repayable advance.
Filmförderung Hamburg allocates all its funds in the form of interest-free loans. Both the Cultural Film Fund of Schleswig-Holstein and the Cultural Film Fund of North-Rhine Westphalia, and the Cultural Film Fund of the Ministry for Arts and Science in Saxony only give grants.

Other funds give grants for certain schemes and repayable loans for others. Thus the Filmstiftung Nordrhein-Westfalen gives interest-free loans except in the cases of production and exhibition, where assistance is given in the form of grants. On the other hand, all the funding of the MSH is in the form of grants, except for script development, which is in the form of a repayable advance.

Finally some funds have opted for a mix between grants and repayable loans for the same kind of assistance: the Film Fund of Mecklenburg-East Pomerania gives grants which, except for script funding, are enhanced beyond a certain level with a repayable advance. A similar system has been established by the film fund of *Nord Deutscher Rundfunk* (NDR) in Lower Saxony which funds production in the form of grants up to the sum of 135,750 ECUs, with interest-free loans above that level, and with script and development funding given in the form of repayable advances.

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Finally the Cultural Film Fund of Lower Saxony represents a separate case, since it is the only one to give loans with interest, even for feature film funding, investment funding and, occasionally, distribution funding. Generally its funding for the pre-production stage and distribution is given in the form of grants.

2.5 The Relationship Between Film and Television

2.5.1 The Involvement of Television Companies in Financing Public Funds

As we have already seen, television companies make financial contributions to the budgets of public film and television funding agencies by means of direct payments or through special taxes in Germany, France, the Netherlands, Portugal, Norway, the United Kingdom and Sweden

The contribution of the television companies to financing the public film and television funds accounts for 90% of public support in Portugal, 69% in the Netherlands, 59% in France, 32% in Germany, and 9% in Sweden.

2.5.2 Television's Contribution to the National Funds

Just as the level of contributions of the television companies varies from country to country, so too does the manner of their involvement. In some cases the television companies contribute solely to the budget of the main public film and television funding agency, the national funding agency, as in France and Portugal via a tax, or by direct payment, as in Sweden.

In other countries they contribute to the complementary funds, as in the Netherlands where they contribute to the "COBO-Fund" and the STIFO, the first of which supports the large-scale co-productions of the television companies with independent producers and the second supports cultural programmes made for television. In Norway, the public service and private terrestrial broadcasters (NRK and TV2) contribute to the budget of the Foundation for Television Productions, which supports productions made for transmission by one of those two companies.

These two also contribute, along with the other private and public service national broadcasters in the Nordic countries, to the operating budget of the Nordisk Film & TV Fond.

Finally, the TV Fund agreement between the Finnish Film Foundation and the Finnish terrestrial broadcasters (YLE and MTV) has been modified in 1995, and then further extended in 1997 for a 3 year period. In the framework of this agreement , YLE reserves an annual budget of 12 million FIM for investment into film production.

2.5.3 The Contribution to the German *Länder* Funds by the Third Public Service Channel and the Private Channels

In Germany the public service television channels ZDF and ARD contribute to the FFA's budget under an agreement which is periodically renegotiated [85]. The private channels also made a contribution to the FFA's budget until 1995, the amount being fixed by agreement between each channel and the FFA. But at the end of 1995, the association of private television and telecommunications comapnies, the VPRT, decided not to renew its agreement with the FFA. In the negotiations which followed, the private broadcasters made their future contributions to the Federal agency conditional upon 25% of the funding going to television drama, documentaries and films for children and young people.

Conversely, the television companies agreed to contribute to funds established by the *Länder* which met their requirements. The new *FilmfernsehFonds Bayern*, for example, was established with the support of Pro 7, Sat 1, TM 3 and RTL 2 [86].

Some of the stations of the third television channel, which are regional public service broadcasters, have signed agreements with various *Länder* funds, the first being *Nord Deutscher Rundfunk* (NDR) which contributes half of the financing for MSH. An agreement has also been signed between Lower Saxony and the NDR which has led to the establishment of another film fund, paid for by the broadcaster, alongside the Cultural Film Fund of Lower Saxony. This agreement is a consequence of the 1993 broadcasting law in Lower Saxony and the creation of a tax on broadcasting in favour of film called "the 2% share". Additionally, *West Deutscher Rundfunk* is a shareholder of the *Filmstiftung Nordrhein-Westfalen*, and the

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Baden-Wurtemberg company for media and film is partly financed by *Südwest Funk and Süddeutscher Rundfunk*.

2.5.4 In the United Kingdom, Television Companies Support Specific Schemes at National and Regional Level

In the United Kingdom, the contribution of the television companies to national funds is primarily the prerogative of Channel Four which supports BFI Production [87] and is a shareholder in British Screen Finance. It also contributes to one of the schemes of the Film, Video and Television Department of the Arts Council of England: "Animate!", and Carlton Television, the London private broadcaster, supports the same agency's "Synchro" scheme. At the level of the "regional" funds, the broadcasters also concentrate on specific schemes. Thus the Scottish Film Fund receives, in addition to its support from Channel Four, that of the private television company Grampian TV, and the public service broadcaster BBC Scotland which contribute to the schemes "Tartan Shorts" (for short films) and "Geur Ghearr" (films in the Gaelic language). The Gaelic television company, CGT, also supports the scheme, and Scottish Television contributes to the "Prime Cuts" scheme. Welsh television supports the Welsh Production Fund in a more general way. Channel Four also contributes to the London Production Fund of the London Film and Video Development Agency, which is supported additionally by Carlton Television.

The Nordic broadcasters are also directly involved in financing specific funding mechanisms at national level. In Denmark, for example, DRTV and TV 2 Denmark contribute to a fund for medium-length drama, Dansk Novellefilm.

2.5.5 Television Financing Through Co-productions and Pre-sales [88]

In most European countries, alongside their direct contributions to public support agencies, television companies also contribute to independent film and television production, in particular through co-productions and pre-sales.

Luxembourg is the only country [89] where television does not contribute at all to production support. It should be noted that there is no public service television company in the country and that the only major television company, the *Compagnie luxembourgoise de télévision* is not involved in financing feature films. Its activities in co-production and the purchase of television rights is mostly in other genres (television films, series, games shows etc). Its branches in Luxembourg do not produce films for the big screen. It should also be remembered that a scarce 1% of CLT's turnover is in Luxembourg, against 56.8% in Germany and 24.7% in France.

Co-productions can be made under the terms of general agreements between public service and private broadcasters, and the agencies responsible for national public support. This is the situation in Austria, where, since 1981, a general agreement has laid down the rules for the public service broadcaster's, ORF's, contribution to the national film sector. This is also the case in the Belgian French Community with the television companies' contribution to independent production. In Denmark the two terrestrial channels, DR TV and TV2, have an agreement with the Danish Film Institute to support long short films and programmes under the *Dansk Novellefilm* scheme. In Finland, the public service and private companies have also made a co-financing agreement with the Finnish Film Foundation, establishing within it the Television Fund. In the United Kingdom, the satellite broadcaster BSkyB has an agreement with British Screen Finance to pre-purchase all the films supported by BSF and the European Co-production Fund. In Sweden an agreement from 1993 between the government, the film and video industry and the public service and private broadcasters, obliges the latter to invest in the form of pre-purchases or co-production in the production of Swedish feature films. In Switzerland, the general agreement between the public service broadcaster SSR and the film industry was renewed in the course of 1996 to take effect from 1 January 1997.

Co-productions can be undertaken within the requirement to invest in independent production, as for example under the European Directive "Television without Frontiers". This is of course the case in France, where the legislation is particularly well-developed [90], but also in the French Community in Belgium, the United Kingdom, Ireland and Italy [91].

Without any specific regulations to require it, some public service television companies have always made co-productions with their national film industries, either directly or through specialised subsidiaries. This is

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the case with public service broadcasters such as RAI in Italy, RTVE in Spain, the Greek public service broadcaster ERT, RTE in Ireland, NRK in Norway, RTP in Portugal and Channel Four and the BBC in the United Kingdom.

This "historic" role of television was generally reduced at the beginning of the 1990s due to the financial problems of the majority of the broadcasters in the face of the competition from commercial television, following a level of state deregulation. A major study covering the types and levels of broadcasters' investment in film and television production is currently being carried out by the European Audiovisual Observatory.

2.5.6 Film Funds and Television Funds

How the Funds are Divided [92]

In spite of the increasing involvement of the television companies in the funding agencies, it is not easy to find a relationship between the financial contributions made by television and the proportion of funding dedicated to financing the production of television programmes. It is difficult to establish the exact division of funding between films and television programmes in many funds in some countries, easier where funding is solely influenced by the market.

Thus in Germany, 50% of production funding goes to film, 8% to television and 42% to either. In France, however, 33% goes to film, 66% to television and only 1% to either. In the United Kingdom 81% goes to film and 19% to television [93]. In Spain 83% goes to film, 5% to television and 13% to either.

In the Netherlands, 21% goes to film, 42% to television and 38% to either. France is the country in which television is most heavily funded. Other than that, it is only in the Netherlands where television production receives a greater proportion than film [94].

A few countries provide no funds for television productions: they are Denmark, Greece, Iceland, Italy and Sweden. Ireland can also be added to the list, where 97% of the funding goes to film production [95].

Countries in Which the Television Companies Contribute to Public Funding [96]

In Sweden, although the funding made by the Swedish Film Institute is partly financed by the television companies (to a level of 9%), it dedicates all of its funding to film. It should be noted that in Germany, in the same way, the FFA, partly financed by contributions from the television companies (to a level of 29%), provides no funding for television productions, which are, however, supported by all the *Länder* funds [97], except the Cultural Fund of Schleswig-Holstein and the Cultural Film Fund of North Rhine Westphalia. The Cultural Fund of Schleswig Holstein is one of the four *Länder* funds which receives a contribution from television, while the Cultural Film Fund of North Rhine Westphalia receives none.

In the Netherlands, the two funds financed by the television companies support in return, projects for television or in which the broadcasters themselves are involved. The COBO-Fund provides funds to the television company, as does the production funding of the STIFO, where development funding goes directly to independent producers.

In Norway, the Foundation for Television Production, supported by NRK and TV2 provides funds to projects aimed at both television and theatrical distribution. But to be eligible for a grant, a project has to have a distribution contract from one of the television companies and a theatrical distributor.

In France, there are on the one hand the regional funds, which are not financed by television companies, but most of which support both film and television projects.

There are, however, two exceptions: *Rhône-Alpes Cinéma* which has restricted its activity solely to film productions, and the Production Fund of the region *Franche-Comté*, which can nevertheless occasionally support television films.

There are also the funds of the CNC, whose *Compte de soutien* (automatic fund) receives 60% of its financing through a tax on the television companies. As previously mentioned, there is a very strict distinction in this fund between film and television productions (i.e. those projects intended primarily for

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television). These two types of production are supported by two separate funds: on the one hand, funds for feature films and shorts, and on the other, funds for television programmes. This separation has been in place since the creation of the budget into two sections, "film and television". The latter is solely financed by the tax on television and video production, while the film section is financed from other sources, including the special tax on cinema tickets.

Countries in Which the Television Companies do not Contribute to Public Funds

Except for Greece, Iceland and Italy, in the countries where the television companies do not contribute to public funds, there are funds which nevertheless provide support for television productions.

This is the situation in Spain where, although the national public funds administered by the ICAA are solely for film productions, Catalonia has created a separate production fund for television production. The funding of the Generality of Valencia is explicitly aimed both at film productions and those intended for television distribution, where the projects come from independent production companies. Finally, no distinction is made between film and television production in the Basque fund. In Finland, the funds allocated by the Finnish Film Foundation are particularly directed at film production while the projects supported by AVEK have to be intended for television, video distribution or some other electronic distribution. In Switzerland also, the *Office fédéral de la culture* only supports projects intended for theatrical distribution (either via a commercial circuit or a specialist one and whatever format they are shot in). But on the other hand, at the level of the cantons, theatrical distribution is not generally taken account of in production funding.

In Luxembourg, the National Fund for Television Production makes no distinction between projects intended for theatrical or television distribution[98]. In Belgium, generally speaking, the funding of the Flemish Community and that of the French Community is provided without distinction to projects intended for theatrical and television distribution. In both Communities, however, the automatic funds are restricted to film productions, exclusively to feature film in the Flemish Community, but including shorts in the French Community.

Funds for Television Productions which Interest the Broadcasters [99]

In some countries there is no link a priori between the involvement of television companies in the public funds and the projects which they support, as, for example, in Sweden or the FFA in Germany, where only film production is supported. In other countries, on the other hand, the link is explicit, because the funds financed by the television companies will only support projects in which those companies are involved (Netherlands) or to which they have given their agreement (Norway). One can also find in the regulations of some funds that the involvement of a television company in the financing of a project is necessary for it to be eligible for funding [100]. In France, with the funding of television productions, a project can receive neither a selective nor an automatic award from the CNC unless a television company is involved either as co-producer, or through a pre-purchase or investment of a minimum of 25% in the budget. Similarly, in Germany, the MSH Schleswig-Holstein, financed by the public service broadcaster NDR and the *Land*'s supervisory agency for private television, the ULR, will not support projects intended for television unless a contract has been signed with a television company.

Rights in Films Given to the Television Companies Which Contribute to the Budgets of Public Funds

In many cases, the involvement of television companies in the budget of a fund gives them rights to the projects supported by those funds, without them having to be directly involved in financing them. Thus in Norway,[2] the television company which gives its agreement for a project supported by the Foundation for Television Production, automatically obtains the right to screen the programme twice. But it is particularly in Germany, among the *Länder* funds that this type of quid-pro-quo is most prevalent. For example, with the pre-production and script funding of the *Filmstiftung NRW*, when a project is supported with the funds of the television company *Westdeutscher Rundfunk*, WDR acquires ex officio the television rights to the script, which may be re-released to the applicant against payment of a sum corresponding to the author's fee. Similarly with production funding, if a film is supported due to the WDR, it acquires de officio the German television rights to the film under the terms of the existing film and television agreements.

In the case of the NDR's film fund in Lower Saxony, the NDR acquires part of the rights to the script on projects which have been funded for script-writing and project development. These may be released to the

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applicant on repayment of the amount awarded. The NDR also acquires the television rights for five screenings of films supported by the production fund.

In the case of the MSH, the television rights to a film which has been supported thanks to the financial contribution of the NDR, belong to it. The company also acquires rights to the script or certain television rights, when a project is supported in preparation or development. When the money comes from the ULR, one or more private broadcasters automatically acquire part of the television rights in a project in the pre-production stage and the television rights to a film which has received a production award.

2.6 Public Funding in the Regions

2.6.1 The Financial Substance of the Regions

The Public Funding Agencies Established in the Regions are Primarily Financed by the Local Authorities .

The financial strength of the regional agencies varies enormously according to country. Certainly in Germany where the *Länder* are responsible for culture, film and television, these agencies account for 64% of public funding, but in Switzerland, another federal country, they only account for 16% of public funding. In Spain, however, where decentralisation is highly significant, the main regional agencies account for 25% of public funding, and 28% in Austria, against 2% in France and 13% in the United Kingdom.

Looking only at the contributions of the public authorities, one finds that the figures are similar for Spain, France and Switzerland, where the regional funds are solely financed by the public authorities.

In Spain, these contributions amount to 25% of all public contributions and 25% of the finance of public funding In France, they account for 9% of public contributions [101] and 2% of total public funding.
In Switzerland they account respectively for 15% and 15%.

In Germany [102], however, while these contributions account for 88% of public contributions [103], they only account for 42% of total public funding. In fact, 36% of the finance for the *Länder* funds comes from the television companies.

In Austria these contributions account for 16% of public contributions and 10% of public funding. The Vienna Film Fund receives only 36% of its finance from the city of Vienna, the rest of its finance coming from its earned income (the repayment of loans by beneficiaries from previous years).

2.6.2 Funds Centred on Financing Production

In general in Europe the funding of production predominates, and this tendency is particularly marked when one looks exclusively at funds at local and regional levels:

- in France, 100% of the funding of the regional agencies is directed at the production sector [104], and in Austria all of the funds allocated by the Vienna Film Fund are directed at this sector;

- in Switzerland, the distribution sector is supported by the Zurich Film Fund, the Office of Culture of the Canton of Berne, and the *Fondation vaudoise pour le cinéma* (which also supports the exhibition sector), but funds for the production sector nevertheless account for 97% of funds allocated by the cantonal funds;

- in Spain, where the autonomous community of Catalonia supports the distribution sector, 97% of the funds allocated by the autonomous communities are also directed at the production sector;

- in the United Kingdom, only the London Film and Video Development Agency supports exhibition, and the funding of the production sector by the regional funds accounts for 96% of the money allocated by these funds;

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- finally, in Germany, although most of the *Länder* funds support distribution and exhibition, the funds to the production sector nevertheless account for 86% of the money allocated by the *Länder*.

These funds concentrate on the production stage itself. In fact, although support for the pre-production stages exists in most of the regional funds, it only accounts for between 5% and 1% of production funding, while it accounts for between 16% and 1% of funding for this sector across all European public funding agencies [105].

2.6.3 Selective Funds Given in the Form of Grants

As we have already pointed out, the funds at local and regional level are mainly selective ones. Exceptions are the Canton of Vaud in Switzerland, and Catalonia [106] in Spain. In Germany too, some of the *Länder* funds have set up compulsory savings account schemes which make them seem like automatic systems.

Nevertheless, these funds mainly give grants, the only exception being the *Wiener Filmförderungsfond* in Austria which gives no grants but makes loans to applicants.

In Switzerland, grants account for 100% of the funds disbursed by the cantons to the production sector.

In the United Kingdom, they account for 64% of the funds disbursed to production by the British regional funds.

In Spain, they come to 61% of the funds disbursed by the autonomous communities to the production sector.

In Germany, while they are less than in other countries, they are still the main form of funding; 44% of the moneys disbursed by the *Länder* funds are in grants.

In France, they are also the main form of funding with the largest spend at regional level, but only account for 38% of the funds disbursed to production by the region, even though the two main funds (*Rhône-Alpes Cinéma* and the CRRAV in *Nord-pas-de-Calais*) fund production in the form of investments or co-financing.

Funds for all Types of Production

As we have already seen, the first funds for the television sector came into being in the 1980s, with the agencies created by the regional authorities. Today, regional agencies which do not fund television production are rare. They are the Cultural Fund of Schleswig-Holstein and the Cultural Film Fund of North Rhine Westphalia in Germany, the Glasgow Film Fund in the United Kingdom, and *Rhône-Alpes Cinéma* in France.

For the most part in France, the funds have established schemes which support feature films and shorts, and both film and television productions. Only *Rhône-Alpes Cinéma* has limited its activity to a single type of production, the feature film, even for script and development funding, while the regional fund for the programme and image industry in Aquitaine restricts itself to shorts (whether intended for cinema or television distribution).

In Spain, the autonomous communities, like the regions in France, have established funding agencies which cover all kinds of productions, even though in Catalonia, where the system seems the best developed, priority is given to feature films. However, a fund for short films has also been created in this community [107].

Finally, in Switzerland the city and cantonal funds place no restrictions on the kind of production (features or shorts, for example), nor the genre (fiction, documentary, animation or experimental), and some funds also support multimedia and interactive video productions. Only the Cinema Commission of the Culture Council of Valais restricts its funding solely to short films.

2.6.4 Short Films are Funded Mainly in the United Kingdom

In Germany, short films can apply for some schemes to the *Länder* funds, but only 0.6% of these funds' budgets is strictly [108] reserved for them. In fact, many of the schemes of the *Länder* funds are limited

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exclusively to feature films [109]. This is the situation with all the schemes of the *Filmstiftung NRW* and the *Filmboard Berlin-Brandenburg* (even though in theory short films too can receive production funding), the film production funding of *Filmförderung Hamburg*, the script and development funding of the film fund of NDR in Lower Saxony [110], and the pre-production stage funding of the MSH.

In Austria, the funds of the *Wiener Filmförderungsfond* are not available to short films. In Spain, only 3% of the money disbursed by the autonomous communities are strictly dedicated to short films.

In France, the support of short films is one of the main objectives of the regional agencies, which have exclusively allocated 18% of their resources to them.

It is in the United Kingdom that short films are most highly funded by the regional agencies. In fact, 43% of the production funding of the regional funds is strictly allocated to them. Many schemes are limited to short films, with only the Glasgow Film Fund being exclusively for feature films.

2.6.5 The Regional Interest Criterion

The Applicant's Place of Residence: an Essential but not Compulsory Requirement

The first eligibilty criterion for the regional agencies is generally the applicant's residence in the region of that agency. Residence is a compulsory requirement for the funds of the autonomous communities in Spain and the British regions, except for the Glasgow Film Fund [111]. But this restriction is frequently replaced by criteria of regional interest, particularly in the case of production funding. This is the situation in many of the French regional funds and in some of the German *Länder* funds. However, where this restriction is in force in France, Germany and Switzerland, it can be lifted if a project demonstrates a strong regional interest [112].

Economic Effects and Cultural Effects

This criterion of regional interest is found in all the regional funds in Europe in this study, even though it has different features depending on the country under consideration. There are requirements made of the projects or the applicants which are to demonstrate an effect on the region in terms of economic activity, or in terms of image or cultural and tourist benefits.

Examples of cultural effects are the thematic, geographic and biographic links which a film or television production has with a region, which was the case when *Rhône-Alpes Cinéma* significantly supported the production of "The Hussar On The Roof". One of the main cultural requirements is certainly the use of the region's language as the original language of a film when it is different from the national language. Another type of return can be the requirement to preview a film in the region which has supported it. Giving a clear credit to the fund's involvement on the screen and in the promotional material is another kind of return in terms of regional promotion.

So far as economic effects are concerned, some funds require that a certain amount of a film's production expenditure is spent in the region. The amount may be calculated in terms of the film's budget or the money awarded, as is the case with the funding of the *Filmstuftung NRW* where 150% of the amount of the award has to be spent in the *Land* of North Rhine Westphalia. In some cases there is no set rule about the amount of money which has to be spent, but there is a requirement that the technical services of the region should be employed, or that a certain number of film workers from the region are employed on a film.

Shooting a film in the region, or the use of regional cast and crew (including making jobs available for people in training) are requirements which have both economic and cultural effects, even if it is not easy to measure their impact either in terms of employment or economic activity generated.

These various rules reflect the original spirit in which the funds were created by the regional authorities. Clearly there is always a package of various requirements, both economic and cultural, which defines the regional interest criterion for each fund.

2.6.6 An Aspect of Regional Dynamism

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By creating film and television funds, most of the regional authorities were looking to develop both economic and cultural dynamism in their regions, and to make them more visible. It was this double objective which determined the various obligations and returns required by the funding agencies created by the regional authorities in France and also in the United Kingdom, Spain, Switzerland and Germany: shooting in the region, which both involves the use of local services and puts the region onto the screen, employment of locally resident cast, crew and local technical services, and the creation of events around the shooting and release of the film.

The Criterion of Language as Affirmation of Local Identity

The criterion of language is crucial in those countries where various languages exist together and where they are strongly emphasised as a sign of belonging to a community. This is the case in Spain for all the community funds studied [113], and is particularly marked in Catalonia. Indeed, apart from the Catalonian language being required as the original language of a film for all the funding schemes (except funding for preparation), television production funding is allocated according to various criteria, one of which is the number of screenings in Catalan. For distribution funding, the distribution of supported films has to fulfil several requirements: the production of at least four prints in Catalan, the number of towns in Catalonia in which the film will be screened (10 towns of more than 45,000 inhabitants or all the capitals of the various counties of Catalonia and Barcelona), and promotion material in Catalan. Finally all feature, television or short films supported either for production or distribution, either selectively or automatically, must be broadcast or shown theatrically in Catalonian cinemas in the Catalonian language for a minimum period of twelve months.

In the case of Belgium, divided into the linguistic communities of Flemish, French and Germanophone, and geographic regions, the criterion of community of origin is the main one for receiving funding from one or the other community [114]. The use of the Flemish language for the one or French for the other is one of the major conditions for obtaining funding.

The linguistic criterion is also to be found in Switzerland where, even when the language of the Canton is not always required as the original language of a film, once it has been made, the film must have a version in the language of the Canton which supported the production.

Finally, in Scotland and Wales there are specific schemes for Celtic-speaking filmmakers.

The Search for a Direct Economic Effect on a Region

It is without doubt in Germany and Austria that the economic requirements are clearly aimed to ensure that the funds provided by an agency have a direct benefit for the region. It is particularly here that there are precise rules as to the level of expenditure which has to be made in the region. The requirements of the *Wiener Filmförderungsfond* are: that the *Wien Effek t*[115] has to be a minimum of 150% for Austrian films, a minimum of 200% for minority Austrian co-productions, and 300% if there is no Austrian co-producer. In particular, the economic effect on the Viennese film industry has to be a minimum of 100%. For an international co-production, all the funds awarded by the *Wiener Filmförderungsfond* must be spent in Austria.

In Germany, generally, an amount equal to the funds awarded has to be spent within the *Land,* and this is the case for production funding, pre-production funding, and sometimes also for distribution funding or print copying. This is basically what the *Filmboard Berlin-Brandenburg* requires and the film fund of the NDR in Lower Saxony and the cultural film fund of Lower Saxony.

This requirement sometimes has a second added to it, which takes account of the budget of a film. With the production funding of the MSH Schleswig Holstein, an amount equivalent to the funding provided has to be spent on the region's film industry, or at least 50% of the production costs for feature films and 40% for television productions has to be spent in Schleswig-Holstein.

For *Filmförderung Hamburg* and the *Filmstiftung NRW,* the investment in the *Land* has both to be the equivalent of 150% of the amount awarded to a production, and sometimes to correspond to a given percentage of the production budget: for *Filmförderung Hamburg,* 45% of the German part of a television production for international transmission has to be spent in Hamburg; for the *Filmstiftung NRW,* 40% of the production cost of a nationally produced television film must be spent in North Rhine Westphalia.

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It should nevertheless be noted that some of the *Länder* funds can now dispense with the "regional interest" at least in its financial aspect: the *Filmstiftung* and the *Filmboard Berlin-Brandenburg*, for example, or the film fund of the NDR in Lower Saxony, where it is helpful to the project and if the project is a prestigious one[116]. Prestigious projects attract attention to the fund itself.

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3. Overview of Public Funding Systems in Central and Eastern Europe.

This chapter aims to give an overview of the main economic and structural developments in audiovisual and cinematographic production in Central and Eastern European countries.

Given the political and economic upheaval these countries have been through, the instability and inexperience of the institutions in charge of public funding, as well as the difficulty in getting hold of precise figures, no in-depth analysis of public funding schemes and the national contexts of the production sectors has been included within the initial comparative survey.

We did, however, consider it important to include a chapter on the main developments in funding schemes for these countries so as to give an overview of the full European scene.

3.1 The Disruption of Local Production Economies

Ever since the late 80's, the audiovisual and cinematographic production economy has been undergoing large-scale structural changes.

Above and beyond the individual situation for each country, the same scene is being played out everywhere: the dismantling of the old State production and distribution monopoly, the privatisation of the main studios and technical facilities, the emergence of an independent production sector and the gradual setting-up of an overall institutional and regulatory framework.

Two distinct phases can be seen. First of all the period from 1989 to 1995/96, which saw the dismantling of the State monopoly, the collapse of existing production facilities that were not able to withstand the burgeoning market economy, and the emergence of a whole host of small and medium-sized independent production organisations. Very often, this economic re-organisation took place haphazardly, without there being any legal framework to govern the new economic order.

The implementation of a genuine General Principles act very often marked the transition from the "economic reorganisation" phase to a period of stability and coming-of-age of the sector, that had begun back in 1995/6.

Poland had always had a well-entrenched cinematographic tradition as well as a highly-developed institutional structure. A General Principles Act of July 1987 revoked the laws relating to a State-run film industry and set the rules for a free economy for the industry.

In the Czech Republic, the Cinematography Fund Act of 24/1/1993 relating to the conditions governing the production, distribution and archiving of audiovisual works, provided a first definition for the sector. A Commission was set up within the Mass-Media Department of the Ministry of Culture in late 1997, so as to lay down a legal framework that would include the needs and requirements of the sector professionals.

In Hungary, the bill for the film industry has been through several drafts and has been under discussion since 1993.

Despite the 1996 law relating to the production and distribution of audiovisual works (which failed to provide for public funding systems) and the setting-up of the Slovak Film Institute, sector professionals consider that the Slovakian Republic does not yet possess a suitable framework for the setting up, financing and transparent management of public funding systems.

In the Russian Federation, a genuine regulatory framework is still a long way off. The current climate with the nascent market economy and restructuring, means that the whole question of the diversity and stability of national funding systems is under debate. Film-makers from these countries, used as they had been to working under State control, now find themselves somewhat helpless when faced with a market economy,

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especially as financing mechanisms within the sector have not lent themselves easily to the current situation. There is also the added problem of the virtual disappearance of alternative national financing.

3.1.1 Reorganisation of National Production Structures

Back in the early 90's, the production sector of all these countries underwent significant change, primarily due to the dismantling of the State monopoly on the production and distribution of audiovisual works. From then onwards, two important developments took place, with the privatisation of the State studios and the emergence of an independent production sector.

Bulgaria

The Boyana studio (which grouped together the 5 "collectives", namely Pogled, Khemous, Debut – which specialised in debut films – Alpha and 64), which held a monopoly for the production of drama films from 1952 to 1992, still remains in the hands of the State. The other Bulgarian studios are Vreme (documentary), Sofia (animation) et Ekran (television). They are self-managing and have not received any subsidies since 1990. Boyana's financial situation is deteriorating and its eventual privatisation (the film laboratory was privatised in 1993) should take place shortly.

The slump in production figures (down from 20 – 25 films per year to under 3 in 5 years) has meant mass lay-offs (the number of jobs fell from 2464 in 1989 to 300 in 1995). Boyana now only plays a minor role in cinematographic production.

From 1989 to 1992, the studio provided facilities and services under the umbrella of the funding given out by the State for film production. Since then, it has continued to provide services for the independent sector, has branched out into new activities (rental of costumes to theatres, production of toys, etc.) and has hosted a large number of foreign productions, especially for television.

Mixed production companies first came on the scene in the 90's. One such example is the Balkan Film Enterprise, an Anglo-Bulgarian company (with a USD 350,000 investment for production made by the Maxwell group). However, the experiment has been halted and this kind of structure has virtually disappeared.

Independent production companies were first allowed in 1992 and have since enjoyed a boom (113 production companies, all sectors considered, have their professional qualification), but most of them suffer from fragile, short-lived structures (set up around a project or a film-maker, etc.)

Small "integrated groups" are making their appearance, often as a result of diversification policies arising from the development of the audiovisual sector. Radiovision, for example, is involved in production (drama, documentary, audiovisual) and distribution and owns its own film and video technical resources. Daga film, which started out as a facilities company, has moved into distribution. The company has been sole agent for 20th Century Fox in Bulgaria since 1993 and also took part in European co-production projects in 1995.

Estonia

Up till 1990, Estonia only had two cinematographic companies : the Tallinfilm and Reklaamfilm State film studios. Most of their film production came out of the Soviet Union's purse, while only the co-produced documentary series Eesto Kroonika, was financed out of RSS Estonia coffers, which only came to 12% of the total production costs of the company. In 1990, the central government put a stop to film financing for the Soviet republics, thereby causing a drop in production.

Several private studios have sprung up in the 90's, which has made it more and more difficult to obtain reliable information as to cinematographic production. Data-gathering methods can no longer up keep up with the situation. In 1990, for example, 116 companies put cinematographic production down as one of their activities. There are, in fact, only four studios, including the two State bodies, that are genuinely in the business. In 1991, there were thought to be eight companies genuinely involved in cinematographic production, a number which rose to thirteen by the following year and 25 by 1993. This, together with a drop in the financial resources available for public funding for cinematographic production, is ample reason for undergoing a review of State policies.

There were a number of changes between 1993 and 1994. Tallinfillm is no longer an independent cinematographic company and, since it was restructured in 1993, has been operating as a State-run

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company providing technical assistance for private cinematographic companies. It has also helped several foreign cinematographic groups.

Hungary

Mafilm, the new commercial film company, was set up following the bankruptcy of the old Mafilm production monopoly. It belongs to a consortium of private companies, the professional organisations within the Hungarian film sector and the Foundation for cinematography. It owns and runs shooting and technical facilities and is the only company providing this kind of service.

Mafilm also incorporates shooting facilities (studios, equipment, etc.), the studios now acting as associate producers, and certain film producers

1993 saw the studios (Budapest, Dialog, Hunnia, Objektiv and the studio of innovation) give up their heavy facilities, but they still remain within public ownership. They have become associate producers, run independently by well-known directors. Each studio has a number of film directors working with them, who make up the members of the project selection committee and who often make their films with the studio. The four studios still get most of their resources from the State, under the aegis of the MMA. However, these now come in the form of free grants, in other words each studio can choose whether or not to produce projects selected by the MMA's selective funding committees. Their only obligation is to produce two films per year. However, it would appear that publicly-funded grants are not sufficient in themselves to cover the total financing of a film.

Apart from the innovation studio, they should all have been privatised, but the process was blocked, partly upon the request of sector professionals as the capital value had been largely under-estimated, and partly because the claims made by Mokep, the State-run distribution company, as to the sale of each studio's catalogue rights had not yet been settled.

Independent producers remain in an isolated position and, as they cannot operate as associate producers, they are obliged to act as producers under the aegis of one of the studios within Mafilm. Another solution is to go ahead with the film by by-passing the question of status, however this is only possible for underground films or debut films made within the framework of a film school. Most independent producers revert to the service sector (for foreign producers as well as for Hungarian studios). Examples of independent producers include Focus Film, Novofilm and Glob Film.

Poland

The Polish studios used to be State-run monopolies and are today having their fair share of financial problems. Those that remain within State ownership have been obliged to operate as profit-making companies since 1990. The annual grant they receive goes entirely towards financing projects and they have to find their own means of paying their operating expenses. The largest studios are Zodiak, Perspektiwa, Kadr and Zebra in Warsaw and Indeks (associated with the film school) in Lodz.

The Tor studio enjoys a particular advantage due to the links it has with a large number of foreign co-producers and the well-known directors it works with (Wajda and Zanussi) or used to work with (Kieslowski).

There are over 180 registered independent production companies, the main ones being Aqua, Fero, Dom, Gambit and Heritage (the executive producer of *Schindler's List*, co-producer of Costa Gavros'"*The Little Apocalypse*").

The producers are often members of associations ("*Polish Producers and Directors, The Private Film Producers Club, the Federation of Polish Production Companies, Apple Film*, which is mainly for younger directors and auteurs who have founded their own companies). The independent producers aim to set projects up directly with the facility houses, without having to rely systematically on the studios. In most cases, they also work in television production.

Heritage is one of the largest production companies in the country and specialises in providing services and executive producer facilities for international co-productions.

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Slovak Republic

The Koliba-SFT studios, set up in 1945, produced a dozen films per year until the Havel Government afforded it the right to operate freely in 1989. In 1991, the Government halted funding to the SFT production department, which was still a monopoly organisation. Koliba moved into the service sector, while SFT has itself only been producing a single film per year, apart from its excursions into independent productions, through using the services of its "associate", Koliba. In the same year, studio restructuring saw half the 950-strong Koliba-STF workforce laid off.

The State's desire to hive off the studios into the private sector in 1993 ran into stiff opposition from sector professionals. Since then , the frequent musical chairs being played in the Ministry of Culture have prevented the privatisation programme from making any further ground. Koliba-SFT remains in an uncertain and financially precarious situation.

Since the early 90's there has been no shortage of independent producers setting up their own production companies, most of which enjoyed only a brief existence. The main ones that have survived so far include Charlie's (which is also run by its founder, Rudolph Bierman), Alef Studio (run by Marian Urban, previously chief executive of Koliba,), JMB, Ars Média Bratislava, WN Danubius film Bratislava and TF Art Production Bratislava.

Czech Republic

The AB Barrandov studios, owned by the Havel family, were built back in 1931 and then sold during the war to become an important propaganda centre for the Reich. Given the background, the studios were not given back to the Havel family after the velvet revolution, but were privatised in 1993.

The studio once employed 2000 people and enjoyed a monopoly of every stage of the film-making process. It was broken up in 1990 and restructured in 1992 (approval given for privatisation and recapitalisation). Since January 1993, it has been operating under the name of AB Barrandov and belongs to a Moravian financial corporation (42%) and Czech film-makers, including Milos Forman (16%) and the current chief executive of the studios, Vaclav Marhoul (42 %). It is the only private studio in Central and Eastern Europe and is active in four phases of the film-making process.

- production or co-production : this department was shaken up last August, with the aim of launching Barrandov in national production. The studio can contribute up to 50 of the financing for Czech films, but will, generally speaking, work with an independent producer (such as in Jan Sverak's *Waiter*co-produced by Barrandov and Biograf) and in collaboration with distribution companies. For European and international co-productions, Barrandov aims to take part in ambitious projects and thereby acquire the rights for the Czech Republic (such as in *Pinocchio*, a European co-production for which the studio gave a discount for services it provided, in return for rights for the Czech Republic). AB Barrandov takes part in three feature-length films per year, on average.

  - services and facilities : the 7 studios and the laboratory have been modernised and the technical crews trained to Western shooting standards;

. Barrandov is the biggest supplier of services for the Central and Eastern European countries and has been chosen by several major American productions, including *Kafka*, *Shooter*, starring Dolph Lundgren, European films such as Ian Sellar's *Prague* and Kusturica's *Underground*, as well as a large number of TV films for domestic and foreign channels. The company sometimes finds itself with too much business, which means some films go over the border to be produced in Slovakia and the Koliba studios.

 -the distribution and worldwide sales (film, television, video) of its catalogue and the catalogue of films produced by the State between 1965 and 1990.

- theatrical exhibition : Barrandov owns the "64 U Hradeb" cinema, by the Charles Bridge in Prague, and is considering investing in a multiplex.

Independent production companies have been allowed since 1990. In 1992, all the studios belonging to Barrandovwere wholly or partly privatised. Kratky Film, for example, had its name changed to KF and is now a joint venture between the Ministry of Culture (80%) and Ceska Pojistovna, the main insurance company in the film sector), while the Zlin facilities are 48% owned by the management team and 12% by sub-contractorsIndependent production companies (Etamp, Space Film) are growing steadily, with most of the Prague-based ones being located on the Barrandov site.

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Roumania

The Buftea studios were built between 1950 and 1956 and were re-organised in the early 1990's. The independent drama production and creation Authority, Cinerom, is an organisation with a State majority holding. It has four studios, each run by well-known directors (Pita / Solaris film ; Daniliuc / Alfa film ; Nicoalescu / Starfilm 22 ; Tanase / Profilm) and is recognised as a production company. Technical facilities and the laboratory are jointly owned by Cinerom and the private-sector company "Bucharest Cinematographic Studios", which is responsible for their day-to-day running and rental. Animafilm, the animation studio, was also privatised.

The cinematographic creation studio run by Lucian Pintilié also comes directly under the Ministry of Culture. It enjoys a special status and is the most powerful of the studios. It receives a direct annual grant from the Ministry.

The high level of activity enjoyed by the Rumanian studios meant they were not, unlike their counterparts in other Central and Eastern European countries, obliged to focus on supplying services for foreign companies. This particular job is carried out by the "Bucharest Cinematographic studios", which is firmly entrenched in the Eastern European services market.

Slovenia

The Filmski Studio Viba Film studio was set up in 1957, following the efforts of the association of professionals of Slovene film. The studio enjoyed a production monopoly for some 30 years and began co-productions with the growing independent sector in the late 1980's. All in all, it has produced or co-produced some 120 feature-length films.

In 1991, administrative and financial problems led the Government to suspend Viba Film's production activity and to restrict its role to providing technical and personnel services. The services were normally provided for films that were receiving State funding, which was granted partly in the form of free services provided by Viba. . In early 1994, the studio changed its name to Filmski Studio Viba Film and obtained a normal legal situation as a fully-fledged facilities house, although it was no longer considered as a production company.

Filmski Studio Viba Film remains in State ownership, with the Slovenia film professionals, the original founders of the company, holding a minority stake. Independent producers, who first started up in the late 80's, have still not grown in number, due to the all-enveloping role of Viba in the provision of services and also the number of production companies that went bankrupt while the young Republic was having its teething problems between 1990 and 1994.

3.1.2 Reforms of Public Funding for the Cinema

Considerable reform of the funding systems was needed, both with regard to administration and financing. An initial wave of reforms took place in the 90's. The reforms were often implemented at the same time as the setting-up of a central body in charge of fund management, and which also, in certain cases, held responsibility for the promotion and protection of the national film industry. The Romanian Film Centre, based on the French CNC model, was set up in 1990. Another example, the State Fund for the Support and Development of Czech Cinematography was founded in 1992 and has been up and running since early 1993. In both cases, the aim was to create a relatively stable institutional structure to provide the backbone for reorganising the production sector.

The complete overhaul of funding structures in Poland in 1994-95 was typical of the second wave of reforms (which are still under discussion in a number of countries).The Polish example basically involved improving the organisation, shape and financing of the funding systems and bringing them into line with the new market situation. A similar operation is currently under way in Slovenia, the Czech Republic and in Russia.

3.3 The Organisation of Public Funding

The Romanian National Cinematographic Centre was set up in 1990 and is financed through a variety of sources : a contribution from the State budget, 12% of receipts from the box-office and from television showing of films and revenue from services provided by State film organisations.

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The Romanian National Cinematographic Centre received a grant of 2 MECU in 1995 (1.4 million of which was earmarked for funding projects). Its objectives cover a vast field, including promotion of national culture, support for production and broadcasting, film conservation, funding for festivals, drawing up co-production agreements, setting up semi-public companies in the cinematographic sector, etc.

The State Fund for the Support and Development of Czech cinematography was set up under the Ministry of Culture in 1992 and became operational in early 1993. It receives a small portion of State funds for its budget, but most of its finance comes from within the cinematographic sector itself, for a total of ECU 2 million each year (including 1.3 million earmarked for distribution to sector professionals)

- a one crown (ECU 0.029) tax levied on each cinema ticket sold. However, the box-office monitoring system is not efficient enough to take full advantage of the tax. ECU 0.43 to 0.58 million are levied each year.
- a share of the exhibition receipts from the catalogue of films made between 1965 and 1991, sold by Barrandov or the National Archives. Around ECU 1.15 to 1.45 million are generated each year this way.
- the reimbursement of film subsidies granted since 1993 and a percentage of receipts from these films, worked out with the producers on a case-by-case basis.
- any own resources

In essence, this public funding system is designed to be self-financing and its scope of action appears to be deliberately limited. However, the lack of funding remains a problem and the Film-Makers' Union (FITES) has had to appeal on several occasions for extra public funds. To give an idea, public funding is slightly higher in Romania (ECU 1.4 M for production funding alone), is twice as high in Poland (ECU 2.9 M for production funding alone) and three times as high in Hungary (ECU 3.6 M for production funding).

The Fund gives out selective funding at every level : creation, production, distribution and promotion for drama films, documentaries and shorts, cinema renovation and development of the technical industries. All the projects and requests go through the same procedure. Funding can be had by professionals who are residents of the Czech Republic or for those foreign companies where ownership is over 50% Czech. Funding, whether in the form of subsidies or repayable loans does not, however, cover more than 50% of the estimated costs.

The Foundation for Hungarian Cinematographic Art (MMA) was founded in 1991 upon the initiative of 30 professional organisations and the Ministry of Culture. The MMA has the status of a private foundation, even though it actually operates as a public fund (its status was changed in 1996). It is self-managing and enjoys full independence with regard to the allocation of funding. Finance comes out of the State budget (and is therefore subject to Hungarian Audit Department supervision) and is topped up by a small contribution from receipts from the tax levied on box-office entries for so-called "non-artistic" films and, since 1994, on video distributor receipts. The Foundation has considerable financial backing but this has suffered over the last few years at the hands of inflation. 1995 grant : ECU 5.4 million (including 4.5 million for projects).

The Bulgarian National Cinematographic Centre was founded in 1991 and was originally based on the French model. It has since become a focal point for film production in Bulagria. Its budget comes out of State funds and is topped up by receipts from the tax levied on box-office sales. In 1995, it came to ECU 745,000 (including 619,000 for professionals), compared to 1994, where 670,000 were available for distribution to professionals.

In the 1980's, Slovene public funding was distributed through Viba, the State studio, which provided all the financing for the films it selected. The political instability and the frequent ministerial changes between 1990 and 1994 led to a series of funding commissions being set up, sometimes promoting contradictory policies. Some projects even ground to a halt as funds granted by one commission were not honoured by the next one. Sector professionals came together to put pressure on the Ministry of Culture to instigate a stable policy with the necessary resources.

The Slovenian Film Fund was founded in 1994 to provide backing for the national cinematographic industry, while enlisting the support of sector professionals. Funding comes from a State grant and from 50% of the distribution receipts of subsidised films. 1995 grant : ECU 2.46 million (including ECU 1.445 million for funding feature-length films).

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The Pro Slovakia Fund was set up in 1991, to provide support for cultural activities, programmes and initiatives of a national character. The Fund is not therefore solely concerned with the audiovisual sector (film and video only represent one commission out of 26). Financing comes from various sources (private contributions, revenue from the national lottery and other kinds of games and a grant of 0.5% of the State budget) and only a small share makes its way into the film industry : ECU 650,000 in 1995 (down on previous years). Funding is given to production (subsidies partly repayable according to worldwide receipts since 1993).

The Polish Cinematographic Commission, the parent organisation for the Polish cinematographic industry, was set up in 1987 and was re-structured in 1991. It now works through 4 administratively and financially independent agencies (including Film Polski) that manage their own budgets, which are given to them by the State. The whole system underwent a structural reform in 1995/96.

In Estonia, the funding system underwent drastic change with the setting-up of the Estonian Film Foundation in May 1997. The aim of this central organisation is to foster the development of Estonian film culture by providing backing for production, research, the preservation of the national film heritage and the international promotion of Estonian cinema.

3.3.1 Origin of Funds Distributed by the National Funding Mechanisms

The main sources of financing for the Funds managing public funding in Western Europe include national and regional grants, receipts from special taxes levied on the theatrical exhibition of cinematographic works, contributions from television channels and own revenue.

In Central and Eastern European countries, public funding systems are based on State grants and, to a lesser extent, the exhibition receipts from works made before 1990 (for the Czech Republic), taxes levied on box-office admissions and on television advertising as well as, for the Telefilm Foundation in Hungary, on the voluntary contributions made by television channels.

The main and sometimes the only source of financing for public funding remains the State, although the actual value of the grants is steadily falling, due to galloping inflation and the austerity programme launched to ease the economic transition.

It is in countries like Poland, Hungary or the Czech Republic, each with a long cinematographic tradition, that a more diversified structure is to be found for financing the funding, with the contribution made by the television channels, by cinema audiences and the development of the national heritage forming the link between the market and production financing.

3.3.2 Funding According to the Sector

Production funding is by far the most common

In most countries, selective funding for film production is predominant and usually consists of funding for cinematographic works.

In Romania, production funding subsidies are selective and available for State production companies and private Romanian production companies or those currently undergoing privatisation. Moldavian professionals can also qualify. The producer has to show proof of his own contribution. Funding can cover from between 10 to 80% of the estimated costs, while the average amount awarded per film in 1995 came to ECU 195,000. Half of all films made in Rumania, and, in practice, all those from State studios, are still 100% financed out of public funds.

Production funding in Hungary is double that for Romania. There is an annual grant awarded to the 5 State studios to produce the films of their choice and there is also selective funding for projects (whether produced by the State studios or by independent companies). The funding is open to Hungarian producers and international co-productions in which there is a majority Hungarian producer. Selective funding subsidies are for drama feature-length films and shorts, documentaries or animated films. Funding for drama does not go beyond 40% of the estimated costs and amounted on average to ECU 120,000 per project in 1994. The 1994 total allocation for production funding was ECU 3.6 million.. Loans can either be long or short term, but may not exceed 10% of the Foundation's budget. Short term loans come in the form of overdrafts, granted to projects where the financing is guaranteed by international contracts (co-productions or Eurimages-sponsored, for example) and they cover the period between the granting and

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the actual payment of the funding. Long-term loans come up before a selection committee for approval and repayment falls due once the first receipts start coming in. About 45% of the funding given by the MMA goes towards feature-length films.

In the early 1990's, the Russian Ministry of Culture pushed through a reform of the institutions that come under its tutelage and set up the Film Committee in 1992. The Committee is financed out of the budget of the Federation of Russian Republics and has a budget that has been hard hit by the government's financial problems and by inflation.

The Committee now works alongside its partners within the sector to focus essentially on preserving the creative potential of Russian film. It would appear, however, that the supply of funds will continue to go down, without any alternative source of financing coming to the fore (investment by television channels, private investors, etc.).

The Film Committee provides production funding so as to support film in a country where production has fallen off sharply since 1985 and for making copies to help films on their theatrical release, although theatrical exhibition has been completely devastated. The Committee also provides funding for festivals as well as for the publication of film-related books. A portion of the Committee's budget is split between the 32 State-run studios, which are still financed by public money (although they contribute under 50% nowadays. A tax on import duty paid by foreign films (except for children's films, non-commercial documentaries and certain co-productions) introduced on 1994 helps bring the money in for this part of the budget. However, the tax may well be abolished soon. Committee selective funding for cinematography is available for feature-length films and can be had by Russian and foreign producers provided as the co-production with a Russian producer is within the framework of an international co-production agreement. The funding can cover between 30 and 100% of the mainly low and medium-budget films it is awarded to. It comes in the form of a subsidy, with surrender of rights.

In 1994, the Film Committee distributed ECU 19.2 million (including ECU 11.2 million for drama films) and, following a ministerial decree in early 1995 which raised State investment in film by a significant amount, to ECU 28.05 million (including ECU 17.4 million for drama films) in 1995. No more recent figures are available.

Selective funding from the Russian State focuses therefore on 40% to 50% of films produced each year. Among the 29 films that received funding in 1994, 9 films received 100% funding, while among the 35 given financial backing in 1995, 15 also received 100% funding. The cities of Moscow and St. Petersburg also gave funds for production, but on a limited scale.

The Bulgarian National Cinematographic Committee provides selective funding for scriptwriting and production for feature-length films (drama and documentary) and for animated films. Since 1994, there has been automatic funding for international co-productions, and which is available for any producer registered with the Bulgarian NCC and resident in the country. Funding is also given for distribution, theatrical exhibition and promotion. Production funding comes in the form of an interest-free loan that is partly repayable and which on average amounted to ECU 91,000 in 1994 (total grant ECU 509,000, including 367,000 for drama). The money covers between 20 and 40% of the budget of feature-length films but cannot exceed 80% (90% for a debut film). The producer has to contribute at least 20% of the budget. 4 films received funding in 1994. Automatic funding for international co-productions is given to films co-produced with a Bulgarian producer and which have already received support form the Eurimages Fund, from a national body of a signatory State of Eurimages or from a country with which Bulgaria has a co-production agreement (France) or a bilateral treaty (Algeria, Russia). It comes in the form of a partly-repayable loan, the amount of which can reach 40% of the Bulgarian producer's contribution, making an average of some ECU 30,000 per film in 1994 (total amount granted was ECU 149,000). The law also requires 20% of the budget to be spent in Bulgaria, which is a not a great deal. 5 films were funded between 1994 and 1995 (2 made by Bulgaria directors, 2 by Greeks and 1 by a Russian).

The Slovene Film Fund is restricted to works for theatrical exhibition and provides funding for production (feature-length films and shorts, documentaries, animated films, video works), distribution and promotion (funding for festivals, etc.). It is available for Slovene professionals (for international co-productions there must be a Slovene producer). Funding comes in the form of subsidies, but the Fund recovers some of its investment through taking a percentage of receipts of the films it supports. Funding can cover up to 80% of the budget, while the producer has himself to contribute at least 20% . Average funding for feature-length films came to between ECU 425,000 and 510,000 (making between 1 and 5 projects funded each year since 1994

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The Polish production agency grants selective funding for feature-length films and shorts, for Polish independent producers and studios. The funding can cover up to 70% of the budget, but normally only reaches 40-50%. In 1995, the agency granted an average of ECU 135 – 155,000 per project. The producer has to contribute at least 30% of the film's budget (15% for shorts, animated films or documentaries). The funds are awarded as a repayable loan (advance on receipts, for example). Once the loan has been paid back, it remains available for a further 2 years and can be re-invested by a producer in a new feature-length film. 1995 grant : ECU 2.9 million.

Funding to other sectors remains low As we have already seen for Western European countries, the proportion of national funding that goes into other sectors, such as pre-production and scriptwriting remains low.

Specific funding for scriptwriting does exist in Bulgaria and in Poland. However, there is no funding in these countries to allow companies to develop several projects at the same time.

There are also funding systems for distribution , theatrical exhibition and promotion such as from Hungary's MMA and the Polish distribution agency. These production phases can also receive support from other funds, although there is no specific budget earmarked for them.

Several countries have promotional and export structures, such as Film Polski, Romaniafilm, Magyar Filmunio, all of which are partially or wholly financed out of the State budget.

3.4 Relationship between Film and Television

Public-service television, as well as the new pay-TV channels such as Canal + Polska, play a fundamental role in upholding national production in most of the countries concerned.

Czech television provides an important source of finance for Czech feature-length films (CZK 19 million , or ECU 5.62 million invested in 1997). The private channel, TV Nova, also helps finance films, but on a lesser scale.

In Hungary, the January 1996 law on radio and television services obliges national and regional television channels to invest the equivalent of 6% of their advertising revenue in the production of Hungarian feature-length films. MTV, the public-service channel, is also in partnership with the MMA, in the Telefilm Foundation, founded in 1996 and with an annual budget of HUF 350 million, or ECU 1.9 million.

There is a long tradition in Poland of co-production between TVP, the Polish public channel and the cinema. The arrival of Canal + Polska (which is required to invest in film production) has increased the influence of television in the financing of Polish film.

In Slovenia, a proportion of the licence fee meant to finance programmes for national TV is paid into the Slovene Film Fund.

Apart from co-production and investment requirements, some television channels, such as the Russian public-service channel, have set up subsidiaries specially to deal with the co-production of cinematographic films.

Despite the increasingly focal role being played by the television channels in the financing of cinematographic and audiovisual works, there has not yet been any example of an interprofessional agreement between the TV channels and the related public authorities.

3.5 International Co-operation

With Central and Eastern European countries' inability to provide a framework capable of financing a stable quantity of feature-length films, co-production (which gives access to the better-stocked funding schemes of traditional co-producer countries, such as France, Germany and Scandinavia) and access to European funding sources such as Eurimages and Mediaare becoming increasingly important.

Right at the beginning of the transitional period and up till 1996, the ECO Cinema Fund, financed by the French Ministry of Culture (FRF 15 million per year) and run by the CNC (French National

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Cinematographic Centre) provided an essential source for film-makers from Eastern countries. The system was only meant to be a stop-gap measure and was abolished by the French authorities in 1996, at a time when most of the countries involved had become members of Eurimages and / or begun negotiations with the European Commission ti allow professionals to gain access to the MEDIA programme.

3.5.1 Increasing Reliance on Co-Production

52 % of Polish feature-length films are co-productions. France, Germany and Russia are the main partner countries. The United States have also co-produced a dozen or so American-directed (Spielberg's *Schindler's List*) or Polish-directed films with Poland (Agnieska Holland's "*The Secret Garden*", Lech J. Majewski's *The Gospel According to Harry*). Partnerships are also being developed with Canada, Scandinavia and the other Central and Eastern European countries (Hungary, the Czech Republic).

Over the last 5 years, 70% of Slovakian feature-length films have been co-productions. Since the 80's, co-productions with Germany have picked up, helped along by Slovart, the Slovakian subsidiary of Czechoslovak Film Export. Most of these co-productions have been for children's films. The main partner is naturally the Czech Republic, followed by Germany and, to a lesser extent, the other Central and Eastern European countries (Bulgaria, Hungary and Poland). France has been a partner of long date (the first Franco-Slovak co-production was in 1969) which has recently re-surfaced with films supported by the E.C.O Fund

Slovenia, with its position right in the middle of Europe and its remarkable scenery, is naturally attracted towards co-productions with other countries.

The use of foreign sources of finance is therefore of the utmost importance for Bulgarian producers. Co-productions with France within the framework of the E.C.O. Fund since 1993 and those made with the support of Eurimages provided much-needed openings for Bulgarian professionals and helped prevent production from falling to 1 or 2 films per year.

They also gave them insight into European film-making expertise which can still be used in the future, even if all the co-production projects did not come off. Bulgaria's favourite partner is France and then the other Central and Eastern European countries which are members of Eurimages and then Greece and, to a lesser extent, Germany and Russia.

Co-productions between Eastern countries were commonplace under the Communist regimes. After the fall of the Iron Curtain in 1990, the main partner countries changed, with France, the United Kingdom, Germany and Scandinavia, especially Finland, predominant. Russia also managed to keep up close links with several Central and Eastern European countries, notably Poland, the Ukraine, Bulgaria, Kazakhistan and the Baltic States.

Hungary's main partners are France, Germany, Poland and Switzerland as well as, to a lesser extent, Greece, the Netherlands and the United Kingdom. Germany, France and Switzerland regularly work on co-productions with Czech producers. Hungary and Poland have also become regular partners for the Czech Republic since they joined Eurimages. Slovakia also regularly features, given its close ties with the country. The United States are often involved in co-productions with Barrandov.

France is Rumania's traditional partner, followed by the United Kingdom and the neighbouring Central and Eastern European countries (Bulgaria and Moldavia). The Council of Europe's Multilateral Co-production Convention also facilitates access to other countries' funding systems.

3.6 European Aid Mecahnisms Especifically Aimed at Central and Eastern European Countries

Following the closure of the ECO fund in 1996 and while waiting for the European Commission's MEDIA programme to be up and running, Eurimages remains the most important and sometimes the sole source of international funding for film-makers of Central and Eastern Europe.

The following Central and Eastern European countries are currently members of Eurimage : Bulgaria (1.1.1993 the Czech Republic (1.1.1994), Poland (19.9.1991), the Slovakian Republic (15.4.1996) and Rumania (1.7.1998).

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For the period between 1989 and 1997 and taking into account the dates at which the respective countries joined the Eurimages Fund, the percentage of the total budget covered and the total amount of funding received was as follows : Bulgarian majority co-production :11.9%, FRF 4 million , Hungarian majority co-production : 14.2%, FRF 22 million, Polish majority co-production : 10.5%, FRF 12 million, Slovak majority co-production : 12.7%, FRF 1 million, Czech majority co-production : 12.2%, FRF 4 million.
In compliance with the Decision of the Council of the European Union, the MEDIA II-Training and MEDIA II – Development / Distribution programmes are open according to the conditions to be laid down between the parties concerned as to :

- - the participation of associate countries of Central and Eastern Europe (Hungary, Poland, Rumania, Slovakia, Bulgaria and the Czech Republic),
- - the participation of Cyprus, Malta and the EFTA States that are members of the European Economic Space (EES,
- - the collaboration with other third-party countries that have drawn up agreements including audiovisual-related clauses.

To take part in the Programme, these countries must have a legal framework that allows for participation in Community programmes and a legislation that is in line with the principles of Community law with regard to the audiovisual sector, especially the provisions of the Television without Frontiers Directive [117.] They will also have to make a financial contribution to the MEDIA II budget.

The participation of the associate countries of Central and Eastern Europe will be based on additional protocols to the association agreements which provide, notably, for (article 3), a financial contribution equivalent to the cost of their participation, according to the principle of "proper return"

For the first year that these countries take part, the associate countries of Central and Eastern Europe will be invited to make a financial contribution to the programme that will be based on their financial contribution to the Council of Europe budget while allowing them, should they so choose, to make a higher contribution, according to the interest shown by their sector professionals for MEDIA II. The amount of funding obtained by professionals from each of these countries during the first year will provide the basis for computing their contribution the following year, and so on. it will, in any case, be up to Association Councils to have the final say as to the conditions of their participation in the Programme, the aim being to offer professionals from these countries similar treatment to that given to citizens of the European Union.

With this in mind, the Commission asked Eureka Audiovisual to carry out a series of surveys to assess the potential of these countries as far as training, development and distribution are concerned. The surveys [118,] carried out by reputed researchers or consultants in each of the six countries involved [119,] and finished in 1996, showed the benefits to the production economies of those countries of taking part in the MEDIA II programme

The long bilateral negotiations between the European Commission and the authorities of those countries considered suitable for participating in the programme (notably Poland and Hungary) have not yet resulted in a concrete agreement.

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4. European Funding Mechanisms

European film production is facing increasing difficulties in raising finance and covering its costs. Indeed, in spite of the size of public funding for film in most European countries, and despite the growing involvement of broadcasters in financing feature films, every national market in Europe is facing national shortages in financing.

In this environment, attempts to improve the mobility of films and television programmes within as well as outside Europe, to stimulate structural change, to protect and promote cultural and linguistic diversity, to encourage broadcasters to invest in European television programmes and to develop training in Europe for those involved in the film and television industry, not only depend on the creation of coherent and progressive national funding policies for the film and television sectors, but also on funds and other powerful modes of intervention with considerable financial resources at the European and international levels.

With this in view, from the middle of the 1980s, a certain number of multilateral mechanisms and instruments were created at European level with the aim of fostering:

- co-production (Eurimages, the Nordic Film and Television Fund, the Script Fund, Cartoon and Documentary under MEDIA I),
- the project development phase (MEDIA I and II, Nordic Film and Television Fund);
- distribution (Eurimages, EFDO, MEDIA I and selective and automatic funds in MEDIA II),
- encouraging private investment (European Guarantee Fund - in preparation),
- exhibition (Eurimages and MEDIA I and II through the EUROPA CINEMAS network, Audiovisual Eureka in its action plan of 1998),
- training (MEDIA I and II, Audiovisual Eureka, Baltic Media Centre),
- the preparation of European and international legal instruments relating to production, investment, film and television distribution and film and television export (European Union, Council of Europe, OECD), and finally
- statistical information on the film and television industries (European Audiovisual Observatory, Eurostat - Audiovisual Taskforce).

Since the vast majority of these mechanisms have been in existence for less than ten years, it has not been possible in this present study to make a thorough appraisal of the impact and the positive and negative interaction of these European and international instruments.

What follows is therefore intended to set out the European and international context within which national funding policies find their place.

4.1 Direct Funding Mechanisms

4.1.1. The Council of Europe: Eurimages

Currently consisting of 25 member states [120], Eurimages is the Council of Europe's pan-European fund for co-production, distribution and exhibition.

Cultural and Economic Objectives

The Eurimages Fund was established on October 26 1988 as a Partial Agreement [121] of the Council of Europe.[122]
The aim of the European support fund for the production and dissemination of creative films and television programmes is to foster by all such means as its Board of Management determines the co-production, cinema and television distribution and exhibition of creative films and television programmes, primarily through financial contributions to co-production, cinema and television distribution and exhibition.

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In the first place Eurimages aims to foster European production by increasing exchanges and co-production as well as through its financial support for co-production. Next it aims to improve the cross-border distribution of films through financially supporting tri-partite co-productions, and to contribute to the establishment and maintenance of a good distribution environment for European films, priority being given to those supported by the fund.

The fund has therefore two complementary objectives: the first is cultural, because it endeavours to support works which reflect the thousand facets of a European society, whose common roots are evidence of a single culture. The second is economic because, in supporting artistic creation, it is also investing in an industry which operates according to the rules of the market.

Eurimages is managed by a board to which every member state of the fund appoints a representative.[123]. This board determines the policy and conditions of financial assistance and takes all the decisions consequential on the regulations set out in the fund's founding resolution. In reaching decisions on financial assistance the board takes account of the artistic quality of the projects and the professional standing of the key persons involved. Between meetings of the board, the Chairman is responsible for the implementation of the fund's policies. The secretariat, led by an Executive Secretary, organises the meetings of the board and follows up its decisions.

Report on Eurimages' Activity 1989 to 1998

Since its inception in 1989, Eurimages has supported the co-production of some 627 feature films and documentaries, involving more than 1,000 European producers. The estimated budget of these co-productions is some 10 billion French francs, to which Eurimages has contributed just below 1.096 billion French francs.

Eurimages' support, which is a determining factor in a project's further financing, especially in countries of low production capacity, therefore has a multiplier effect which benefits the European film and television industry, but whose actual impact is very difficult to evaluate in each of the national markets.

Eurimages has also supported 116 distributors to distribute 422 European films within its member states.

Since 1994 Eurimages has supported 21 cinemas: 2 in Poland, 6 in Turkey, 3 in Bulgaria, 2 in the Czech Republic, 3 in Cyprus and 5 in Switzerland with a total of 4.6 million French francs. The cinemas are committed to a programme of a minimum of 50% European films.

In 1997, six years after its establishment, Eurimages underwent an external audit whose main objectives, taking account of Eurimages' geographical composition with countries of both considerable an low production capacities, were:

- To evaluate Eurimages' programmes and operation and the results which they have achieved, in particular to uncover the reasons why Eurimages' objective of better distribution for supported projects through funding co-productions had not been adequately achieved.
- To evaluate the fund's methods and criteria, from both cultural and economic perspectives, in particular the selection criteria and procedure, the conditions of support, the promotion of the films, and the administrative constraints placed upon filmmakers.
- To examine the effectiveness of the system of financial recoupment, and options for increasing the fund's financial resources.
- To present recommendations to improve the general effectiveness of the fund in respect of its objectives.

According to the analysis of the conditions affecting the film sector in member states, made by the audit, the problems facing film production were more those of structure and a lack of harmonisation of national and European subsidy regulations than one of overall capacity.

However, the national variations do not seem to argue for the continuation of undifferentiated funding for all the member states. Indeed, the importance of international co-production depends on whether a

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country has a strong or weak production capacity. Three different categories can be made: a) international co-production is the sine qua non of feature film production. This is especially the case for Central and Eastern European countries and for countries with a very low production capacity; b) international co-production is the sine qua non for producing exportable films; and c) co-production is a simple addition to production.

In 1995 (the reference point of the audit) Eurimages supported almost 50% of feature film co-productions in Europe. Between 1989 and 1996 Eurimages involvement in the total number of majority co-productions went from 17% to 46%. In certain countries like Iceland, Luxembourg, Turkey and Hungary, Eurimages was an indispensable additional element in completing the financing of feature films. Overall the significance of Eurimages' financial support and its impact of co-production policy was greater with smaller producers than with larger ones.

Eurimages' co-production funding, allocated once 50% of a film's financing is in place, acts a financial guarantee, in the sense that it helps producers to find additional financing or new approaches.

The opinions of the producers who were canvassed were more diverse when it came to the impact and the role of Eurimages in establishing and developing networks of professional contacts with other European countries. While in the majority of cases the networks of contacts appear to have been established prior to Eurimages, many producers commented on three positive effects which the fund had. Firstly a more international vision of the work of the producer, then a unifying effect on collaboration between producers from several countries, and finally the establishment of the principle of reciprocity in the access to the national funds of the co-producers.

Over the period 1989-1995 the financial aspect of feature films has undergone great changes. The average budget of supported films has reduced overall from 23 million French francs to 15 million French francs. There was also a reduction in the number of projects of budgets in excess of 35 million French francs. Finally the proportion of financial co-productions has grown (from 18.2% in 1990 to 36% in 1994), accounting for a contribution below or equal to 10%, and representing a growing number of financial co-productions supported by Eurimages.

Although the films supported by the fund have received numerous distinctions and awards, an internal study by the Eurimages' Secretariat, carried out in 1996, shows that few of the supported films achieve good export performances. Only 44.6% of supported films have been released in the three co-producing countries. Over the period 1989-1995 the majority of supported films (72.3%) were released for a minimum of a week in the countries of their delegate producers. This figure falls to 40.4% and 38% respectively when account is taken of the countries of the second and third party co-producers.

62.5% of films with high budgets (above 35 million French francs) were released in all three countries, but only 45.5% of films with medium budgets (10 to 35 million French francs) and 26.7% of low budget films (less than 10 million French francs) achieved this aim.

The same situation seems to be the case with television distribution, where few distribution sales have been achieved in non-co-producer countries.

The Fund's Resources

The fund's resources (some 120 million French francs per year) come principally from the contributions of its member states (90%) and, to a still modest extent, from the repayment of its financial assistance. During the period 1989-1996, France, Italy and Germany contributed almost 60% of the fund's resources.

Under the reorganisation of its operation the secretariat's aim is to restrict its operating costs to 5% of its total annual budget.

Sur la période 1989-1996, les ressources du fonds ont enregistré un taux de croissance annuel de 12%. Cependant, l’augmentation du budget du fonds (hors nouveaux états membres) dépend à l’avenir d’une augmentation des remboursements, source de financement encore mineure (environ 4%).

In view of the large number of the fund's eligible countries, compared with its available budget and the financial needs of the industry, particularly in the Central and Eastern European countries, the sum appears relatively modest. Nevertheless, Eurimages helps and encourages the people in the film industry

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to think internationally and to create networks and links in the medium and long term. It also contributes to fostering East-West collaboration.

There are particular conditions for the Central and Eastern European countries, in part relating to the basis of the division of contributions between the member states and, on the other hand, in dealing with applications for distribution and exhibition funding.

France comes at the top of the list of countries funded, both in terms of funded projects and financial support allocated (29% in the period 1989-1996). Far below at 8.5%, Germany appears as the second largest beneficiary of the fund.
Looking at the total amount of support allocated, France receives even more. Its proportion for this is 32%. Outside the five large countries of the European Union, Belgium and Switzerland, all the other 18 countries received no more than 28% of the total amount allocated by the fund between 1989 and 1996.

Three Programmes of Financial Assistance

Eurimages concentrates on three programmes of financial assistance:

- co-production of feature films and documentaries
- distribution
- a network of cinemas.

Feature Film and Documentary Co-production Funding

The basic requirement in order to have access to assistance for feature film co-productions is that independent producers established in at least three member states should participate in a project.Exceptionally, and for a trial period of two years from 1 January 1998, projects co-produced by two co-producers established [124] in different member states of the fund are eligible on condition that they have a distribution potential demonstrated by one or more pre-sales to one or more established distributors in at least a third European country. Bilateral co-production projects will be eligible only if they are submitted by established producers who, over the previous five years, have produced films which have been distributed in theatres or on television in at least three European countries, including the country of the producer. Furthermore, bilateral applications must be accompanied by a promotion plan with marketing strategies for the relevant countries. To obtain support co-producers who have previously been supported by Eurimages must have fulfilled all their contractual obligations, in particular the submission of detailed information on the distribution of the film(s) previously supported. In the case of financial assistance for bilateral co-productions, the co-producers of a supported project whose film has not been released in the two other countries eighteen months after its cinema release in one of the participating countries, may be called upon to repay the last instalment of their financial assistance. So long as this repayment has not been made they may not apply for further supportPriority is given to those co-productions which best reflect the co-operation between the artistic and technical resources of the participating member states. Then account is taken of projects whose confirmed commercial cinema distribution is the widest both with and outside the co-producing countries, particularly beyond the geographical or cultural regions of the film, and of those whose confirmed financing is highest.

For bilateral co-productions stricter criteria are also applied: the established experience of the director, the quality of the casting, confirmed pre-sales and sometimes the involvement of an international sales agent.

The main language of the project should normally be that of one of the member states involved in the co-production.

Following the definition of a European film contained in the Council of Europe's Multilateral Co-production Convention [125], requires the director, scriptwriter(s), composer, the principal cast and technicians (camera, sound, art direction, editing) to be European and preferably residents of a member state. Particular attention is paid to projects originating in member states with low cinematographic production levels and to bilateral co-productions which bring together co-producers from states of high and low production levels.
Maximum financial assistance may not be in excess of 15% of the total cost of the production or 5 million French francs, the average being 10% to 12% of the total cost. Preference is given to projects coming from countries with low production levels. At the time of the application being presented to the fund at least 50% of the financing has to be in place. Furthermore, in order to combat artificial minority co-productions a certain number of eligibility regulations have been tightened.

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The share of the minority co-producer may not be less than 10% of the total cost of a project for multilateral co-productions, or 20% for bilateral co-productions, including the potential contribution from Eurimages, which may not exceed one half of the relevant share. A minority co-producer is not eligible if the origin of its financing is outside its exclusive territory(ies).

The majority co-producer's share or the total share of several co-producers from the same member state may not exceed 70% of the total cost of a project with multilateral co-productions, or 80% with bilateral co-productions, including the potential contribution from Eurimages. The board may make exceptions and waive these regulations where the budget for a project is above 35 million French francs.

Multilateral co-productions in which two co-producers co-operate at technical and/or artistic level, while the third co-producer's contribution is purely financial, are eligible. The majority of the funds contributed by financial co-producers should have their source in these co-producers' member states. Such a contribution should not be below 10% nor above 25% of the total costs of the production, including the potential contribution from Eurimages, which may not exceed half of the relevant amount.

Bilateral co-productions must reflect an artistic and/or technical collaboration between the member states involved in a project or be treated as a national film in both the countries concerned.
If co-producers of states which are not members of the fund are involved in a project, their total participation may not exceed 30% of the total costs of the project with multilateral co-productions, or 20% with bilateral co-productions.

The director of the film must be a European. The negative must belong undividedly to all co-producers.

For a documentary to be eligible the basic rule is that it should be co-produced by at least two independent co-producers from different member states. Furthermore the film must be pre-sold to at least three distributors or broadcasters in different member states, including those involved in the co-production. As with feature films the upper limit of financial assistance is not more than 15% of the total cost of the co-production or 1 million French francs. Particular attention is given to projects from countries with low film and television production levels.

For both feature film and documentary, the amount awarded is repayable from the net receipts of the co-producers at the rate of Eurimages' participation in the total budget, after deduction of distribution guarantees or pre-sales, provided that those sums were included in the financing plan accepted by the board of Eurimages or were compensating for a contribution from Eurimages which was less than the amount requested.

Co-producers are proportionally responsible for the repayment of the part of the financial assistance allocated to them. Repayment is due up to 100% of the amount awarded.

Distribution Funding

Eurimages also supports distributors from those of its member states which do not have access to the selective and automatic distribution funding of MEDIA II. These are: Bulgaria, Cyprus, the Czech Republic, Hungary, Poland, the Slovak Republic, Switzerland and Turkey. Distributors whose head office is in one of the member states of the fund which has access to the MEDIA programme's funding for distribution and wishes to distribute a film from one of the above member states may also apply. A distributor whose head office is in the country of origin of the film is not eligible for financial assistance. Distribution support is given up to 50% of the costs of the distribution of the film applied for. The maximum sum which may be awarded to a distributor towards the costs of the distribution of a single film is 100,000 French francs.

Avec le réaménagement des aides à la distribution cinématographique au sein du dispositif *MEDIA* de l'Union européenne en 1995/96, *Eurimages* a procédé à un allègement de son mécanisme d'aide à la distribution en avril 1995.

Financial assistance for distribution is awarded in the form of a non-repayable grant. Feature and documentary films produced either solely by a producer from a member state of Eurimages or by co-producers of whom the majority are from member states of Eurimages are eligible; the film should have been directed by a European, distributed with at least two prints and a European film according to the terms of the European Convention on Cinematographic Co-production. [126.]

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Cinema Funding

This programme is available to the eight member states which do not benefit from the cinema support scheme of MEDIA II, i.e. currently: Bulgaria, Cyprus, the Czech Republic, Hungary, Poland, the Slovak Republic, Switzerland and Turkey. In these countries cinemas with one or more screens are selected, whose operators agree to programme a minimum of 50% of European films in return for financial assistance towards their programming. The maximum amount of financial assistance was 200,000 French francs per year. In return the cinemas agreed to screen at least 50% of European films. With the aim of widening the network of cinemas receiving assistance, the maximum amount was reduced to 150,000 French francs.

Since its inception, the scheme has been managed by Europa Cinemas, the organisation which operates the funding for cinemas of the MEDIA II Programme.

The Forms of Assistance

With support for production, assistance takes the form of a repayable advance on receipts. However, assistance for distribution and cinemas in collaboration with Europa Cinemas, is provided in the form of a grant.

The average level of financial assistance, which can be up to 5 million French francs, is tending to decline. In 1989 the average level was 2.75 million French francs, compared with 1.86 million French francs in 1995.

The maximum amounts which can be given to distribution and cinemas have been fixed in advance at 100,000 French francs for distribution and 150,000 French francs for cinemas.

Eurimages requires repayment from the first franc of receipts pro rata only up to the amount of the grant. The established procedures for grant repayment make it a condition that the grant is repayable from net receipts by each of the co-producers at the rate of Eurimages' proportion of the film's financing, once the amounts for distribution guarantees and pre-sales have been deducted.

Low performance on recoupment can partly be explained by the attitude taken by a significant proportion of producers, who regard Eurimages' support more as a subvention than as a repayable advance. However, the fund also seems ill adapted to operate effective controls on the receipts of supported films, especially in those countries (the majority) where the use of collection [127] accounts is not the norm.

Funding mechanisms, national as well as European and international, are judged and continue to exist thanks to their ability to adapt to the needs of governments, the industry and the market.

With this in mind, following recommendations made at the 8th Conference of Ministers of Culture of the Council of Europe in October 1996, Eurimages underwent an external assessment, concentrating on selection criteria and procedure, the nature, amount and payment procedure of its financial assistance, promotion of films, and administrative restrictions imposed upon producers. This assessment, commissioned from BIPE Conseil, was completed at the end of 1997.[128]

At the same time an internal working group of the fund's board was looking at the advantages and implications of allowing bipartite co-productions, particularly their effect on producers from countries of low production capacity. One of the aims was to change the eligibility requirements to take account of the size of certain budgets and of new practices in co-production in Europe.

Following these exercises, Eurimages introduced bipartite co-productions at the beginning of 1998.

It is planned that the fund will soon make some significant structural changes to ensure that its activities can be maintained and developed on a relevant basis.

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4.1.2 The European Union : MEDIA I and II

The successive programmes of MEDIA I and MEDIA II are, due to the budgetary means at their disposal, at the heart of the European Union's policy of direct assistance for the film and television sectors. Other funding schemes such as MED-MEDIA (operating between 1995 and 1996) for the Mediterranean Basin countries, and the Info2000 scheme [129] for developing television projects and interactive services using the new media, which also have significant budgets, complete the picture.

Even if it is possible to speak of a division of the Commission's funds across a range of different schemes in the media area, either by sector (film, television, information society etc.), or by geographical area (Mediterranean countries for MED-MEDIA, Central and Eastern European countries for the resources coming from the PHARE and TACIS schemes), it is necessary in this period of media convergence on the large scale to subject the definition of their areas of responsibility to market realities. Indeed, a production is no longer aimed at one medium, and it is therefore necessary to monitor how they are positioned to ensure that there is no unnecessary multiplication of the number of funds which the industry can apply to for funding. This will play an essential part in defining the priorities for the schemes which will take up the baton from the current MEDIA II in the year 2,000.

MEDIA's overall objective is to promote and strengthen the European film and television industry by increasing its competitiveness, particularly at the level of small to medium sized enterprises, and taking account of the cultural aspect of the film and television sectors.

From MEDIA I to MEDIA II

To achieve this MEDIA I supported the distribution of 2,200 films, in improving the conditions for the production of films (by supporting more than 2,000 projects in their development stage), in fostering financial investment, in improving the management skills of people working in the media, and in developing potential in countries of low film and television production activity and/or of a geographically and linguistically restricted area. The Auditors of the European Union [130] concluding that MEDIA I, despite a limited budgetary allocation, had contributed to creating networks of co-operation and understanding between producers of different member states, was able to reveal the problems which operated against the efficient management of MEDIA I. A certain number of them have been resolved in the management rules and operation of MEDIA II:

- <u>the problems created by a multiplicity of cultural and economic objectives</u>: under the principal of subsidiarity and in accordance with the decisions of the Council, community activity should be coherent and add to national measures, but the duality of the economic aspects can create conflict when an application from a project has to meet both the commercial requirements of community financing and the cultural aspects linked with its national financing;

- <u>the potential incompatibility between community and national schemes:</u> in certain specific cases quoted by the auditors, incompatibility is so large that the applicant has to choose between two different types of schemes. Also the auditors revealed risks of overlap and double funding of the same projects, particularly in the area of multimedia (which can currently access five different community budgets), by MEDIA and other community schemes. To avoid this the Commission included in MEDIA II a requirement for applicants to declare other sources of finance, a regular information exchange with other schemes, and regular spot checks on applicants;

- <u>inadequacies in the contracts for setting up the programme:</u> for MEDIA I the Commission made use of nineteen independent organisations for important activities such as the assessment and selection of applications, the covering of markets with clients, financial management and monitoring projects. This involved a high level of administration costs (22% on average). The recentralisation of the administration in MEDIA II has allowed there to be a considerable saving in administrative cost (currently to 5%). According to the auditors, the annual contracts agreed between the Commission and the funding organisations were vague and sometimes inexact. Up until 1994 they contained no clear conditions relating to legitimate expenses, applicable exchange rates, and conditions for repaying loans and interest to the community budget. Following the interim assessment the Commission, as it states in its comments, significantly improved its contracts with the various professional associations;

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- the uncertainties over the form of the community's financial assistance and the protection of the community's financial interest: the decision on MEDIA I does not define the type of financial support made available by the community budget. Unlike with the decision on MEDIA II (art. 4), the auditors found that there was no distinction drawn between loans, start-up funds and grants. Also there was no clear contractual obligation for repayments to be made to the community budget. With the effective rate of return for MEDIA I estimated at 5%, monitoring repayments has to be continued until 2007. To finalise the figure for the value of the credits provided by the Commission, the auditors have called that a new assessment of the actual value and the recoverability of the amounts and their inclusion in the accounts be made before the Commission closes its accounts for 1997. For MEDIA II a system of controls has been created. The Commission selected, on the basis of a call for tender, a company which it has commissioned to carry out all the necessary controls and financial audits on the intermediary organisations and the clients;

- the inadequacy of the arrangements for closing the programme: although the contracts of 1995 between the Commission and the funding organisations contained specific clauses for the completion of the programme, the auditors believed that, in practice, the instructions which were given about the treatment of remaining cash balances and amounts receivable at the administrative closure of the programme on 30 June 1996 were insufficiently clear. In order to guarantee a maximum return, the Commission established for the various professional organisations a system of recoupment management of a total sum of 26,955,272 ECUs, of which almost 3 MECU's have already been repaid.

Under MEDIA I (1990-1995), three programmes in particular supported European films: European Script Fund (development, now EMDA), Documentary (documentaries) and Cartoon (animation productions).

MEDIA II

With an increase of 55% in its budget - 310 MECU's for five years as against 200 MECU's for the previous programme - MEDIA II [131] came into being on 1 January 1996, focusing its efforts on aims and activities which had been clearly described in the areas of training, development and distribution.
The budgeted figures for the implementation of these schemes were 265 MECU's for the areas of development and distribution, and 45 MECU's for the area of training. Funding is provided in the form of grants or loans up to 50% of the cost of a project.

Funding for Training

The MEDIA II training programme aims to provide people from the film and television industry with the necessary skills to manage projects and companies which are likely to have a genuine impact on the European market, which has a potential audience of 370 million. Its intention is also to help writers and producers to master the techniques of script writing and the new image technologies(digital, multimedia, interactivity,...), in order to be able to provide programmes of high quality, both commercially and artistically.

In 1996 and 1997 the training projects supported by MEDIA II are in the following categories:

- large scale training in developing projects with the help of specialists (351 feature projects, television programmes and multimedia productions have been developed in this way), in training focusing on writing and script development (114 projects/32%), new technologies (78 projects/22%) and management (159 projects/46%);
- intensive training in a particular field;
- distance training using new technologies and new communication services;
- large scale training within large distribution and production companies (for example Fastlane, organised by Polygram);
- traineeships in companies;

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- training the trainers;
- long-term training.

Unlike the funding programmes for distribution and development where it is possible, even within one or two years, to try to measure their impact on the volume of production and the distribution of European productions, the effects of training support can only be measured over the medium to long term.

In the MEDIA II programme of development/distribution the effort is focused on two links in the film and television chain which are seen to be weak: the development of projects which have a genuine distribution potential, which requires time and significant finance, as well as structuring European distribution networks to achieve a stronger presence of European productions in the market.

Development Funding

MEDIA II development therefore aims to promote, through technical and financial assistance, the development of film and television fiction projects, documentaries and animation, put forward by production companies and aimed at the European and international markets. The programme also gives its support to the development and networking of companies which are capable of the joint development of slates of productions. Particular attention is given to projects and companies which are making use of the new production and animation technologies. The programme is also concerned with making use of Europe's film and television heritage, and with respect for Europe's linguistic and cultural diversity.

Development funding provided by MEDIA II offers producers the opportunity of access to four broad types of assistance:

- project funding for developing film and television productions (fiction, documentary, animations and new technologies);
- funding for production companies to develop projects and to broaden their structures, given on the basis of a five-year plan;
- funding for the preparation of business plans;
- funding to create networks of independent production companies - in the form of support for the "industrial" platforms.

In its first two years of operation, MEDIA II Development has received 4,800 applications for funding, from among which only 680 projects (or 14% or applications) have been supported at a total sum of 24 MECU's, the major part - i.e. 609 contracts at 14 MECU's -in the form of project funding. Among these 609 projects, 57% were film and television fiction, 35% documentaries, 4.4% animation and 3.6% projects using the new technologies. The maximum amount of financial assistance was increased to 75,000 ECU's (against 35,000 ECU's) in view of the steady increase in the amounts allocated. In effect this increase has only benefited some few large scale projects. For fiction productions the average amount awarded has gone from 10,000 ECU's in 1996 to 26,000ECUs in 1997. At the end of 1997 the funding of MEDIA II represented an average investment of 28% in the films it supported. 4 MECU's have also been allocated in the form of 47 loans at a maximum amount of 150,000 ECU's for company development (of 226 applications - i.e. 20%) and 21 awards for the preparation of business plans at a maximum of 10,000 ECU's.

Among the organisations which have received assistance for production companies are The Film Consortium (one of the franchises supported by the National Lottery), Idéale Audience, and Vidéa. Finally, the "industrial platforms", of which CARTOON is currently the only one in operation, have received a total sum of 6 MECU's.

Funding from the MEDIA II Programme is available to production companies whose head offices are in one of the European states participating in the Programme [132]. No prior distinctions are made on the kind of film and television productions which can be supported, and European producers may submit for development feature films, documentaries and animation, as well as television or multimedia productions.

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Funding is provided in the form of repayable loans and is intended for projects with European and international distribution potential. Selection criteria, like those operated by Eurimages, have twin cultural and economic aspects. Account is taken of the project's artistic merit, the production company's experience and that of its staff, as well as the project's ability to interest a broad international public.

Distribution Funding

The approximately 250 active distributors in Europe are also encouraged to invest in the production of European films and to create networks in order to strengthen this sector. The incentive measures for distribution and the programming of cinemas also aim to promote a greater transnational distribution of European films, which are all too often restricted to their own national markets.

Distribution funding is awarded through an automatic fund, established on a pilot basis for a period of two years in 1997 [133] and through a selective funding system. The automatic fund aims to strengthen the distribution sector by encouraging distributors to invest in new European films. Funding is awarded according to the market performance of distribution companies. It is calculated on the number of admissions achieved in the previous year: [134]: from 0.3 ECU's for the large territories to 0.45 ECU's for the smaller territories, with a bonus of 0.05 ECU's per admission for films coming from countries with low production levels, up to a limit of 600,000 admission per film.
The automatic funding received by each distributor may be reinvested in new non-national European films in the form of:

- co-production;
- purchase of distribution rights or minimum guarantees;
- distribution and promotion costs.

During the first year of this fund's existence (1997, for box office receipts between 1.1.96 and 31.12.96), MEDIA II has received applications for access to the fund from 123 distributors, of which 5 have applied from two different countries for films distributed in 1996 (amounting to some 50% of active distribution companies in the European Union). They covered 245 films from 16 different countries. The admissions declared by the distributors have been published [135] and are subject to a systematic control by the national authorities. Finally, 73 distributors have received a total amount of 8.3 MECU's. To date some 30% of these funds have been reinvested.

In its second year, MEDIA II has received applications from 118 distributors from 17 different countrie[136].

A selective fund continuing the funding made by EFDO under MEDIA I is the other part of this programme. It takes the form of investment finance linked to the release and promotion of European films distributed outside their home territories, allocated in the form of a repayable loan or an advance on receipts.

Priority is given to applications which bring together the largest number of distributors from different countries, as well as those relating to films which express Europe's cultural diversity. The highest award that can be given under the selective fund is 125,000 ECU's per distributor per project. This funding is in the form of a repayable loan, except in the case of funding for subtitling and dubbing.

In 1997, 158 distributors from 17 different countries have received funds for 643 promotion campaigns of 110 films at a total amount of 24 MECU's (on an investment of 88 MECU's). These 110 films represent a production investment of 653 MECU's or an average of 5.93 MECU's per film. The average investment for promotion and release was 800,000 ECU's of which an average of 218,000 was met by funding from MEDIA II.

Cinema Funding

With the aim of promoting greater transnational distribution of European films, MEDIA II supports cinemas which have a long-term strategy of promoting and programming European films and putting them into circulation.

The intermediary organisation Europa Cinemas[137], made up of 253 cinemas with 584 screens, manages this programme. This programme is the only one of the development and distribution funds which takes the form of a non-repayable grant, to a maximum of 30,000 ECU's per year.

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Funding for Television Distribution

Also, in order to promote the widest possible distribution of television programmes in Europe or internationally, independent producers are prompted to co-operate with European broadcasters to produce exportable programmes. To attain this objective MEDIA II also offers specific funds to help television programmes to cross linguistic barriers. The maximum amount which can be received for this is 500,000 ECU's per project or 12.5% of the production costs. It takes the form of repayable loans, except for the funds for dubbing and subtitling. 113 projects (59 documentaries, 43 TV fiction and 11 animation) out of 223 submitted have received these funds at a total amount of 15.17 MECU's.

Finally promoting independent production and its access to the market are assisted by a series of services and promotion activities, chiefly at markets and film and television festivals.

These activities are carried out with particular regard to:
- respect for European linguistic and cultural diversity;
- utilisation of European heritage;
- the development of capacity in the countries or regions with low levels of film and television production and/or which are of restricted geographical or linguistic area;
- the development of an independent production and distribution sector, with particular reference to small and medium-sized businesses (SMEs).

Funding for Video and Multimedia Publishing of European Productions

MEDIA II also offers selective funding for publishing groups of video and multimedia titles of European productions. This funding, of a maximum of 100,000 ECU's [138] is for publishing groups of titles of recent films and television productions of a minimum of three titles for a period of six months in the distributor's traditional territory. It is in the form of a repayable loan or an advance on receipts, and may not exceed 50% of the publishing costs.

Organisation

By decisions of the Council, the Commission has full and complete responsibility for organising the Programme, in collaboration with the MEDIA II Committee, made up of representatives from the member states of the Union and the Associated Countries (Norway, Iceland, Hungary). Calls for applications are made periodically to the European industry on the basis of specific guidelines and terms and conditions.

The Programme's organisational structure differs considerably from that of MEDIA I, where specific agencies were commissioned to administer each area of activity. In MEDIA II's case no reference is made to existing agencies: only the areas of activity are defined.

To help it in its task the Commission calls upon the help of established experts: the "intermediate organisations" (IO), selected by tender, support it in carrying out certain activities necessary to the proper implementation of the Programme, such as:

- the preparation of initiatives and their implementation;
- specialist assessment of the applications for financial assistance submitted by the industry;
- the management of projects selected by the Commission;
- monitoring the market (sectional studies, assessment of supported projects);
- informing the industry.

During the first four months of 1996, four intermediate organisations were selected. They are:

- The Madrid agency, Media Research Consultancy (MRC), directed by Fernando Labrada (the former director of the Media Business School) for the training section.

- The European Media Development Agency in London, directed by David Kavanagh (the former director of the European Script Fund), which is responsible for the development section, which also covers three "industrial platforms" such as CARTOON for the animation sector.

The distribution section is managed by D & R Media Service [139], an agency comprising of several administrative units: a central office in Brussels directed by John Dick (the former secretary general of

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EVE), an office for film distribution directed by Antionette d'Esclaibes, and an office in Munich for television distribution, directed by Robert Strasser (ex-GRECO), and an office for video publishing in Dublin.

The administration and financial management of the Programme have been given to a consortium of three accountancy companies, called Equation. The three partners are: Equation in Paris, Ghyhoot, Koevoets, Rosier & Co in Brussels, and Lubbock, Fine in London. This consortium is responsible for the payment of the awards made by the Media II Committee, the ongoing audit of the other intermediate organisations and the recoupment of the repayable funding from clients.Furthermore, each call for applications results in its own selection procedure and the creation of an ad hoc jury. Thus, depending on deadlines, juries of independent experts meet periodically under the aegis of the Commission. Their task is to comment on the quality of the projects, their feasibility, the realism of their financing, their distribution potential...

In the last resort the European Commission makes the final decisions on financial assistance, in co-operation with the Media Committee on those occasions when projects exceed financial thresholds which have been defined by a decision by the Council: 200,000 ECU's for training, 300,000 ECU's for development and 500,000 ECU's for distribution.

In accordance with the resolution which created the MEDIA II programme an evaluation report at the middle stage of the programme, conducted by the company BIPE STRATORG, commenced at the end of Summer 1998. The results of this report, which is to be completed in Spring 1999, should on the one hand allow the programme's activity and function to be revised for the remainder of its term (1999 and 2000), and on the other hand should focus on the strategic activities for the creation of a MEDIA III Programme from 2001.

Inclusion of Third Countries in the MEDIA II Programme

In accordance with the European Union Council's decision, the two MEDIA II Programmes - Training and Development/Distribution are accessible under conditions to be arranged between the parties concerned:

- to participation by the Associated Countries of Central and Eastern Europe (Hungary, Poland, Romania, Slovakia, Bulgaria and the Czech Republic);
- to participation by Cyprus, Malta and the AELE states which are members of the European Economic Area (EEA) agreement;
- to collaboration with other third party countries which have reached agreements on media legislation.

To participate in the Programme, these countries require a legislative basis allowing them to participate in community programmes and to have legislation compatible with the principles of community legislation in media affairs, chiefly the conditions in the Television Without Frontiers Directive.[140]. They are also required to make a financial contribution to the MEDIA II budget.

The participation of the Associated Countries of Central and Eastern Europe can be arranged on the basis of additional clauses to the association agreements which specifically require (Art. 3) a financial contribution equivalent to the costs of their participation, according to the principle of a "fair return".

For the first year of their participation the Associated Countries of Central and Eastern Europe will be asked to make a financial contribution to the Programme on the basis of a comparable rate to their financial contribution to the budget of the Council of Europe,[141], while allowing them time to suggest a higher contribution according to the interest expressed by their industries in MEDIA II. The level of awards received by the industries of each of these countries in their first year will provide the basis on which their contribution for the following year will be calculated, and similarly each succeeding year. In any event, it is the prerogative of the Councils of Association to decide on the terms of their participation in the Programme, the aim being to secure for the industries in those countries similar treatment to that provided to nationals of the countries of the Union.

The case of the AELE members of the EEA is arranged under the terms of the EEA agreement, after approval by the EEA Committee, with their contributions being calculated on the basis of Article 82(1) of that agreement, according to the principle of proportionality. A future Council of Ministers of the European Union will also make a decision on the participation of Cyprus and Malta, who should receive a similar treatment. These two countries are currently in the process of pre-membership of the European Union and the current agreements do not cover media co-operation.

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With this in mind the Commission asked Audiovisual Eureka to undertake a series of studies intended to assess these countries' potential in terms of training, development and distribution. These studies, [142], , led by consultants or researchers recognised in each of the six countries concerned [143] and completed in 1996, demonstrated the benefits of membership of the MEDIA Programme on the development of the countries' production economies. A revised edition of these studies, completed by monographies on the Baltic countries and Slovenia, was published in early 1998.

Lengthy bilateral negotiations between the Commission and the authorities of the countries regarded as suitable for joining the Programme (particularly Poland and Hungary) have not yet resulted in either of the countries having an effective participation.

4.1.3 The Nordic Council: The Nordic Film and Television Fund (Nordisk Film & TV Fond)

The Nordic Film and Television Fund, whose aim is to promote and maintain the production and distribution of film and television projects coming from the Nordic countries, was created as the result of an agreement between the Nordic Council, the national film institutes and the national broadcasters (DR TV, YLE in Finland, RUV in Iceland, NRK in Norway and SVT in Sweden). [144]. One of the unusual aspects of the NFTF is the close collaboration between the institutes and the national television companies in creating funding policy for the Nordic film and television sectors.

During its pilot period of 1990-1995 the Fund had an annual budget of 45 million DKR (6 MECUs), financed at 1/3rd each by each of the three parties to the agreement (the Nordic Council, the national film institutes and the television companies).

In Autumn 1994 the fund received a new four-year mandate. This was extended in 1997 until 31.12.1999.

Established in the form of a foundation under Norwegian law at the beginning of 1995, the fund has received a new constitution and created new regulations for funding the industry. [145] Among the 'novelties' in this text is the strong insistence upon results and measurements of the fund's structural and economic impact. This has resulted in the case of production and distribution funding in the requirement for a project to provide an analysis of its market potential. A more rigorous mechanism for the recovery of loans has also been established. [146]

Since 1995 the commercial national television companies (TV4, TV2 Denmark, TV2 Norway, Sweden) have also contributed to the fund.

In addition to the contributions from the parties involved in the fund (some 60 million Norwegian crowns or 7.17 MECU in 1997), the NFTF operates a special budget which comes from the Council of Nordic Ministers to fund distribution and various other schemes for promoting the culture of cinema [147]

The fund may contribute to feature film production, short films, television series and fiction, and documentaries which have market or box office potential in the Nordic countries.

Priority is however given to projects aimed at children and young people, particularly in the case of short films and documentaries. A proportion of the funds dedicated to this kind of production is jointly administered with those responsible for allocating the same kind of funds in the national institutes.

For children's and young people's projects it supports dubbing into each of the Nordic languages as an aid to distribution.

Project selection is made by the fund's director on the basis of a general assessment of a project's artistic elements, its content and commercial and market potential. Projects do not necessarily have to have a pan-Nordic theme, and the fund does not insist on national quotas regarding creative and technical personnel.

With feature films theatrical distribution and television sales in at least two different Nordic countries have to be confirmed.

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For short films and documentaries, beyond the basic criteria applied to feature projects, the Fund requires the support of at least two broadcasters in different countries [148], , thereby guaranteeing that the programmes will be shown on television in at least two Nordic territories.

The television companies (SVT, TV4, YLE, DRTV, TV2-Denmark, RUV, STD, NRK and TV2-Norway) which contribute to the budget of the fund to a level of 19,146,914 Norwegian crowns (2.35 MECU or 30% of annual contribution) have an exclusive priority on the distribution rights of productions supported by the Fund [149] par le fonds, even where they are not co-producers of the production in question.

From the time of the creation of the fund in 1990 to 1997, the fund has supported 109 feature films, 34 television series or fiction programmes, 97 documentaries and 76 short films.

Production funding is awarded to producers, while distribution, import and dubbing funding is awarded primarily to the distributor.

The fund's support for all schemes, allocated in the form of repayable loans for production and in the form of guarantees for distribution, have been divided between the five member countries as follows: 34.3% (Sweden), 24.7% (Denmark), 16.9% (Norway *surely Finland*), 14% (Norway) and 10.1% (Iceland).

The national proportions in contributions to the fund (film institutes and television companies) were made up as follows in 1997: 16.7% (Danish contribution),13.1% (Norwegian contribution), 23.7% (Swedish contribution), 0.7% (Icelandic contribution) and 10.8% (Finnish contribution).

A scheme for project development was established in 1996 with the aim of allowing producers to 'mature' their projects adequately before production and, in particular, to allow them to take risks in developing projects for children and young people (some 50% of the funds allocated). This scheme is intended, on the one hand to support script development and to cover the costs involved in production planning and financing, and on the other, through the experimental New Nordic Film Experience, the fund has supported the creation of new directors with assistance for writing synopses/treatments.

82.8% of allocations between 1995 and 1997 were for production funding, 4.9% for project development and 12.4% for distribution and the promotion of cinema culture.

Distribution funding may come in three different forms: classic distribution funding for the release of a film with a strong market potential in two countries other than its home territory, funding to import 'niche' films, and finally funding for dubbing at a maximum of 2,000 Norwegian crowns per minute, chiefly applying to films for children and young people. As well as its financial support the fund has also been able to play a crucial role arranging parallel releases, notably with the Danish film "Jerusalem" by Bille August.

During the pilot period, the Fund's director was authorised to commit funds up to 3.5 million Skr per film. [150] However, funding was over-allocated in 1994, considerably beyond the annual budget. The result of this excessive financial commitment was the creation of a deficit of some 40 million Skr, which is still a burden on the Fund's performance. To deal with this financial problem the Fund placed a reduction upon its budget of some 20 million Skr in 1995 and 1996, and some further 20 million Norwegian crowns on the 1998 budget [151].

In other words, the only 'normal' budgetary year during the fund's new mandate was 1997. On the other hand, that year the fund had not been given the responsibility of allocating the special fund of the Nordic Council of Ministers. Since the Council has required that the overspend should be cleared by the end of 1998, the Nordic Film and Television Fund has greatly reduced resources at present, which are generally committed by the end of the first half of the financial year.

In spite of this historical burden, the Nordisk Film & TV Fond has played a significant role as a catalyst, not only through its direct support for production and distribution. It has also initiated, or supported initiatives to create industry networking (animation seminar, New Nordic Film Experience, involvement in the project 'Moonstone' with Scottish and Irish filmmakers), improving access to information about the players in the production and distribution sectors in the Nordic countries (production and distribution of films for children and young people, overview of financing sources in the Nordic countries) as well as the promotion of Nordic films. (CD-ROM and website HYPERLINK http://www.filmfinder.no)., contributions to the activities of the Nordic Short Films and Documentaries Promotion Office, Filmkontakt Nord.)

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4.2 Instruments of Indirect Support

4.2.1 The European Guarantee Fund Proposal

The European Commission has put forward a Proposal for Council's Decision aimed at creating a financial mechanism to mobilise new resources for the European film and television industries. Complementary to the MEDIA II Programme, this mechanism is intended to support the development of feature films likely to be distributed in the European and international markets.

Functioning like a guarantee fund, it is intended to help banks by sharing with them the financial risks involved in providing credit to producers and distributors.

The origin of the proposal to create a financial instrument for the development of the film and television industry goes back to the European Conference on Film and Television which was organised by the European Commission in June 1994. A feasibility study was launched in 1995 with the European Investment Bank. When the decisions to create MEDIA II were adopted, the French presidency recommended the creation of this guarantee instrument, and called on the Commission to come forward with proposals. [152.]

Several successive proposals have appeared since 1995. The first proposal was developed by the European Commission in November 1995 with a fund of 90 MECU's to come from the Commission's budget [153] The proposal was unanimously adopted by the European Parliament, but was unable to achieve unanimous agreement in the Council, encountering stiff opposition from Germany and the United Kingdom, as well as the majority of the small countries. In November 1996, a new proposal was presented under the Irish presidency for a fund of 60 MECU's, open to private investors, for co-productions, particularly for countries with low production levels.

To help achieve a unanimous decision by the member states of the Union, a third compromise proposal restricting the fund to 30 MECU's under the tight control of the member states during a pilot period, excluding television production and increasing the support for small producers, was presented by the Luxembourg presidency.

The arguments advanced by the proponents of the mechanism can be summarised thus:

- the fund is a response to the expectations of the financial sector;
- it would allow for the creation of a global banking approach and circumvent the juxtaposition of restricted and divided funds;
- it would encourage the creation of catalogues of productions;
- it would have a leverage effect for the film and television industry;
- in taking account of not only its financial returns but also its global effects on the sector's economy, the fund should have a potential impact greater than the existing direct funding measures at European level.

After the cessation of work on the Luxembourg Presidency's compromise proposal in Autumn 1997 by the Council's 'Culture-Audiovisual' group, the debate was renewed by the industry at the Birmingham Audiovisual Conference in April 1998.

Since the industry argued an expansion in research to find new mechanisms for mobilising the resources of the market, Commissioner Oreja set up a group of experts with the task of investigating a number of formulas for financial instruments (including that of an 'off-balance' guarantee mechanism, proposed in Birmingham by Michael Kuhn, the president of Polygram Filmed Entertainment).

This group, whose conclusions are to be made in Autumn 1998, is chaired by M. Jacques Delmoly, head of the MEDIA II Programme.

4.2.2 Other European Initiatives

Three other mechanisms, which are complementary to those above, deserve mention. On the hand their function is to foster the development of the film and television sector and improve the conditions of financing and co-production (the Baltic Media Center and Audiovisual Eureka) and, on the other, to provide

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the industry with readily accessible comparative statistics on Europe's main film and television markets (the European Audiovisual Observatory).

Audiovisual Eureka

Created on 2nd October 1989 by the Joint Declaration of Paris, Audiovisual Eureka was given the task of concentrating on helping the industries of its member countries outside the European Union to play a full role in the larger European marketplace.[154.] In the matter of financing for European productions, Audiovisual Eureka makes a significant contribution in analysing the film and television sectors of the 6 countries associated to the European Union in Central and Eastern Europe, with a view to their future membership of the MEDIA II Programme. Finally, under its 1997 Action Plan, Audiovisual Eureka has organised a series of seminars ("When Audiovisual Meets Finance"), bringing together bankers and European financial experts and representatives from ministries of finance and culture from Eastern and Southern European countries. [155.]

European Audiovisual Observatory

Established in December 1992, the European Audiovisual Observatory is a unique centre for the gathering and disseminating of information on the European film and television industries. It is a public service European organisation which consists of 34 member states and the European Commission. Created under the auspices of Audiovisual Eureka, its legal status is as an Enlarged Partial Agreement of the Council of Europe. in addition to its main activities relating to the statistical, practical and legal aspects of film and television production (legal documentation service, the publication of IRIS, a monthly review of information on current legislation in the film and television sector, and the statistical yearbook Cinema, Television, Video and New Media in Europe) and an Internet site, the Observatory has undertaken a number of practical steps to improve access to information on sources of finance, investments in the production sector and monitoring the careers of European films after their cinema releases. They are:

- ***RAP*** **-** Resources for Audiovisual Production, a reference file on public funding mechanisms created in partnership with the *Centre national de la Cinématographie* over the period of 1995-1997, which, among other things, serves as the basis for this present study. The complete set of files on the terms and conditions of access and funding is currently undergoing revision to permit direct access to this resource through the Observatory's Internet site (http://www.obs.coe.int).

- Two projects created following the recommendations of representatives of professional organisations on the Observatory's Consultative committee:

A feasibility study on creating a database on the box-office results of European films (1997). In spite of its meagre resources, the Observatory has been able to complete both a comprehensive analysis of the practical and financial feasibility of the project, as well as a preliminary exercise of analysis, whose results have also been available on the Observatory's Internet site since the Autumn of 1997. The creation of a database on European films, monitoring their box-office results, will also allow for a cross-reference of the results with information on their production budgets and the contributions of the various funding mechanisms. This will finally permit an in-depth analysis of the impact of the funding initiatives.

Finally, having recognised the increasingly central role of the broadcasters in production finance, the Observatory has launched a study on costs of programmes and the investments by European broadcasters in production, in collaboration with the professional organisations which represent the broadcasters, the Association of Commercial Television (ACT) and the European Broadcasting Union, which will be carried out in the course of 1999.

The analysis of programme costs and broadcasters' investment in film and television production is a significant element in gaining an overview of the film and television market. Indeed, the analysis of these investments is crucial to an understanding not only of the economic factors in audiovisual production, and the programming of the broadcasters, but also of film production.

Baltic Media Center

The Baltic Media Center is an independent, non-profit organisations whose objectives are:

- to support and contribute to the role of the media in the democratic process in Estonia, Latvia, Lithuania, Poland and the Russian Federation;

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- to promote the development of the film and television industries in the countries of Central and Eastern Europe, thereby contributing to their integration within the European film and television industries.

- to promote, through work with the media, an international understanding of the Baltic region and an East-West dialogue.

In order to achieve these objectives, the BMC offers an advice service, training and assistance specifically targeted at production companies, television companies and radio stations, the press and other companies operating in the media sector.

The Center's services are also available for a fee to the industry outside the countries of Central and Eastern Europe as a means of covering part of the costs of its activities.

The main contribution to the BMC's budget comes from the Danish government, with the rest coming from European and international organisations in the case of certain of its activities.

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5. Short Outline of the Regulatory Environment of Film and Television Production in Europe

In most of the countries surveyed, direct funding schemes for film and television come within the wider national regulatory framework.

This survey does not set out to provide a comparative analysis of the various legal and regulatory mechanisms that could affect the financing of original production on a national or European scale.

To supplement the analysis of national funding schemes, we have also given a broad outline of the three types of mechanism, notably :

- The definition of a national work and the international co-production agreements that give access to national funding schemes.
- Indirect funding (tax deductions, guarantee funds, tax-shelters, etc.) ;
- Television broadcasters' investment obligations

5.1 The Nationality of Works

In most of the countries surveyed, funding schemes for film and television were set up to provide support for their national industries. Access to the funds was governed by compliance with the notion of national and European works. The criterion of nationality of the works is therefore paramount, especially for production funding [156].

Each country has laid down a certain number of criteria to establish the nationality of works. The most important criteria are the nationality of the creative team, the technical crew and performers, the location of the shooting, the use of national studios and technical facilities as well as the language the film is shot in.

The aim is to restrict access to public funding solely to national films and to give priority to national technical facilities, while encouraging international co-productions, as national sources are generally inadequate to finance the production of a film. Usually, bilateral treaties have been signed between the various countries to give a regulatory framework to co-productions and this means the work is given dual nationality.

A look at how the Danish, Italian, French, German and Austrian legal systems define a national work shows the existence of a number of common points :
:

- The fact that the producer and / or the directors of the company applying for funding has / have citizenship of the country or live(s) there permanently, or is / are citizens of another member State of the European Union,

- A points system for assessing the overall national and European artistic contribution, based on the points system introduced by the European Convention on Cinematographic Co-production.[157] ;

For most member States of the European Union, the producer's nationality is determined by the country in which he or she lives and works. However, the nationality of the technical crew and the creative and artistic teams is determined by the nationality of the people themselves, meaning that at least part of each team must be citizens of the country in question. However, in compliance with internal market Community law, member States must classify citizens of other member States as nationals. Countries such as the United Kingdom also classify members of Commonwealth States as nationals. Similarly, under French and Italian law, the technical facilities of the European Union are classified as national technical facilities. In these two countries, the nationality of a work is defined through the artistic contribution points system.[158] In Italy, one of the film's writers or directors has to be Italian.

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5.2 Bilateral and Multilateral Co-production Agreements

The legal framework of international co-productions is highly complex as the rights and obligations of the parties concerned are based on private agreements, international co-production treaties and the applicable national legislation to which these treaties refer, while the various national legal systems have to comply with the European legal framework as laid down by the Treaty of Rome and the Maastricht Treaty of the European Union and the directives concluded when these treaties came into effect.

These international conventions are bilateral for the most part. France, for example, has signed 56 bilateral film and television co-production treaties, mainly involving films. The other major producting countries (Italy, Germany, Spain and the United Kingdom) also have a large number of bilateral treaties. Each of these countries has developed its own network, usually with neighbouring States or with States sharing the same language or cultural expression. Sometimes, when permitted under national law, countries will draw up ad hoc bilateral agreements for a project, eventhough there is no permanent treaty. At the instigation of the Council of Europe, these agreements were supplemented by the European Convention on Cinematographic Co-production in October 1992.

5.2.1 Bilateral Agreements

In addition to the European programmes, most countries have signed treaties encouraging bilateral co-productions either within the European Union or with countries from outside the Union. One of the main aims of these treaties is to set out the conditions under which co-produced films can benefit from the nationality of the co-producer countries and thereby apply for national funding. France is certainly the country to have gone the farthest with this kind of agreement.

The Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) have established specific joint organisations to provide sustained co-operation throughout all cultural and economic fields. For the film and television sector, the most important of these organisations are the "Nordic Film and TV Fund" (see chap.4) which contributes to the financing of co-productions in which at least two Nordic countries are involved, "Nordvision" which fosters the exchange of programmes between Nordic public-service broadcasters and "Filmkontakt Nord " which encourages the circulation and promotion of Nordic short films and documentaries.

International co-production treaties make it obligatory for each co-producer to finance a share of the production expenses. This share can take the form of the payment of local technical or artistic services or those related to the signatory State of which the co-producer is a citizen. Generally speaking, international co-production treaties are based on the following premises :

- -the sharing of the financing obligations between the co-producers, with the minority share being above the 20 ñ 30% threshold level;

- the artistic and technical contribution and the production costs, shall be in proportion to each co-producer's financial contribution, for citizens of States party to the Treaty or others classified as such;

- the sharing of a film's receipts, in proportion to the financial contributions of the co-producers;
- the sharing, in proportion to the financial contributions of the co-producers of the intangible rights and the film's receipts and the ownership of the negative.
- - and the granting to the film, in accordance with the provisions of the treaty, of funding and subsidies granted to national films by national legal systems. The film may benefit from the accumulated advantages granted to it in respect of its dual nationality. This principle assumes, therefore, that the provisions of the treaty and national law have been met. The inclusion of the notion of a European work and the free provision of services and non-discrimination between nationals and citizens from other Member States of the European Union means, for national law regarding nationality, the classification of citizens from other Member States and signatory States to the European Convention on Transfrontier Television as national citizens. This would, provided certain conditions are met, allow European works to benefit from subsidies.

5.2.3 Multilateral Agreements

5.2.3.1. The European Convention on Co-production of the Council of Europe

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The European Convention on Cinematographic Co-production came into force on 1 April 1994. It was adopted by the Member States of the Council of Europe and the other States party to the Cultural Convention. [159] on 25 June 1992.

The Convention was designed to simplify co-production procedures so as to better meet the economic realities of film production and to harmonise co-production rules between the different States.

The European Convention on Cinematographic Co-production seeks to strengthen and facilitate, pragmatically and concretely, co-production in the European film industry by opening up the subsidies generally granted to multinational co-productions. It also simplifies the procedures for people working on these co-productions to enter the country and to work there.

The Convention, which sets out to encourage the development of the multilateral European co-production of films, also seeks to respect freedom of creation and freedom of expression and to defend the cultural diversity of the various European countries.

Any co-production seeking to benefit under the terms of the Convention must involve at least three co-producers established in three different countries. The participation of one or more co-producers who are not established in the Parties to the Convention is authorised provided their total contribution does not exceed 30% of the total cost of the production. In all cases, this Convention shall only apply on condition that the co-produced work meets the definition of a European cinematographic work as defined in Appendix II.

When these conditions have been met, the Convention assimilates any co-production, which shall have necessarily received prior approval from the competent authorities of the Parties, as a national film. The co-production will thereby be able to benefit from all the advantages granted to national films. The Convention also provides guarantees for each co-producer of minimum and maximum co-producer contributions, the joint ownership of the original picture and sound negative, the general balance of investments and the obligatory technical and artistic contributions, the steps to be taken by the Parties to facilitate the making and the export of the film and the right of a Party to demand a final version of the film in one of the languages of that Party.

Naturally, these benefits and rights go hand-in-hand with a number of responsibilities and rules. The Convention acts as a legal supplement to the Eurimages Fund and sets out primarily to apply to co-productions involving at least three co-producers established in three States party to the Convention. It is only in the absence of any agreement governing relations between two Parties to a co-production that the Convention may also apply. Any co-production project must also apply for co-production status under the terms of the Convention and obtain the approval of the competent authorities of each State party to the production. It may be interesting to note that co-producers from countries that are not party to the Convention may also take part in a co-production involving three States themselves party to the Convention, provided the contribution of the former does not exceed 30% of the total cost of the co-production.

While financial co-productions are authorised, purely financial institutions that either are not entitled to the production's receipts nor cover risks are excluded. Purely financial co-productions can be granted co-production status if they meet clearly stated conditions: - their share is neither less than 10% nor more than 25% of the costs of the production; which itself must include a majority co-producer who makes an effective technical and artistic contribution. The work must also satisfy the conditions for a film to be recognised as a national work in the country of this co-producer.

The criteria used to give a film the status of a European cinematographic work are obviously highly important as they will determine whether or not, according to national law, a co-production project can benefit from the advantages granted to national films. It is interesting to note that the criteria are designed to keep out as far as possible the artificial co-productions which used to produce examples of "euro-puddings" where the nationality of the film took precedence over the actual coherence and interest of the work. The Convention, instead of deciding how European a particular film is, an unworkable notion in itself, uses a grid of points awarded for the creative group, the performing group and the technical craft group. A cinematographic work qualifies as European if it achieves at least 15 points out of a possible total of 19. Projects of a pornographic nature or those which advocate violence or openly offend human dignity cannot be accorded co-production status.

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The Convention, the first joint legal tool in Europe, sets out to defend a cultural heritage. Financial contributions are authorised and the majority partner in a co-production is free to keep full artistic and technical control of the work, even though this may mean that in a subsequent co-production he or she will, within the framework of the balance of trade, take on the role of a minority co-producer. This works to preserve and encourage the cultural identity of the various countries, which was one of the original aims set out at the very beginning of the Council of Europe.

By 1 April 1998 the Convention had come into force in the following countries : Austria (1/1/1995), Czech Republic (1/6/1997), Denmark (1/4/1994), Estonia (1/9/1997), Finland (1/9/1995), Germany (1/7/95), Hungary (1/2/1997), Iceland (1/9/1997), Italy (1/6/1997), Latvia (1/4/1994), Luxembourg (1/10/1996), the Netherlands (1/7/1995), Portugal (1/4/1997), Russia (1/7/1994), Slovakia (1/5/1995), Spain (1/4/1994), Sweden (01/04/94), Switzerland (1/4/1994) and the United Kingdom (1/4/1994). France, which signed the Convention in 19/03/93, remains the only large country not to have ratified it yet.

5.2.3.3 The Multilateral Agreement on Investment (MAI)

Launched by the OECD in 1995, the negotiations aimed at drawing up a Multilateral Agreement on Investment (MAI), thereby providing a comprehensive, framework for international investment with standards allowing a high degree of liberalisation and protection for investments as well as an efficient system for settling disputes, have provoked fierce controversy, especially within the European film and television sector. The sector fears the Agreement will cast doubt on the cultural exception obtained in the GATT and GATS negotiations and the results obtained in other international negotiations in the cultural field.

The MAI draft text, brought out in March 1998, encompasses all forms of investments by investors from the countries party to the Agreement, including the transfrontier establishment of companies, the activities of companies established with foreign capitalor under foreign control, portfolio investments and intangible goods. Foreign investors and investments should be treated no less favourably than national investors or investments, there should be no discrimination among the investors or investments and any disputes should be settled efficiently.

The special themes included in the text are performance requirements, permission to enter and stay temporarily to work for investors and key staff, privatisations and monopolies. Questions concerning the environment and work, as well as the OECD guidelines for multinational corporationsalso occupy a leading place in the negotiations.

For the first time, a world-wide agreement includes absolute obligations for States :

- The project sets out the guidelines that are to govern the treatment of foreign investments
- It thereby introduces an element of standardisation of national policies
- It instigates a system for settling disputes that would allow investors to directly attack and contest States before an international Court of Law and therefore opens up the way towards the jurisprudential creation of a new international legal structure to the sole advantage of foreign companies.

The cultural sector merits special comment. The profession is divided into two opinions. One way of thinking primarily considers sectoral objectives and wants the MAI to bring in the clause concerning the film and television sector as included in the Uruguay round of the GATT agreements. The other current of opinion calls for an exclusion cause for the film and television sector to be included in the MAI, and follows a similar line to that of the NGOís, who are fundamentally opposed to the Agreement. This latter group organised the highly publicised outcry against the MAI in February and March 1998. The two sides do, however, agree that copyright should be excluded from the Agreement. The draft Agreement provides for a separate institutional structure for the MAI. The Agreement should come into line with other international agreements, especially those of the IMF and the International Trade Organisation (ITO) and should not compel the parties to accept obligations that go against the provisions of these agreements.

If it is agreed, the MAI will be a free-standing treaty open to non-members willing and able to meet its obligations. It is liable to have a profound effect on funding policies in the cultural and film and television sectors.

The vociferous opposition to the Agreement in its present form caused negotiations to be suspended in April 1998. Following an intermediate report dated September 1998, the French Government declared its unwillingness to continue negotiations.

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5.3 Indirect State-Granted Funding 160

Almost every Member State of the European Union has established a fiscal structure to promote and help the normal development of the film and television industries, alongside direct funding schemes. As governments are the only bodies able to introduce tax legislation, the fiscal structures thus set up are necessarily of governmental origin.

These measures provide answers to most of the points raised :

- Are we seeking to foster investment itself or foster the revenue made by the producer of the work ?
- Are we looking more at private funds attracted by a production or at the structure that contains the production company ?
- Is it a tax scheme aimed at taxing the revenue of individuals or is it a corporation tax ?

5.3.1 The Different Forms of Indirect Funding

Apart from direct funding provided for the sector, the European States in this study also provide indirect funding to the film and television sectors. This comes in three forms :

- Tax breaks for film and television production and companies
- Support in the form of credits, low-interest loans and guarantee funds ;
- Investment incentives that make the film and television sectors attractive to potential investors (Section 35 in Ireland and the Soficas in France).;

5.3.1.1 Tax breaks: VAT Exemption and the Reduction of Corporation Tax

VAT exemption is the main tax relief that can be granted. It can help the whole of the film industry, as in Sweden, or can be applied to a highly specific area : federal subsidies granted to script writing in Austria, co-productions with the public production company (Norsk Film AS) in Norway, the subsidies granted by the Finnish Film Foundation, productions and any contribution to co-production in France.

Reductions in corporation tax, similar in kind to investment incentives, aim to attract production to a specific geographical area or to encourage re-investment of profits. In Ireland, the 1980 Finance Act saw the creation of Section 35, which allows production companies to benefit from low taxation on world-wide receipts of films for which 75% of the production work was carried out in Ireland. Irish film and television production companies are taxed at a rate of 10% until the year 2010. Distribution companies located around Shannon Airport also benefit from the reduced rate.

In Italy, the 1985 Act gives tax exemption on 70% of the profits made in the film and television sector if the profits are re-invested.

5.3.1.2 Tax Advantages for the Exhibition Sector

Another example of tax advantages is the reduction of the tax burden for cinema exhibition. In Italy, the Act of 14 January 1994 provides for a reduction in the tax burden for the purchase or renovation of cinemas, which can amount to up to 70% of the level of the investment.

In Greece, the programming of national films allows exhibitors to obtain tax relief on box-office receipts (30% for a single week of programming per year, 40% for two weeks per year and 55% for 4 weeks per year).

5.3.2 Low-interest Loans

In Portugal, the Act of April 1995 relating to film provided for the creation of low-interest loans for the exhibition sector for the building or renovation of cinemas.

In Spain and Italy, low-interest loans mainly apply to the film and television production sector_. These loans are granted by banks, such as the Banco Exterio (BEX) and the ICO in Spain and the Banco Nationale del Lavoro (BNL) in Italy, all three of which are party to agreements signed with the Ministry responsible for the film and television sector in each of the two countries.

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5.3.3 The Creation of Guarantee Funds

Guarantee funds, either controlled directly by the public body responsible for public funding, as in Spain or Finland, or through a specific financial organisation, such as the Institut du financement du cinÈma et des industries culturelles (IFCIC) (Institute for Financing the Film and Cultural Industries) in France, provide a guarantee for part or all of the loans taken out for the production of feature films in Belgium, in Spain ñ both at national and regional level (Catalonia) ñ in France, Italy and Portugal. The 1994 Act in Portugal also provides for guaranteeing loans taken out for the distribution and export of feature films.

The IFCIC in France was established in 1983 to provide a link between the CNC and the banks. Its aim is to help private initiatives. It shares 50% of the credit risk with the banks that provide loans for film producers, television producers, technical companies within the film sector and other cultural industries. The IFCIC only pays up should there be failure to repay the loan and only after all the existing means for repaying the loans involved have been exhausted. This is how the organisation, a guarantee fund of FRF 10 million, can afford to guarantee, according to the degree of risk involved, loans of between FRF 100 and 300 million, a ratio of 1 to 10 and 1 to 30.

In order to provide the stability needed for its business, the IFCIC was made into a credit institution. To meet banking law requirements, the IFCIC needed sufficient shareholders' equity and assimilated funds to cover 8% of its risks. An equity issue in 1995 brought in FRF 40 million in fresh funds, mainly from private banking shareholders. IFCIC shareholders are currently as follows : the State 20%, the Soficas 20%, the CrÈdit National 20% and various other French banks. The organisation now has over FRF 80 million in shareholders' equity and assimilated funds, which gives it cover for FRF 1 billion of risks and therefore able to provide guarantees for loans totaling some FRF 2 billion.

Guarantees are given to credit institutions, especially specialist financial houses, for short-term loans (1 year on average) granted to film producers.

The loans are aimed at financing different phases in film-making : preparation, development, principal photography, post-production and distribution.

The main risks involved with these loans are : corporate risk ; project financing risk (legal and financial completion of the project), contractual risk (reliability of financial partners, the proper meeting of a contract), the risk of payment on a contract.

In 1996, the IFCIC provided loan guarantees for 53 films out of 134 produced. For outstanding loans to 104 film production companies, the IFCIC entered into commitments for FRF 290 million in risk, and for FRF 560 million in loans.

In Spain, it is the Banco Exterior de líEspana, a specialist in corporate financing in the Argentaria holding company, which operates a guarantee fund for investment in film production, established with the agreement of the Spanish Ministry of Culture.
The fund obtains its money from the public purse, along with capitalised interest and covers against bankruptcies that might occur before loans on feature films have been repaid. Its initial cover ratio is 1/1.

In Italy, the Single Entertainment Fund, which is run by the Banco Nationale del Lavoro, also acts as a guarantee fund and receives money from the State budget, the amount varying from year to year according to a Parliamentary vote and the returns on loans granted.

The French-speaking community of Belgium has a system based on the French IFCIC model and established in 1995, while in Switzerland a similar project has been submitted to the authorities, mainly upon the initiative of the French-speaking community's film association.

At European level, a draft scheme to guarantee cinematographic and audiovisual production, to run alongside the MEDIA II programme and with capital of ECU 60 million from the Community budgets and a similar sum from the banks, has long been discussed by the relevant bodies within the Community, but without any concrete result as of yet.

5.3.4 Tax-Relief Investment Incentives

To encourage investors to put their money into the film and television sector, the sociÈtÈs de financement des industries cinÈmatographiques et audiovisuelles (SOFICAs) (financing companies for the

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cinematographic and audiovisual industries) were set up in France in 1985. Their role is to invest in production. Any private individual or company buying shares in a second generation SOFICA and keeping them for at least 8 years may deduct from their net taxable income the amount invested, provided certain conditions are met.

Since they were first set up, there have been two generations of SOFICAs. The 1985 law provided that natural or legal persons could buy shares in a SOFICA, with all the tax benefits this entailed : a company can make a successful amortisation of 50% of its investment, while private individuals could deduct the whole amount from their net taxable income to a ceiling of 25% of their taxable income (an amendment placed an upper limit on this deduction at FRF 120,000 per tax-paying household).

The SOFICAs have a highly regulated status as they can only finance productions that have received CNC approval or are made by French producers. To be able to benefit from the tax advantages, investors in first generation SOFICA shares have to keep their shares for at least 5 years.
.
Investment decisions are based on an overall assessment of the artistic and financial aspects of a project, and upon the recommendation of a selection committee made up of sector professionals.

The results obtained by the first-generation SOFICAs were not enough to satisfy the shareholders, who only recovered between 55% and 75% of their investment, which, when taken alongside the tax advantages, made for an annual return on investment of 3 to 5%. As most of the shareholders wanted to sell off their holdings, the majority of the first-generation SOFICAs went into voluntary liquidation.

Despite their poor performance, first-generation SOFICAs played a vital role in what was a very difficult period for French film, between 1986 and 1994.

1993 saw the start of the so-called guaranteed SOFICAs, which provided built-in guarantees for the investor. The tax relief provided by the SOFICAs is not unlimited, with a ceiling of FRF 300 million per year of capital raised, for a total of FRF3.6 billion since 1985 to be put into film and television production. As the second-generation SOFICAs have a life cycle of 10 years, payback is usually organised earlier so as to make final performance more attractive

The SOFICAs are obliged to invest a minimum 35% of funds raised with independent producers (80% of funds raised). The funds raised also have to be invested over a single year so that new SOFICAs can be set up the following year.

In Ireland, investment incentives were set up in the form of direct tax relief under section 35 of the 1987 Finance Act. Any individual or company resident in Ireland can benefit from tax relief on up to 80% of the amount invested in a film production or distribution company resident in Ireland.

Section 35 provides a framework that works in favour of Irish producers. IEP 195 million have been used under the scheme. The IBEC, the Irish Business and Employers Confederation, has built up an economic data base that shows the economic impact of the scheme in terms of employment and production volume. A report has been drawn up every year since 1993 by the main players in the market so as to keep close track of this impact.

In July 1995, the Government of the Isle of Man set up a tax incentive scheme similar to section 35. The reasons were entirely economic as the island possesses no local production or industry.

The current system, adopted in 1997, produces in average around 25% of the film's budget. The Government of the Isle of Man takes out a capital subscription equivalent to this amount. The total amount of funding from the island alone can reach up to 65% of the film's budget. The system is fairly flexible as there is no maximum or minimum with regard to the amounts invested.

To take advantage of the scheme, the following conditions have to be met : 20% of the technical costs of principal photography have to be spent on the island. As with section 35, the production company has to be resident in the Isle of Man, while a collection account to provide transparency and to enable financial flows to be measured, has to be opened. The film must have a completion bond, and 50% of its financing must be in place.

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Until late 1997, Luxembourg operated a scheme based on tax concessions. There is also a tax deduction system in the Netherlands, for any investment in film production amounting to between ECU 1,696 and 255,329.

In the United Kingdom, any individual investing in the shares of a company in the film sector for a minimum period of 5 years qualifies for tax deductions equal to the amount invested.

In all those countries where incentives have been set up to encourage investment, the capital thus invested must be used to help the national industry and in particular national films. France's SOFICAs can only invest in European films shot in French and with over 50% of the production costs being spent in France.

In Ireland, to qualify for tax deductions, investments must be made in productions which have been at least 75% produced in Ireland (or only 10% for international co-productions) and which will have a significant effect on the Irish film industry.

The Irish Section 35 scheme could also provide the basis for a similar scheme in the United Kingdom to prevent too many productions being lost to Ireland. For the moment, the Labour Government, in power since May 1997, has set up a series of measures concerning the amortisation periods for production costs and a 2-point tax relief for production companies

5.4 The Significance of these Forms of Funding in the Different Countries

Four of the eighteen countries studied here no longer have, or have never had, indirect funding schemes for the film industry : in Denmark and Germany, the tax shelters which were set up in the 70's, were abolished following a string of financial scandals in 1979; in Iceland, national films benefit from a higher cinema admission price than foreign films so as to bring producers better box-office returns ; in Switzerland there was no indirect funding scheme in 1995, although a project for a guarantee fund, based on France's IFCIC system was being considered.

Tax exemption for all or part of the film industry represents the sole indirect support in four of the countries studied : in Sweden, where cinema is subject to zero VAT rating, in Austria where tax exemption is only for federal subsidies for script-writing (and aassimilated), in Norway, wher only those co-productions carried out with Norsk Film, the public production company, benefit from tax exemption, along with the sale of rights to television, and in Greece, where cinema exhibitors can obtain tax reductions when they show national films.

On the other hand, there are a number of "horizontal" tax allowances and investment incentives for small and medium-size companies in each of the European countries and for the European Union. We do not know of any survey and / or publication that gives details of these schemes, which could be of considerable help to film and television companies.

Since they were first set up, there have been two generations of SOFICAs. The 1985 law provided that natural or legal persons could buy shares in a SOFICA, with all the tax benefits this entailed : a company can make a successful amortisation of 50% of its investment, while private individuals could deduct the whole amount from their net taxable income to a ceiling of 25% of their taxable income (an amendment placed an upper limit on this deduction at FRF 120,000 per tax-paying household).

The SOFICAs have a highly regulated status as they can only finance productions that have received CNC approval or are made by French producers. To be able to benefit from the tax advantages, investors in first generation SOFICA shares have to keep their shares for at least 5 years.

Investment decisions are based on an overall assessment of the artistic and financial aspects of a project, and upon the recommendation of a selection committee made up of sector professionals.

The results obtained by the first-generation SOFICAs were not enough to satisfy the shareholders, who only recovered between 55% and 75% of their investment, which, when taken alongside the tax advantages, made for an annual return on investment of 3 to 5%. As most of the shareholders wanted to sell off their holdings, the majority of the first-generation SOFICAs went into voluntary liquidation.

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Despite their poor performance, first-generation SOFICAs played a vital role in what was a very difficult period for French film, between 1986 and 1994.

1993 saw the start of the so-called guaranteed SOFICAs, which provided built-in guarantees for the investor. The tax relief provided by the SOFICAs is not unlimited, with a ceiling of FRF 300 million per year of capital raised, for a total of FRF3.6 billion since 1985 to be put into film and television production. As the second-generation SOFICAs have a life cycle of 10 years, payback is usually organised earlier so as to make final performance more attractive

The SOFICAs are obliged to invest a minimum 35% of funds raised with independent producers (80% of funds raised). The funds raised also have to be invested over a single year so that new SOFICAs can be set up the following year.

In Ireland, investment incentives were set up in the form of direct tax relief under section 35 of the 1987 Finance Act. Any individual or company resident in Ireland can benefit from tax relief on up to 80% of the amount invested in a film production or distribution company resident in Ireland.

Section 35 provides a framework that works in favour of Irish producers IEP 195 million have been used under the scheme. The IBEC, the Irish Business and Employers Confederation, has built up an economic data base that shows the economic impact of the scheme in terms of employment and production volume. A report has been drawn up every year since 1993 by the main players in the market so as to keep close track of this impact..[161]

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5.4.2 The Production Sector can Benefit from Several kinds of Indirect Support at the Same Time

In Luxembourg, Portugal, the Netherlands and the United Kingdom, there are only investment incentives to provide support for the production sector. In France, on the other hand, apart from tax relief, the production sector also benefits from loan-based support, with the IFCIC guarantee fund and incentives for investment in the SOFICAs. While France can boast three types of indirect funding, more often than not

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tax relief measures are supplemented by investment incentives, as in Ireland, or by loan-based support as in Belgium or Finland (in the form of guarantee funds). In Italy, producers can apply for three different loan-based funding mechanisms, alongside tax exemption schemes.[162].

5.4.2.1 The Example of Italy

While tax exemptions do not have much effect on the film economy, loan-based funding does, in Italy, represent, a major source of support for the production sector and for the Italian film industry. The support comes in three forms :

- low-interest loans given by the Banca Nazionale del Lavoro for film and television production as well as any subsidiary activity. These loans can cover up to 60% of production costs.
- a guarantee fund to cover loans taken out by Italian companies with the BNL for the production, distribution and export of films and which cover up to 70% of the amount of these loans for films of national cultural interest and up to 90% for contributions to co-financed films
- the payment by the State of a proportion of the interest charges on loans taken out by producers with banks for the production of films that meet the conditions for Italian nationality as set out in article 27 of the 1971 law on support for the film sector

5.4.2.2 Spain

Spain is the only country where indirect support schemes set up by autonomous communities (Madrid and Catalonia) exist alongside the loan-based funding set up at national level (low-interest loans and guarantee funds)

The autonomous community of Madrid decided to provide support for the film and television industry solely through its industrial modernisation programme. This programme subsidises part of the interest charges on loans granted by a financial institution for financing material projects (production or management facilities) of any company doing business within the Madrid area.

Catalonia has set up a loan-based funding scheme, alongside its direct funding programmes, in the form of loan guarantees and the financing of interest charges. Loans taken out from banks by Catalan producers for the production of feature-length films considered to be at least 50% Catalan can be guaranteed by the Generalitat of Catalonia. They must cover at least 45% of production costs. Since 1996, interest charges on these guaranteed loans can be covered by the Generalitat of Cattalonia for up to 100% for the first year and then up to four points for subsequent years.

5.5 Relations between Film and Television more or less Regulated

The European "Television without Frontiers" Directive, adopted in 1989 and revised in 1997 is considered by all the Member States of the European Union as a joint basis for organising relations between film and television. In particular, the provisions concerning broadcasters' obligations with regard to quotas related to the origin of productions and to independent production have been translated into national law, except in Sweden and Austria, two countries that joined the European Union on 1 January 1995 and in Norway, Switzerland and Iceland, three countries that are not members of the Union.

For some countries, the translation of community provisions into national law represents the only regulatory tool for relations between film and television. This is true for Spain, Ireland, Luxembourg and Portugal, if one does not take into account the tax levied in Portugal on television advertising and which goes towards the budget of the Portuguese Institute of Cinematographic and Audiovisual Arts (IPACA). In most other countries, these minimal provisions have been supplemented by a more highly developed regulatory framework as in France, the United Kingdom and Italy, where the law obliges broadcasters to put part of their budget into independent film and television production. In Germany and Sweden, agreements signed between the film industry, the broadcasters and Government bodies, oblige the broadcasters to contribute to the financing of national public funds for the film industry. In Germany, the two public-service broadcasters (ARD and ZDF) have also signed agreements with the various funds run by the Länder.

In Austria, Finland and Belgium, the co-financing of projects by the public-service broadcasters and the national film support bodies has been laid down by outline agreements that set out precise figures for the money the public-service broadcasters have to commit to these co-productions. Apart from the broadcasters' investment obligations, as set out by the Television without Frontiers Directive, extra

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obligations are included in national law and / or in the public-service broadcasters' operating brief or in the licence conditions for private broadcasters.

In Belgium, for example, the agreement drawn up between the RTBF, the public-service broadcaster, the French-speaking community of Belgium and independent producers provides for considerable contributions to local film and television production.

The authorisation granted to the RTBF to broadcast advertising comes under an operating brief whose terms and conditions are included in the Executive Decree of 21 November 1989, which lays down specific regulations for the public-service broadcaster as to the use of certain resources, the time allocated to advertising and the use of sponsorship in its programmes.

The Decree stipulates that resources from ttelevision advertising must b used in the qualitative and quantitative development of RTBF television programmes. A considerable portion of resources from television advertising therefore has to go towards financing the production, co-production and purchase of new programmes.

The Horizon 1997 plan had brought Institute investments in productions with the independent sector to a halt. To remedy the situation, the Ministry responsible for the film and television sectors decided, in 1993, to grant BEF 43 million to seed fund collaboration between the public-service broadcaster and independent producers.

The uses to which the BEF's 49 million can be applied were laid out in an agreement signed on 2 March 1994 by the Minister responsible for film and television, the RTBF and the professional associations of the independent producers.

The BEF's 49 million cannot be used for the purchase of broadcasting rights. It is used to supplement the cash payments made by the RTBF towards co-productions with independent producers. The total amount earmarked for this use was set at a minimum of BEF 41 million.

For every project accepted, the French-speaking community will pay over to the independent producer an amount equal to that earmarked by the RTBF for the project.

Swiss public-service television follows a similar kind of pattern, signing a three-year outline agreement with the film industry that sets the level of support to be granted by the channel to film producers in the form of co-productions.

A full view of investment practices and obligations of the European broadcasters will be available upon completion of a survey relating to programme costs and investment in film and television production by European broadcasters that is being prepared by the European Audiovisual Observatory and which is due for publication in Autumn 1999.

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Statistical Annexe

A1. Comparative Tables and Graphs relating to Support Mechanisms in Western Europe

A1.1. Funding Finance

A 1.1.1a Source of Funds Allocated to Public Support in MECU's (1995)

	Public Grants	Various Taxes	TV Taxes and Contributions	Own and other Private Contributions	Total
Austria (1)	14,15		3,68	4,05	21,89
Belgium*	23,84				23,84
Denmark *	26,10				26,10
Finland	8,73	2,74			11,47
France *	62,13	88,07	217,43	3,91	371,53
Germany*	69,44	30,95	46,81		147,21
Greece	3,82	0,52		0,83	5,17
Iceland	nd	nd			1,34
Ireland * (2)	3,75				3,75
Italy * (3)	88,15	7,31			95,46
Luxembourg	1,51				1,51
Netherlands	9,87		23,72	1,00	34,59
Norway (4)	4,37	10,44			14,81
Portugal * (5)	1,16		10,40		11,56
Spain *	27,33				27,33
Sweden	13,93	9,55	2,18		25,67
Switzerland	14,87			0,31	15,18
United Kingdom (2) (6)	nd		nd	nd	11,84

* 1995 figures

(1) Agreement in place between ORF (TV) and Austrian Film Institute providing support through a single Commission

(2) Given the fact that support structures are extremely diverse in the UK and Ireland, we have decided to consider the total budget allocated to different support funds, rather than the total budget of the individual structures.

(3) For Italy we have only included support to "commercial cinema": the only type granted directly to producers.

The amounts allocated to distribution and export are unknown. The various taxes in this case, are a tax levied on cinema tickets, which constitutes the automatic support system.

(4) Figures from the Cassette Duty Fund have not been included: its revenue comes from a tax on video sales, which have not been examined in the survey (Total amount available for producers is 0,289 MECU). Neither have figures for the Foundation for Audiovisual Production been included: it was set up in 1995 (Total budget is 7,069 MECU, provided by the State, with TV channel, TV2).

(5) Taxes on advertising slots on public and private TV channels.

(6) For the UK in 1995, 19,13 MECU of National Lottery Funding should be added to the total.

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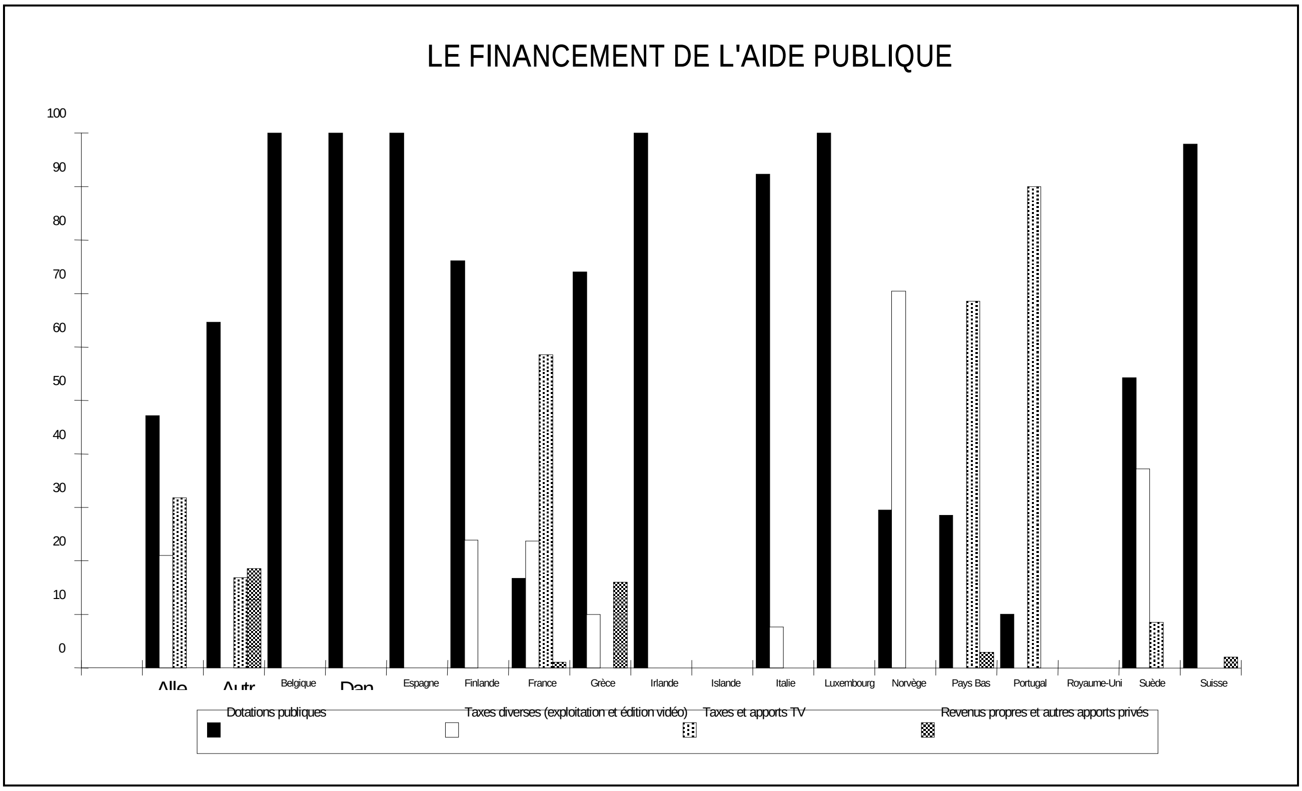
A 1.1.1b Source of Funds Allocated to Public Support ;Source of Public Funding in % (1995)

	Public Grants	Various Taxes	TV Taxes and Contributions	Own and other Private Contributions	Total
Austria	65		17	19	100
Belgium	100				100
Denmark	100				100
Finland	76	24			100
France	17	24	59	1	100
Germany	47	21	32		100
Greece	74	10		16	100
Iceland	nd	nd			100
Ireland	100				100
Italy	92	8			100
Luxembourg	100				100
Netherlands	29		69	3	100
Norway	30	70			100
Portugal	10		90		100
Spain	100				100
Sweden	54	37	9		100
Switzerland	98			2	100
United Kingdom	nd		nd	nd	100



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A 1.1.2a Source of Public Funding in MECU (1995)

	State Grants	Regional Authority Grants	Total Allocation of Public Grants	Total amount of public funding
Austria	11,94	2,21	14,15	21,89
Belgium* (1)		23,84	23,84	23,84
Denmark *	26,10		26,10	26,10
Finland	8,73		8,73	11,47
France *	56,27	5,89	62,16	371,53
Germany *	8,15	61,30	69,44	147,21
Greece	3,82		3,82	5,17
Iceland	nd		nd	1,34
Ireland *	3,75		3,75	3,75
Italy *	88,15		88,15	95,46
Luxembourg	1,51		1,51	1,51
Netherlands	9,87		9,87	34,59
Norway	4,37		4,37	14,81
Portugal *	1,16		1,16	11,56
Spain*	20,41	6,92	27,33	27,33
Sweden	13,93		13,93	25,67
Switzerland	12,74	2,28	15,02	15,18
United Kingdom	nd	nd	nd	11,84

** 1995 figures

(1) In the case of Belgium, it is not regional authorities, but rather the two different Communities (French and Belgian Flemish) which finance the two film and audiovisual production funds (one for each Community).

A 1.1.2b Source of Public Funding in Relation to Total Public Support Budgets (in %)

	State Grants	Regional Authority Grants	Total Allocation of Public Grants	Total amount of public funding
Austria	55	10	65	100
Belgium		100	100	100
Denmark	100		100	100
Finland	76		76	100
France	15	2	17	100
Germany	6	42	47	100
Greece	74		74	100
Iceland	nd		nd	100
Ireland	100		100	100
Italy	92		92	100
Luxembourg	100		100	100
Netherlands	29		29	100
Norway	30		30	100
Portugal	10		10	100
Spain	75	25	100	100
Sweden	54		54	100
Switzerland	84	15	99	100
United Kingdom	nd	nd	nd	100

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A 1.1.3a Participation of Television Companies in the Financing of Public Support (in MECU)

	Contributions and Taxes from Public TV (in MECU)	Contributions and Taxes from Private TV (in MECU)	Total Contribution and Taxes from TV (in MECU)	Total Amount of Public Support Allocated (in MECU)
Germany*	39,40	7,41	46,81	147,21
Austria	3,68		3,68	21,89
Belgium *			0,00	23,84
Denmark			0,00	26,10
Spain			0,00	27,33
Finland			0,00	11,47
France *	77,40	140,03	217,43	371,53
Greece			0,00	5,17
Ireland			0,00	3,75
Iceland			0,00	1,34
Italy			0,00	95,46
Luxembourg			0,00	1,51
Norway (1)			0,00	14,81
Netherlands	23,72		23,72	34,59
Portugal *	nd	nd	10,40	11,56
United Kingdom	nd	nd	nd	11,84
Sweden	1,64	0,55	2,18	25,67
Switzerland			0,00	15,18

* 1995 figures

(1) It was only in 1995, with the creation of the Foundation for Audiovisual Productions, that TV companies in Norway started to contribute to public funding

A 1.1.3b Participation of Television Companies in the Financing of Public support (in %)

	Contributions and Taxes from Public TV	Contributions and Taxes from Private TV	Total Contribution and Taxes from TV	Total Amount of Public Support Allocated
Austria	17		17	100
Belgium			0	100
Denmark			0	100
Finland			0	100
France	21	38	59	100
Germany	27	5	32	100
Greece			0	100
Iceland			0	100
Ireland			0	100
Italy			0	100
Luxembourg			0	100
Netherlands	69		69	100
Norway			0	100
Portugal	nd	nd	90	100
Spain			0	100
Sweden	6	2	9	100
Switzerland			0	100
United Kingdom	nd	nd	nd	100

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A.1.2.Production : Types of Support

A.1.2.1a.Balance betweeen Selective Support and Automatic Support for Production (in MECU)

	Selective Support	Automatic Support	Total
Austria	nd	nd	nd
Belgium	9,56	3,79	13,34
Denmark *	14,71	2,92	17,63
Finland *	7,53		7,53
France *	54,92	131,37	186,30
Germany *	66,23	7,26	73,49
Greece	4,71		4,71
Iceland	0,60		0,60
Ireland *	3,75		3,75
Italy*	84,03	7,31	91,34
Luxembourg	1,03		1,03
Netherlands	28,95		28,95
Norway (1)	7,55	3,58	11,13
Portugal *	3,91	1,81	5,72
Spain *	11,15	10,38	21,53
Sweden	11,40	3,80	15,20
Switzerland	8,07		8,07
United Kingdom (2)	11,34		11,34

* 1995 figures
(1) For 1995, it is also necessary to add the support given by the Foundation for Audiovisual Production (figures not provided)
(2) For 1995, it is also necessary to add 16,74 MECU of National Lottery support to the "Selective Support" total

A.1.2.1b Balance between Selective Support and Automatic Support for Production (in %)

	Selective Support	Automatic Support	Total
Austria	nd	nd	100
Belgium	72	28	100
Denmark	83	17	100
Finland	100		100
France	29	71	100
Germany	90	10	100
Greece	100		100
Iceland	100		100
Ireland	100		100
Italy	92	8	100
Luxembourg	100		100
Netherlands	100		100
Norway	68	32	100
Portugal	68	32	100
Spain	52	48	100
Sweden	75	25	100
Switzerland	100		100
United Kingdom	100		100

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A1.2.2a. Balance between Support Given to Individual Films and Support Given to Aid Structures (in MECU 1995)

	Support to individual films	Support to Aid Structures	Total
Austria	nd		nd
Belgium	12,60	0,74	13,34
Denmark *	17,63		17,63
Finland *	7,53		7,53
France *	185,59	0,71	186,30
Germany *	72,76	0,73	73,49
Greece	4,71		4,71
Iceland	0,60		0,60
Ireland *	3,75		3,75
Italy	91,34		91,34
Luxembourg	1,03		1,03
Netherlands	28,95		28,95
Norway (1)	11,13		11,13
Portugal *	5,72		5,72
Spain	21,53		21,53
Sweden	15,20		15,20
Switzerland	8,07		8,07
United Kingdom (2)	11,34		11,34

* 1995 figures
(1) For 1995, it is necessary to add the support given by the Foundation for Audiovisual Production (figures not provided)
(2) For 1995, it is necessary to add 16,74 MECU of National Lottery funding to the total "Support to Individual Films" figure

A1.2.2b. Balance between Support Given to Individual Films and Support Given to Aid Structures (in %, 1995)

	Support to individual films	Support to Aid Structures	Total
Austria	nd		100
Belgium	94	6	100
Denmark	100		100
Finland	100		100
France	100	0	100
Germany	99	1	100
Greece	100		100
Iceland	100		100
Ireland	100		100
Italy	100		100
Luxembourg	100		100
Netherlands	100		100
Norway	100		100
Portugal	100		100
Spain	100		100
Sweden	100		100
Switzerland	100		100
United Kingdom	100		100

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A.1.2.3a. Balance of Production Support According to the Type of Funding Allocated (in MECU 1995)

	Subsidies	Repayable Advances	Interest-Free Loans	Loans with Interest	Investments in Co-production	Total
Austria	nd	nd		4,50		nd
Belgium	7,93	5,41				13,34
Denmark *	4,26	12,21			1,17	17,63
Finland *	nd	nd	nd			7,53
France *	165,68	17,82			2,79	186,30
Germany *	34,34	8,82	30,09	0,24		73,49
Greece		0,15			4,56	4,71
Iceland (1)	0,60					0,60
Ireland *	0,12			3,63		3,75
Italy *	12,00			79,34		91,34
Luxembourg	0,17	0,86				1,03
Netherlands	0,28		7,67		21,00	28,95
Norway (2)	11,13					11,13
Portugal *	nd	nd				5,72
Spain *	20,29	0,22			1,02	21,53
Sweden	3,80	11,40				15,20
Switzerland	8,07					8,07
United Kingdom (3)	2,13		0,58	0,38	8,26	11,34

* 1995 figures
(1) In some cases, subsidies can be changed to an advance on ticket sales
(2) For 1995, it is necessary to add the support given by the Foundation for Audiovisual Production (figure not provided)
(3) For 1995, it is necessary to add 16,74 MECU of National Lottery funding to the "Subsidies" total

A.1.2.3b Balance of Production Support According to the Type of Funding Allocated (in MECU 1995)

	Subsidies	Repayable Advances	Interest-Free Loans	Loans with Interest	Investments in Co-production	Total
Austria	nd	nd		nd		100
Belgium	59	41				100
Denmark	24	69			7	100
Finland	nd	nd	nd			100
France	89	10			1	100
Germany	47	12	41	0		100
Greece		3			97	100
Iceland	100					100
Ireland	3			97		100
Italy	13			87		100
Luxembourg	16	84				100
Netherlands	1		27		73	100
Norway	100					100
Portugal	nd	nd				100
Spain	94	1			5	100
Sweden	25	75				100
Switzerland	100					100
United Kingdom	19		5	3	73	100

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A.1.3. Production :Films Supported

A.1.3.1a Balance of Support between Film Production and Audiovisual Production (in MECU)

	Amount strictly Allocated to Film Production (MECU)	Amount strictly Allocated to AV Production (MECU)	Amount Allocated to Either Type of Production (MECU)	Total Amount Allocated to Production Sector (MECU) (100%)
Austria	nd		nd	nd
Belgium	11,06	1,48	0,80	13,34
Denmark *	17,63			17,63
Finland (1) *	5,86	1,67		7,53
France *	61,09	122,62	2,59	186,30
Germany *	36,48	6,18	30,82	73,49
Greece	4,71			4,71
Iceland	0,60			0,60
Ireland *	3,63		0,12	3,75
Italy *	91,34			91,34
Luxembourg (2)	0,40	0,27	0,35	1,03
Netherlands	5,97	12,10	10,88	28,95
Norway (3)	9,47		1,66	11,13
Portugal *	5,51		0,21	5,72
Spain *	17,72	0,97	2,85	21,53
Sweden	15,20			15,20
Switzerland	6,13		1,94	8,07
United Kingdom(4)	9,18		2,16	11,34

* 1995 figures

(1) Support given to video art (0,176 MECU) is also included in the AV Production total.

(2) Support given to multimedia projects (0,3 MECU) is included in the total figure allocated to Either Type of Production.

(3) For 1995, it is necessary to add the production support allocated by the Foundation for Audiovisual Production to films co-produced by a TV company (figure not provided)

(4) For 1995, it is necessary to add 16,74 MECU of National Lottery funding to the total “Amount strictly Allocated to Film Production”.

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A.1.3.1b. Balance of Support between Film Production and Audiovisual Production (in %)

	Amount strictly Allocated to Film Production	Amount strictly Allocated to AV Production	Amount Allocated to Either Type of Production	Total t Allocated to Production Sector
Austria	nd		nd	100
Belgium	83	11	6	100
Denmark	100			100
Finland	78	22		100
France	33	66	1	100
Germany	50	8	42	100
Greece	100			100
Iceland	100			100
Ireland	97		3	100
Italy	100			100
Luxembourg	39	26	34	100
Netherlands	21	42	38	100
Norway	85		15	100
Portugal	96		4	100
Spain	82	5	13	100
Sweden	100			100
Switzerland	76		24	100
United Kingdom	81		19	100

A.1.3.2a Funding Allocated to Feature Films (in MECU and %)

	Amount strictly Allocated to Feature Film Production	Amount with Possibility of being Allocated to Feature Film Production	Potential Total Allocated to Feature Film Production
Austria	nd	nd	nd
Belgium	7,16	1,97	13,34
Denmark *	13,04	4,59	17,63
Finland *	4,05	0,85	7,53
France *	59,36	0,20	186,30
Germany *	34,42	32,42	73,49
Greece	0,15	4,56	4,71
Iceland		0,60	0,60
Ireland *	3,63	0,12	3,75
Italy *	91,00		91,34
Luxembourg	0,40	0,17	1,03
Netherlands	5,97	10,26	28,95
Norway (1)	5,89	3,58	11,13
Portugal *	5,51		5,72
Spain *	16,27	2,13	21,53
Sweden	13,83		15,20
Switzerland	5,86	2,18	8,07
United Kingdom (2)	9,22	0,23	11,34

* 1995 figures

(1) For 1995, it is necessary to add the support given by the Foundation for Audiovisual Production which funds feature films co-produced with TV companies (figure not provided).

(2) For 1995, it is necessary to add 16,74 MECU of National Lottery funds to the “Amount strictly Allocated to Feature Film Production”

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A.1.3.2b Funding Allocated to Feature Films (in MECU and %)

	Amount strictly Allocated to Feature Film Production	Amount with Possibility of being Allocated to Feature Film Production	Potential Total Allocated to Feature Film Production
Austria	nd	nd	100
Belgium	54	15	100
Denmark	74	26	100
Finland	54	11	100
France	32	0	100
Germany	47	44	100
Greece	3	97	100
Iceland		100	100
Ireland	97	3	100
Italy	100		100
Luxembourg	39	16	100
Netherlands	21	35	100
Norway	53	32	100
Portugal	96		100
Spain	76	10	100
Sweden	91		100
Switzerland	73	27	100
United Kingdom	81	2	100

A.1.3.3a Amounts Allocated to Short Film Production (in MECU))

	Amount strictly Allocated to Short Film Production	Amount with Possibility of being Allocated to Short Film Production	Total Amount Allocated to Production Sector
Austria		1,57	nd
Belgium	2,74	1,91	13,34
Denmark		4,59	17,63
Finland *	0,97	2,06	7,53
France *	2,66	0,36	186,30
Germany *	0,47	3,62	73,49
Greece		4,56	4,71
Iceland		0,60	0,60
Ireland *		0,12	3,75
Italy *	0,34		91,34
Luxembourg	0,16	0,17	1,03
Netherlands	0,62	10,26	28,95
Norway	1,66	3,58	11,13
Portugal *	0,21		5,72
Spain *	0,15	1,65	21,53
Sweden (1)	1,37		15,20
Switzerland	0,03	2,18	8,07
United Kingdom	1,90	0,23	11,34

* 1995 figures
(1)Funding supplied to Documentaries is included in this total.

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A.1.3.3b Amounts Allocated to Short Film Production (in %)

	Amount strictly Allocated to Short Film Production	Amount with Possibility of being Allocated to Short Film Production	Total Amount Allocated to Production Sector
Austria		nd	100
Austria		nd	100
Belgium	20	14	100
Belgium	20	14	100
Denmark		26	100
Denmark		26	100
Finland	13	27	100
Finland	13	27	100
France	1	0	100
France	1	0	100
Germany	1	5	100
Germany	1	5	100
Greece		97	100
Greece		97	100
Iceland		100	100
Ireland		3	100
Ireland		3	100
Italy	0		100
Luxembourg	16	16	100
Netherlands	2	35	100
Norway	15	32	100
Portugal	4		100
Spain	1	8	100
Spain	1	8	100
Sweden	9		100
Switzerland	0	27	100
United Kingdom	17	2	100

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A.1.4 Production : Intervention Phase

	Pre-production Phase	Production Phase	Completion Phase	Promotional Phase (Figure allocated to Producer)	Total Amount Allocated to Production Sector
Austria	nd	nd			0,47
Belgium	nd	nd	nd		1,11
Denmark *	nd	nd		0,83	1,51
Finland *	1,11	6,40	0,02		0,31
France *	1,51	184,75	0,04		0,06
Germany *	3,13	70,20	0,16		nd
Greece	0,15	4,56			0,65
Iceland	0,06	0,54			0,12
Ireland *	0,31	3,44			0,17
Italy * (1)	0,65	90,69			nd
Luxembourg	0,17	0,86			nd
Netherlands	nd	nd	1,10		nd
Norway	0,12	11,01			nd
Portugal *	nd	nd			nd
Spain *	0,47	21,06			0,15
Sweden	nd	nd			0,00
Switzerland	nd	nd	nd		0,00
United Kingdom	nd	nd	nd		0,00

* 1995 figures (1) The award for quality that goes to writers and the scriptwriting award are included in Pre-production . The remainder of the quality award (given to directors and producers) is included in the Production phase.

A1.4.1 Amounts Allocated to Writers for Script-Writing Support (in MECU)

	Script-writing Support Allocated to Writers	Total Amount of Pre-production Support
Austria	nd	nd
Belgium	nd	nd
Denmark*	nd	nd
Finland *	0,11	1,11
France *	0,32	1,51
Germany *	0,81	3,13
Greece (1)	0,15	0,15
Iceland (2)	0,03	0,06
Ireland	0,00	0,31
Italy *	0,65	0,65
Luxembourg	0,00	0,17
Netherlands	0,00	nd
Norway	0,00	0,12
Portugal *	nd	nd
Spain *	0,40	0,47
Sweden	0,00	nd
Switzerland	nd	nd
United Kingdom	nd	nd

* 1995 figures
(1) Support with possibility of also being allocated to Producers.
(2) Support with possibility of also being granted to Script-writers or Directors, usually Director-Producers.

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A.1.4.2 Figures Allocated to Writers for Script-Writing Support (in %)

	Script-writing Support Allocated to Writers
Austria	nd
Belgium	nd
Denmark	nd
Finland	9
France	22
Germany	26
Greece	100
Iceland	50
Ireland	0
Italy	100
Luxembourg	0
Netherlands	0
Norway	0
Portugal	nd
Spain	86
Sweden	0
Switzerland	nd
United Kingdom	nd

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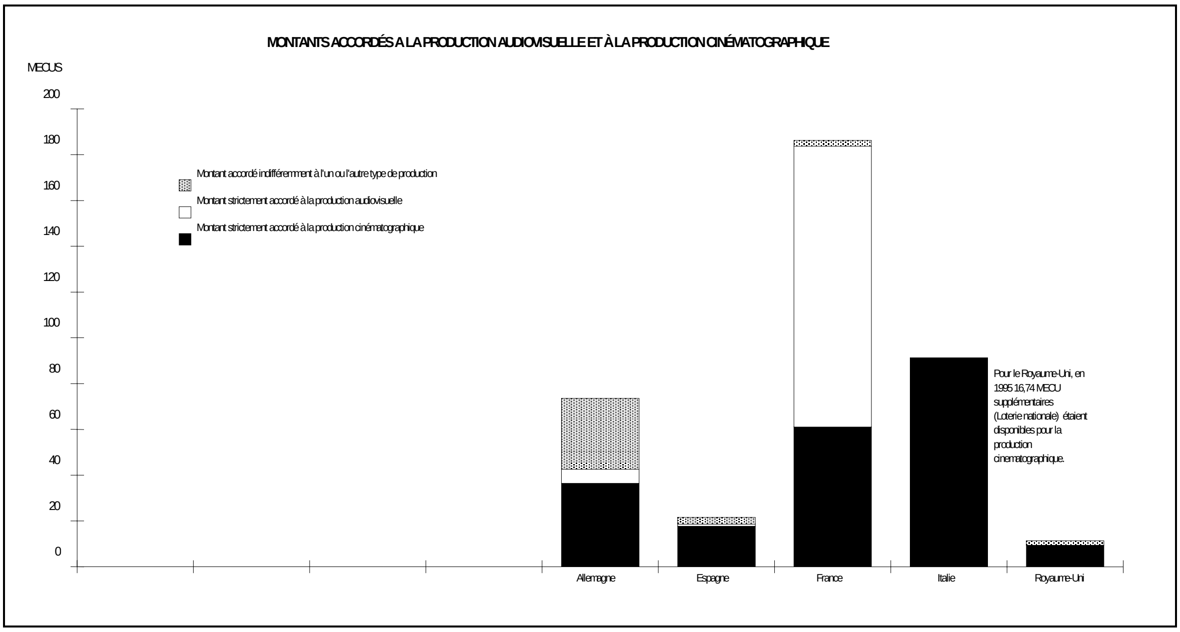
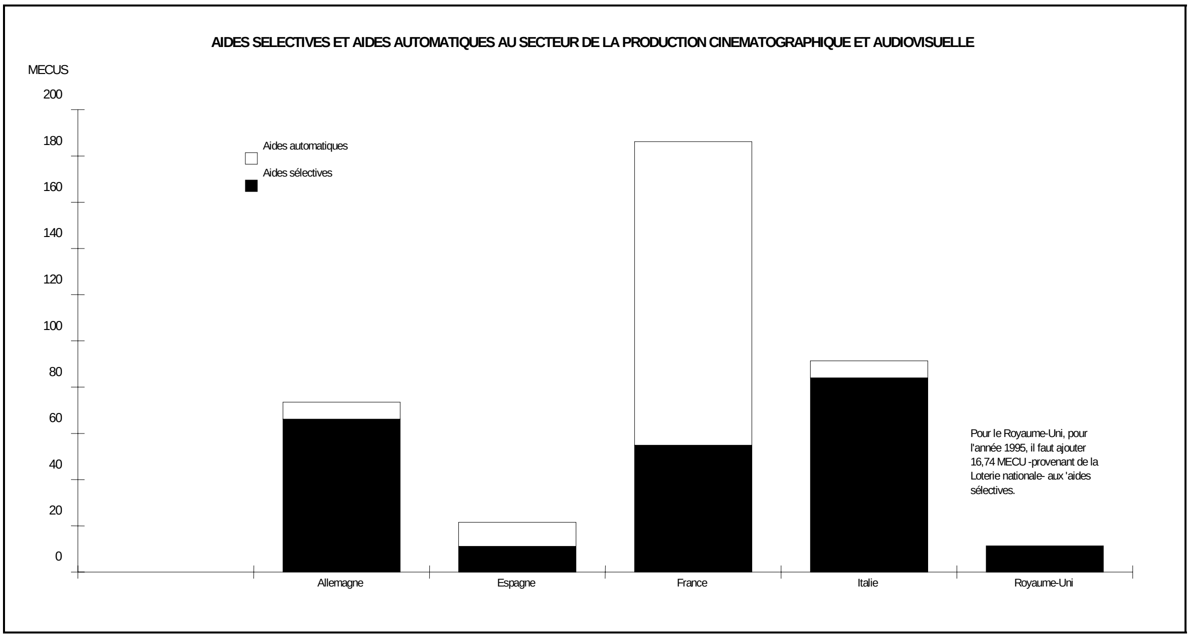
A.1.5. Graphiques : Germany - Spain - France - Italy - United Kingdom

A.1.5.1. Amounts Allocated to Film and Audiovisual Production .



For the UK in 1995, 16,74 MECU of National Lottery funding was also available for film production

A.1.5.2. Selective and Automatic Support for the Film and Audiovisual Production Sector



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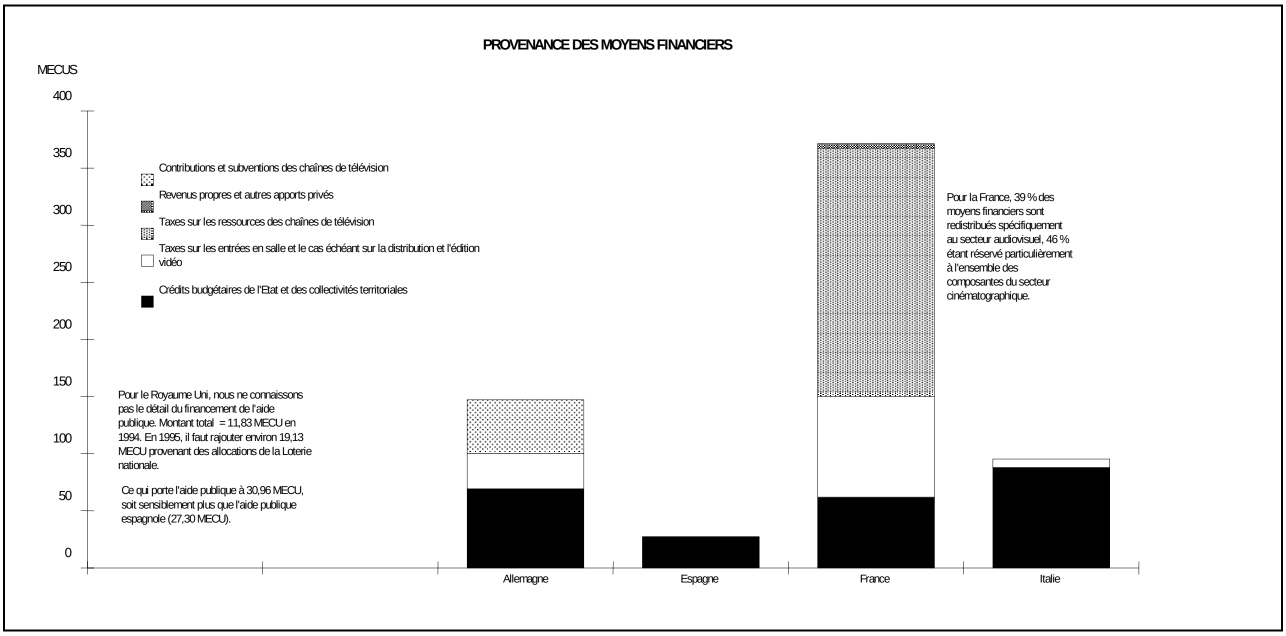
A.1.5.3 Sources for Public Funding Mechanisms



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A1.6 Balance of support

A1.6.1a Balance of Support between the Three Sectors: Production, Distribution (and Video Production) and Exhibition (in MECU)

	Production Sector	Distribution Sector (including Export)	Exhibition Sector	Total
Austria	nd	nd		nd
Belgium* (1)	13,34			13,34
Denmark *	17,63	0,53	0,11	18,27
Finland(2)	7,53	0,37	0,86	8,76
France *	186,30	15,06	51,51	252,87
Germany *	73,49	18,8	91,67	
Greece	4,71			4,71
Iceland (1)	0,60	nd		nd
Ireland *	3,75			3,75
Italy *	91,34	0,90	92,24	
Luxembourg	1,03			1,03
Netherlands	28,95	0,27		29,22
Norway	11,13	0,77	0,06	11,95
Portugal *	5,72	0,36		6,08
Spain*	21,53	0,93	0,95	23,41
Sweden	15,20	0,74	15,94	
Switzerland	8,07	0,42	0,01	8,49
United Kingdom(3)	11,34		0,04	11,38

Other types of support, for example, to festivals, training, etc is not included here, neither is support to the technical industries.
* 1995 figures
(1) Figures for support to distribution and exhibition are estimated.
(2) The total support budget of the Icelandic Film Fund is 1,336 MECU.
(3) The total figure allocated to the distribution and exhibition sectors corresponds to the total credit of the intervention fund, although this can also be allocated to funding structures.
(4) For 1995, it is also necessary to add the support given by the Foundation for Audiovisual Production to the production sector (no figures provided).
(5) For 1995, it is also necessary to add 16,74 MECU of Lottery funding to the total support to the production sector.

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A1.6.1b Balance of Support between the three Sectors: Production, Distribution (and Video Production), and Exhibition (in %)

	Production Sector	Distribution Sector (including Export)	Exhibition Sector	Total
Austria	nd	nd		100
Belgium*	100			100
Denmark *	96	3	1	100
Finland	86	4	10	100
France *	74	6	20	100
Germany *	80	20	100	
Greece	100			100
Iceland (1)	nd	nd		100
Ireland *	100			100
Italy *	99	1	100	
Luxembourg	100			100
Netherlands	99	1		100
Norway	93	6	0	100
Portugal *	94	6		100
Spain*	92	4	4	100
Sweden	95	5	100	
Switzerland	95	5	0	100
United Kingdom	100		0	100

Other types of support (eg. festivals, training) not taken into account here.
*1995 figures
(1) Total amount of support allocated to Production Sector corresponds to 45% of Icelandic Film Fund's total support budget

A1.6.2a Balance between Support to Funding Structures and Support to Individual Films in all Three Sectors (in MECU)

	Support to Individual Films	Support to companies	Total
Austria	nd	n	nd
Belgium*	12,60	0,74	13,34
Denmark *	18,17	0,11	18,28
Finland	nd	nd	8,76
France *	199,54	53,33	252,87
Germany *	80,53	11,14	91,67
Greece	4,71		4,71
Iceland (1)	nd		nd
Ireland *	3,75		3,75
Italy *	91,34	0,90	92,24
Luxembourg	1,03		1,03
Netherlands	29,22		29,22
Norway	11,91	0,05	11,95
Portugal *	6,08		6,08
Spain*	22,46	0,95	23,41
Sweden	nd	nd	15,94
Switzerland	8,48	0,01	8,49
United Kingdom (2)	11,34	0,04	11,38

* 1995 figures
(1) The total support budget of the Icelandic Film Fund is 1,336 MECU.
(2) For 1995, it is necessary to add 16,74 MECU of National Lottery funding to the total "Support to Individual Films" figure

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A1.6.2b Balance between Support to Funding Structures and Support to Individual Films (in %)

	Support to Individual Films	Support to companies	Total
Austria	nd	nd	100
Belgium*	94	6	100
Denmark *	99	1	100
Finland	nd	nd	100
France *	79	21	100
Germany *	88	12	100
Greece	100		100
Iceland	nd	nd	nd
Ireland *	100		100
Italy *	99	1	100
Luxembourg	100		100
Netherlands	100		100
Norway	100	0	100
Portugal *	100		100
Spain*	96	4	100
Sweden	nd	nd	100
Switzerland	100	0	100
United Kingdom (1)	100	0	100

A1.6.3a Balance between Selective and Automatic Support in the Three Sectors (in MECU)

	Selective Support	Automatic Support	Total
Austria	nd	nd	nd
Belgium*	9,56	3,79	13,34
Denmark *	15,36	2,92	18,28
Finland	8,76		8,76
France *	111,16	141,71	252,87
Germany *	84,41	7,26	91,67
Greece	4,71		4,71
Iceland	nd		nd
Ireland *	3,75		3,75
Italy *	84,93	7,31	92,24
Luxembourg	1,03		1,03
Netherlands	29,22		29,22
Norway	8,37	3,58	11,95
Portugal *	4,27	1,81	6,08
Spain*	13,00	10,41	23,41
Sweden	12,14	3,80	15,94
Switzerland	8,49		8,49
United Kingdom (1)	11,38		11,38

* 1995 figures
(1) It is necessary to add 16,74 MECU of National Lottery funding to the “Selective Support” figure.

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A1.6.3b Balance between Selective and Automatic Support in the Three Sectors (in %)

	Selective Support	Automatic Support	Total
Austria	nd	nd	100
Belgium* (1)	72	28	100
Denmark *	84	16	100
Finland	100		100
France *	44	56	100
Germany *	92	8	100
Greece	100		100
Iceland	nd	nd	nd
Ireland *	100		100
Italy *	92	8	100
Luxembourg	100		100
Netherlands	100		100
Norway	70	30	100
Portugal *	70	30	100
Spain*	56	44	100
Sweden	76	24	100
Switzerland	100		100
United Kingdom	100		100

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B. Data Relating to European Funding Schemes

B.1 Eurimages

B.1.1 Eurimages: Films (Majority Productions): Average Level of Financial Support Provided as % of the Average Budget of the Films

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1989-97
Austria					12.2%	5%	9.7%	10.1%		8.6%
Belgium	8.3%	11.9%	13.4%	10.6%	12.7%	9.3%	9.8%	10.9%	9.9%	10.7%
BulgarieBulgaria						15.5%	11.3%	10%		11.9%
ChypreCyrpus			11.2%				14.8%	10.2%		12,0%
Denmark		13.4%		12.8%		11.6%	10%	10.9%		11.3%
Finland		13.9%		13.2%	12.7%	9.5%			10.5%	12.5%
France	8.5%	13.1%	12.1%	6.8%	7%	7.7%	8.6%	6.2%	9.4%	8.1%
Germany	9.9%	12.3%	16.2%	4.7%	7.6%	8%	4.6%	4.3%	10.3%	6.2%
Greece	18.4%	12.2%		17%	15.3%	11.5%	12.8%	10.7%	10.2%	13,0%
HongrieHungary		19.8%		13.6%	14.2%	17.8%	12.5%	13%	10.7%	14.2%
Iceland		20%	12%		14.2%	10.6%	10.1%			12.4%
Ireland					6.1%	10.2%	10.4%	9.7%		9.4%
Italy	8.4%	10.4%	10.3%	9.8%	11.1%	10.4%	9.6%	10.2%		10.2%
Luxembourg				10.9%	11%	0%	10%			10.5%
Norway		14.7%		16.6%	13.7%	9.2%				12.4%
Pays BasNetherlands	13.7%	13.1%		10.2%	11.9%	9.5%	8.9%	11%		11.2%
PolognePoland			13.8%	20%	11.9%	16.4%		7.5%		10.5%
Portugal	11.7%	15.7%		7.8%	14.3%	6.1%	10.4%	11%		10.8%
République slovaqueSlovak Republic								12.7%		12.7%
République tchèqueCzech Republic							12.5%	11.5%		12.2%
Royaume UniUnited Kingdom					14.4%	7%	9.2%			8.9%
Spain	15.3%	14.4%	10.7%	12.9%	12.9%	12%	10.5%	10.3%	10.2%	11.9%
Sweden	14.4%		17.9%	12.4%	9.7%	6.1%	10.8%	10.9%		10.4%
Switzerland	14.4%	13.9%	12%	10.6%	8.4%	10.2%	9.1%	10.1%		10.2%
TurquieTurquie		16.4	14.7	11%	13.9		11.1	10.7	10.5	12.3%

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		%	%		%		%	%	%	
All member states	10.4 %	13.5 %	12.4 %	8.5%	10%	8.7%	8.5%	7.6%	9.9%	9.3%

Source: Eurimages/Bipe Conseil - Evaluation Report 1997

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B.1.2 Country Contributions to Eurimages' Funds in Million FRF

	1989	1990	1991	1992	1993	1994	1995	1996	1989-96
Austria			1	1,9	2,4	2,3	2,3	2,2	12,1
Belgium	2,7	2,8	3,3	3,3	3,3	3,3	3,4	3,3	25,4
BulgarieBulgaria					0,8	0,9	0,9	0,9	3,5
ChypreCyprus	0,2	0,2	0,2	0,2	0,2	0,3	0,3	0,4	2
Denmark	0,9	0,9	0,9	1,4	1,3	1,5	1,7	1,7	10,3
Finland		0,8	1,1	1,4	1,3	1,4	1,7	1,7	9,4
France	15	25	25	27	27	28	28	28	203
Germany	11	11,1	13,6	13,5	16,2	16,3	17,5	17,6	116,8
Greece	0,8	1,4	1,7	1,9	2	2,6	2,2	2,2	14,8
HongrieHungary		0,5	1	1,1	1,2	1,2	1,2	1,3	7,5
Iceland	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,3	1,7
Ireland					1	1,3	1,3	1,3	4,9
Italy	11,4	18	20,4	22,3	23,5	24	24,5	25,2	169,3
Luxembourg	0,1	0,1	0,3	0,3	0,3	0,3	0,3	0,4	2,1
Netherlands	1,5	3	3,3	4,5	4,7	4,7	4,8	4,5	31
Norway	0,2	1,2	1,2	1,2	1,2	1,5	1,5	1,5	9,5
PolognePoland			0,4	1,5	1,5	1,7	1,7	1,7	8,5
Portugal	0,7	0,9	1,2	1,5	1,5	1,5	1,7	1,7	10,7
République slovaqueSlovak Republic								0,6	0,6
République tchèqueCzech Republic						1,2	1,2	1,3	3,7
Spain	6	6,3	7	8,5	7,9	7,6	10	8,9	62,2
Sweden	1,5	1,5	1,5	1,5	3	3	2,8	2,5	17,3
Switzerland	2,4	3,1	2,9	3,7	5,5	6,7	6,7	7	38
TurquieTurkey		1	2,7	4,5	4,5	4,5	4,5	4,5	26,2
United Kingdom					11	16,5	19,50		47
All member states	54,6	78	88,9	101,4	121,5	132,5	139,9	120,7	837,5

Source: Rapport sur les activités d’Eurimages en 1996.

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B.1.3 Amounts of Eurimages' Support Allocated: By Country in Million FRF

	1989	1990	1991	1992	1993	1994	1995	1996	1989-96
Austria	0	0	0	0	4	2	5	3	14
Belgium	3	9	5	8	5	5	8	5	48
BulgarieBulgaria	0	0	0	0	0	1	2	1	4
ChypreCyprus	0	0	2	0	2	0	1	1	6
Denmark	0	2	0	5	4	4	6	5	26
Finland	0	3	0	1	1	1	0	0	6
France	13	39	35	40	28	43	31	47	276
Germany	11	3	11	9	8	3	19	11	75
Greece	3	3	0	1	10	5	2	6	30
HongrieHungary	0	3	0	7	4	2	3	3	22
Iceland	0	1	4	0	5	2	2	0	14
Ireland	0	0	0	0	2	5	2	4	13
Italy	3	6	11	15	16	8	14	9	82
Luxembourg	0	0	0	1	1	0	2	0	4
Norway	0	5	0	1	2	4	0	0	12
Pays BasNetherlands	6	3	0	5	6	2	4	1	27
PolognePoland	0	0	2	1	1	3	0	5	12
Portugal	3	7	0	2	0	3	3	2	20
République slovaqueSlovak Republic	0	0	0	0	0	0	0	1	1
République tchèqueCzech Republic	0	0	0	0	0	0	3	1	4
Royaume UniUnited Kingdom	0	0	0	0	3	15	13	0	31
Spain	2	6	3	15	5	14	9	8	62
Sweden	2	0	3	2	4	3	7	3	24
Switzerland	3	3	4	4	5	5	14	7	45
TurquieTurkey	0	5	2	1	5	0	5	7	25
All member states	49	98	82	118	121	130	155	130	883

* on the basis of the majority co-producing country
Source: European Audiovisual Observatory, from Eurimages/Bipe Conseil, Evaluation Report, 1997.

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B.2 Nordisk Film og TV Fond

B.2.1 Contributions from Organisations Participating in the Nordisk Film & TV Fond in NKR

Organisation	1996	1997	Diff.1996-1997
Nordic Council	20 084 850	20 130 000	45 150
Danish Film Institute (DFI)	4 800 482	5 032 500	232 018
Danmarks Radio (DRTV)	2 398 666	2 516 250	117 584
TV2 Danmark	2 415 261	2 516 250	100 989
Finnish Film Foundation (FFF)	3 343 234	3 261 060	-82 174
Yleis radio (YLE)	3 337 129	3 261 060	-76 069
Icelandic Film Foundation	223 007	221 430	-1 577
Riksuvarpid (RUV)	110 072	110 715	643
Stöd 2	110 343	110 715	372
Norwegian Film Institute	3 949 801	4 448 730	498 929
Norsk Kringkastning (NRK)	1 869 071	2 224 365	355 294
TV 4	3 899 687	2 388 760	-1 510 927
Swedish Film Insitute(SFI)	7 789 380	7 166 280	-623 100
Sveriges Television (STV)	3 891 507	4 777 520	886 013
TV2 Norge	2 942 847	1 241 279	-1 701 568
Reimbursements	35 916	1 030 753	
Total	61 201 253	60 437 667	-763 586

Source: Nordisk Film & TV Fond, Annual Reports 1996 and 1997.

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B.2.2 Amounts of Support from the Nordisk Film & TV Fond Allocated per Country and per Type of Production *

Type of audiovisual productions	Year	Sweden	Denmark	Finland	Norway	Iceland	p.a	Total	
Feature films	1990	4	2	1	2	1	10	10	
	1991	5	5	3	2	2	17	17	
	1992	2	4	2	2	2	12	12	
	1993	6	4	5	6	3	24	24	
	1994	1	2	2	2	2	9	9	
	1995	3,3	5	1,3	0,3	2	11,9	11,9	
	1996	4	3	1	1	0	9	9	
	1997	5	3	3	2	3	16	16	108,9
TV fiction	1990	3	0	0	0	1	4	4	
	1991	3	0	0	1	0	4	4	
	1992	2	1	0	0	0	3	3	
	1993	2	2	0	1	0	5	5	
	1994	1	0	0	1	0	2	2	
	1995	1	1	1	2	0	5	5	
	1996	3	1	0	1	0	5	5	
	1997	4	1	1	0	0	6	6	34
Documentary	1990	2	0	2	0	0	4	4	
	1991	4	4	7	2	2	19	19	
	1992	3	1	0	1	0	5	5	
	1993	2	3	2	0	0	7	7	
	1994	4	5	3	0	0	12	12	
	1995	7	3	3	4	0	17	17	
	1996	6	4	2	1	1	14	14	
	1997	9	3	2	3	2	19	19	97
Short films	1990	2	3	1	1	2	9	9	
	1991	5	4	1	2	2	14	14	
	1992	2	2	3	2	2	11	11	
	1993	3	3	1	2	2	11	11	
	1994	2	1	1	0	1	5	5	
	1995	5	3	0	2	1	11	11	
	1996	2	2	3	0	0	7	7	
	1997	1	3	2	1	1	8	8	76
Total	108,3	78	53,3	44,3	32	316	315,9		
%works pr. country	34	25	17	14	10	100			
%works pr. Country in 1997	39	21	16	12	12	100			

* These figures are based on the nationality of the majority coproducer. Several projects originally planned as feature films , were finally released as TV series. The reverse has also been the case.

Source : Aarsrapport 1997 fra Nordisk Film & TV Fond

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B.2.3 Distribution of the Resources of the Nordisk Film & TV Fond to the Industry by Funding Scheme in NKR

Funding Scheme	1995	1996	1997
Feature Film Funding	33 000 000	22 000 000	29 260 000
Television Series Funding	12 219 000	12 900 000	11 700 000
Documentary Funding	3 645 000	3 548 292	4 350 000
Short Film Funding	3 183 760	2 758 000	1 716 000
Development Funding		5 491 000	2 777 441
Distribution and Promotion Funding	1 801 025	2 070 440	2 412 000
Festival and Other Media Events Funding	3 393 498	8 004 060,00	3 269 508
Total	57 242 283	56 771 792	55 484 949

* includes a special contribution from the Nordic Council of Ministers of 2,355,268 Norwegian crowns. ** comes from special funds of the Nordic Council of Ministers *** in 1997 the budget for Festival and Other Media Events was reduced to 2,202,530 Norwegian crowns.
Sources: Aarsrapport 1995, 1996, 1997 fra Nordisk Film & TV Fond

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C. Rate of Exchange of the ECU(1989-1997)

Annual average, 1 ECU =

Country	National curriency	1989	1990	1991	1992	1993	1994	1995	1996	1997	1997/96
AT	ATS	14,57	14,44	14,43	14,22	13,62	13,54	13,18	13,43	13,82	2,9%
BE	BEF	43,38	42,43	42,22	41,59	40,47	39,66	38,55	39,30	40,53	3,1%
BG	BGL (*)	n.c.	n.c.	22,07	30,27	32,34	64,36	87,92	225,75	1907,42	744,9%
CH	CHF	1,80	1,76	1,77	1,82	1,73	1,62	1,55	1,57	1,64	4,6%
CS	CSK (*)	16,60	22,85	36,53	36,68	_	_	_	_	_	_
CZ	CZK (*)	_	_	_	_	34,18	34,21	34,77	34,46	35,93	4,3%
CY	CYP	0,54	0,58	0,57	0,58	0,58	0,58	0,59	0,59	0,58	-1,7%
DE	DEM	2,07	2,05	2,05	2,02	1,94	1,92	1,87	1,91	1,96	2,6%
DK	DKK	8,05	7,86	7,91	7,81	7,59	7,54	7,33	7,36	7,48	1,6%
EE	EEK (*)	_	_	_	15,70	15,50	15,44	15,00	15,27	15,74	3,1%
ES	ESP	130,41	129,41	128,47	132,53	149,12	158,92	163,00	160,75	165,89	3,2%
FI	FIM	4,72	4,85	5,00	5,81	6,70	6,19	5,71	5,83	5,88	0,9%
FR	FRF	7,02	6,91	6,97	6,85	6,63	6,58	6,53	6,49	6,61	1,8%
GB	GBP	0,67	0,71	0,70	0,74	0,78	0,78	0,83	0,81	0,69	-15,2%
GR	GRD	178,84	201,41	225,22	247,03	268,57	288,03	302,99	305,55	309,36	1,2%
HU	HUF (*)	65,11	80,46	92,71	102,43	107,77	135,61	164,55	193,74	211,65	9,2%
IE	IEP	0,78	0,77	0,77	0,76	0,80	0,79	0,82	0,79	0,75	-5,5%
IS	ISK	63,04	74,39	73,28	74,66	79,25	83,11	84,69	84,66	80,44	-5,0%
IT	ITL	1510,47	1521,98	1533,24	1595,52	1841,23	1915,06	2130,14	1958,96	1929,30	-1,5%
LT	LTL (*)	_	_	_	2,30	5,09	4,73	5,23	5,08	4,54	-10,6%
LU	LUF	43,38	42,43	42,22	41,59	40,47	39,66	38,55	39,30	40,53	3,1%
LV	LVL (*)	_	_	_	0,95	0,79	0,67	0,69	0,71	0,66	-6,4%
MT	MTL	0,38	0,40	0,40	0,41	0,45	0,45	0,46	0,46	0,44	-4,7%
NL	NLG	2,34	2,31	2,31	2,27	2,18	2,16	2,10	2,14	2,21	3,3%
NO	NOK	7,60	7,95	8,02	8,04	8,31	8,37	8,29	8,20	8,02	-2,2%
PL	PLZ (*)	0,16	1,21	1,31	1,77	2,12	2,65	3,17	3,43	3,72	8,5%
PT	PTE	173,41	181,11	178,61	174,71	188,37	196,90	196,11	195,76	198,59	1,4%
RO	ROL (*)	16,45	28,55	94,76	399,35	891,01	1967,24	2947,12	3922,19	8111,50	106,8%
RU	RUR (*)	_	_	_	_	1,16	2,60	5,96	6,50	6,56	0,9%
SU	SUR	13,64	_	_	_	_	_	_	_		
SE	SEK	7,10	7,52	7,48	7,53	9,12	9,16	9,33	8,51	8,65	1,6%
SI	SIT (*)	3,17	14,41	34,20	105,42	132,75	155,25	154,88	171,78	181,00	5,4%
SK	SKK (*)	_	_	_	_	36,07	38,09	38,87	39,38	38,11	-3,2%
TR	TRL	2338,96	3 329,06	5 153,29	8 930,95	12 879,30	35 535,30	59 912,10	103 214,00	170 992,00	65,7%
JP	JPY (*)	152,09	184,32	167,11	164,24	130,36	121,49	123,04	138,05	137,21	-0,6%
US	USD	1,10	1,27	1,24	1,30	1,17	1,19	1,31	1,27	1,13	-11,0%

(*) Estimates according to an intermediary conversion national currency/USD : CZK, ROL, and SIT till 1994, HUF till 1993.
Source : EUROSTAT/FMI/OBS

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